



The Study on The Impact of Financial Literacy and Record Keeping on Investment Readiness in Rural Farmers: A Secondary Data Analysis

Mr. S PREM KUMAR

*IV Sem MCom FA, Department of Commerce (PG),
Kristu Jayanti (Deemed to be University)*

Abstract - This study on the impact of financial literacy and record-keeping practices on investment readiness among rural farmers using secondary data sources. Rural farmers often face financial constraints, limited access to institutional finance, and inadequate financial management skills, which affect their ability to make informed investment decisions. Drawing on data from government reports, surveys of national records, research articles, and institutional publications, this study analyses existing evidence on financial literacy levels, record-keeping behaviour, and investment preparedness among rural farming communities in India. The findings indicate that low financial literacy and poor record-keeping practices remain major problem to investment readiness. Studies consistently show that farmers with higher financial awareness and systematic record keeping demonstrate better access to credit, improved financial planning, and greater adoption of agricultural technologies, even had great profit. The study highlights the need for policy-driven financial education and standardized record-keeping frameworks to strengthen investment readiness and promote sustainable rural development.

Keywords: Financial Literacy, Record Keeping, Investment Readiness, Rural Farmers, Secondary Data, Agricultural Finance.

2. Introduction

2.1 Background of the Study

Agriculture continues to be the backbone of rural economies, particularly in developing countries like India, where a large proportion of the population depends on farming for livelihood. Despite its importance, the agricultural sector is characterized by income instability, climate risks, and limited capital formation. In this context, investment readiness—defined as the ability of farmers to plan, evaluate, and undertake productive investments—has become a crucial factor for agricultural growth.

Financial literacy and record-keeping practices are central to improving investment readiness. Financial literacy enables farmers to understand savings, credit, insurance, and

government schemes, while record keeping supports effective monitoring of farm income and expenditure. However, evidence from existing studies suggests that rural farmers often lack adequate financial knowledge and rely on informal or memory-based financial management practices.

Furthermore, limited financial literacy and weak record-keeping practices restrict farmers' access to institutional credit and formal financial services. In the absence of proper financial records, farmers face difficulties in demonstrating creditworthiness to banks and other lending institutions, often forcing them to rely on informal sources of finance with higher interest rates. This not only increases financial vulnerability but also discourages long-term investment in modern agricultural inputs and technologies. Strengthening financial knowledge and promoting simple, systematic record-keeping practices can therefore enhance farmers' financial decision-making, reduce dependency on informal credit, and improve overall investment readiness, contributing to sustainable agricultural development in rural areas.

2.2 Problem Of Statement

Although several initiatives promote financial inclusion and agricultural finance, rural farmers continue to exhibit low levels of financial literacy and inadequate record-keeping practices. This limits their ability to assess investment opportunities, access institutional credit, and manage farm risks effectively. Much of the existing research addresses financial literacy or record keeping separately, with limited emphasis on their combined influence on investment readiness. There is a need to synthesize existing secondary data to understand how these factors interact and affect farmers' investment preparedness. This study addresses this gap through a systematic review and analysis of secondary data sources.

2.3 Contribution and Significance of the Study

This study makes a meaningful contribution to the existing body of literature by systematically consolidating secondary evidence on financial literacy, record-keeping practices, and investment readiness among rural farmers. While prior studies have examined these variables individually, this research adopts an integrated approach that highlights their



interdependent relationship. By synthesizing findings from government reports, national surveys, and peer-reviewed research, the study provides a comprehensive understanding of how financial capability and documentation practices collectively influence farmers' preparedness to undertake productive investments. This integrated perspective adds conceptual clarity to rural finance literature and strengthens the analytical framework for studying agricultural investment behaviour.

From an academic standpoint, the study contributes by bridging gaps in existing research and offering a structured synthesis of secondary data across multiple sources and time periods. It enhances the theoretical understanding of investment readiness by positioning financial literacy and record keeping as complementary determinants rather than isolated factors. The study also serves as a reference point for future researchers by identifying consistent patterns, gaps, and limitations within the available secondary data, thereby guiding more focused empirical investigations in rural financial behaviour.

- **Academic Contribution**

This study contributes to existing literature by integrating financial literacy and record-keeping practices within a single analytical framework. It synthesizes secondary data from diverse sources to explain their combined influence on investment readiness among rural farmers. This approach addresses gaps in earlier studies that examined these factors independently. The study strengthens the conceptual understanding of financial preparedness in rural agricultural contexts.

- **Theoretical Significance**

The research enhances theoretical perspectives on rural finance by positioning investment readiness as an outcome of both financial capability and documentation practices. It highlights the complementary role of knowledge and record keeping in financial decision-making. The findings support a holistic view of investment behaviour rather than isolated financial factors. This contributes to the development of more comprehensive rural finance models.

- **Policy Relevance**

From a policy standpoint, the study provides evidence-based insights useful for designing targeted rural financial interventions. It emphasizes the need to combine financial literacy programs with practical record-keeping support. The findings can assist policymakers in improving access to institutional credit and investment schemes. This supports inclusive and sustainable agricultural development.

- **Practical and Developmental Implications**

The study offers practical guidance for financial institutions and development agencies working with rural farmers. It underscores the importance of promoting simple and accessible record-keeping tools alongside financial education. Such measures can enhance farmers' investment preparedness and reduce reliance on informal credit. Ultimately, this contributes to improved financial resilience in rural farming communities.

3. Review of Literature

3.1 Financial Literacy among Rural Farmers

Secondary data from national surveys, government reports, and empirical studies indicate that financial literacy levels among rural farmers in India remain predominantly low to moderate. Studies conducted by institutions such as NABARD and the OECD reveal that a significant proportion of farmers lack basic knowledge of interest rate calculations, loan repayment terms, insurance coverage, and long-term financial planning. Limited awareness of formal financial products often results in poor financial decision-making and continued dependence on informal credit sources. The absence of structured financial education in rural areas further contributes to low financial capability among farming households.

Existing research also highlights that financial literacy is influenced by socio-economic and institutional factors such as education, income, access to banking facilities, and exposure to financial training programs. Farmers who have participated in financial literacy initiatives demonstrate better understanding of savings instruments, crop insurance schemes, and government support programs. Secondary evidence consistently shows that financially literate farmers are more likely to engage with formal banking systems, maintain savings accounts, and make informed investment decisions. This, in turn, facilitates the adoption of improved agricultural practices and enhances overall farm productivity and financial resilience.

3.2 Record-Keeping Practices in Agriculture

Existing literature highlights that systematic record keeping is largely absent among small and marginal farmers. Government reports and empirical studies show that most farmers do not maintain written records of income and expenses, relying instead on memory-based tracking. Barriers include lack of awareness, low literacy levels, and the perceived complexity of record keeping. Studies also indicate that farmers who maintain records are better able to analyse profitability and meet institutional lending requirements.

3.3 Financial Literacy, Record Keeping, and Investment Readiness

Secondary research reveals a strong relationship between financial literacy, record keeping, and investment readiness. Farmers with higher financial awareness and proper documentation are more prepared to invest in farm inputs, technology, and infrastructure. Institutional studies suggest that record keeping enhances transparency and creditworthiness, while financial literacy improves decision-making ability. Together, these factors significantly influence farmers' readiness to undertake productive investments.

4. Objectives of the Study

The objectives of this study are to:

- Review the level of financial literacy among rural farmers based on secondary data
- Examine record-keeping practices followed by rural farmers using existing studies
- Analyse investment readiness among rural farmers as reported in secondary sources
- Assess the relationship between financial literacy, record keeping, and investment readiness
- Suggest policy measures based on secondary evidence

5. Research Methodology

5.1 Research Design

The study adopts a descriptive and analytical research design based entirely on secondary data. It aims to synthesize and interpret existing research findings rather than collect primary data.

5.2 Sources of Data

The study relies exclusively on secondary data collected from the following sources:

- Government publications and reports (NABARD, RBI, Ministry of Agriculture)
- National surveys (All India Debt and Investment Survey, Financial Inclusion Reports)
- Research articles published in peer-reviewed journals
- Reports from international organizations and development agencies

- Conference papers, working papers, and academic theses

Secondary Data on Financial Literacy, Record Keeping, and Investment Readiness of Rural Farmers in India (2023–2025)

Table: Trends Based on Indian Secondary Sources

Year	Indicator	Secondary Data Evidence (India)	Major Source
2023	Financial literacy among rural households	Over 50% of rural households demonstrated basic financial literacy, showing improvement compared to previous surveys	NABARD – All India Rural Financial Inclusion Survey
2023	Use of formal banking services	Around 78% of rural households held at least one bank account	RBI – Financial Inclusion Reports
2023	Record-keeping practices	Majority of small and marginal farmers relied on informal or memory-based records	Ministry of Agriculture & FAO India
2024	Participation in financial literacy programs	Significant rise in rural participation through Financial Literacy Centres (FLCs)	RBI & NABARD Annual Reports
2024	Access to institutional credit	Increase in Kisan Credit Card (KCC) coverage among rural farmers	Ministry of Finance
2024	Investment readiness (proxy: adoption of modern inputs)	Farmers with access to credit and financial awareness showed higher adoption of farm machinery and technology	ICAR & Agricultural Economics Studies
2025	Financial Literacy Centres in India	Over 2,400 FLCs operational across rural India	RBI & NABARD
2025	Digital financial adoption	Increased use of digital payments and mobile banking among rural farmers	RBI Digital Payments Report
2025	Investment preparedness	Improved readiness observed among farmers with financial literacy + basic documentation	NABARD & World Bank India Reports

Financial Literacy

Indian secondary data show a steady improvement in financial literacy among rural households due to initiatives by NABARD, RBI, and government-supported awareness programs. However, literacy remains uneven, particularly among small and marginal farmers.

Record-Keeping Practices

Despite improvements in financial access, systematic record keeping remains weak. Most Indian farmers do not maintain written income-expenditure records, limiting their ability to assess profitability and qualify for institutional finance.

Investment Readiness



Secondary Indian studies indicate that investment readiness improves significantly when financial literacy is combined with access to credit and basic record-keeping practices. Farmers who understand financial products and maintain simple records are more willing to invest in irrigation, seeds, machinery, and technology.

5.3 Method of Analysis

The collected secondary data were analysed using qualitative content analysis and comparative analysis. Trends and relationships identified in previous studies were systematically reviewed to draw conclusions regarding financial literacy, record keeping, and investment readiness among rural farmers.

6. Summary of Findings

- Secondary evidence indicates that financial literacy among rural farmers remains low to moderate
- Record-keeping practices are predominantly informal and unsystematic
- Financial literacy positively influences farmers' ability to understand investment opportunities
- Proper record keeping enhances access to institutional credit and financial planning
- Studies consistently show a positive relationship between financial literacy, record keeping, and investment readiness

7. Interpretation of Results

The synthesis of secondary data suggests that financial literacy provides farmers with the knowledge required for informed financial decision-making, while record keeping serves as a practical mechanism for applying this knowledge. Farmers lacking either component face difficulties in planning investments and accessing formal finance. The interaction between financial literacy and record keeping significantly determines investment readiness, reinforcing the need for integrated interventions.

8. Limitations of the Study

- The study is constrained by the availability, scope, and quality of secondary data used for analysis.
- Variations in research design, sampling methods, and measurement indicators across studies may affect the comparability of findings.

- The conclusions drawn are dependent on the accuracy and reliability of existing published sources.
- Secondary data may not fully reflect recent changes in financial behaviour and investment practices among rural farmers.
- Regional and contextual differences across study areas limit the generalizability of the results.
- The absence of standardized measures for financial literacy and record-keeping practices restricts precise cross-study comparison.
- The study does not account for individual behavioural and psychological factors influencing investment readiness.

9. Conclusion and Recommendations

9.1 Conclusion

Based on secondary evidence, the study concludes that financial literacy and record-keeping practices are critical determinants of investment readiness among rural farmers. Low levels of financial awareness and inadequate documentation restrict farmers' ability to plan, invest, and access institutional finance. Strengthening these areas is essential for promoting sustainable agricultural development and rural economic growth.

9.2 Recommendations

- Strengthen financial literacy initiatives through rural extension programs
- Promote standardized and simplified record-keeping systems
- Integrate financial education with government agricultural schemes
- Encourage digital financial tools suitable for rural contexts
- Use record-based assessments in agricultural credit evaluation.

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