An Analysis of the Impact of Financial Literacy on Credit Utilisation Behaviour of the Farmers in Kamburupitiya DS division

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INTRODUCTION

Agriculture & agricultural loan

Agriculture is one of the major livelihoods of the rural populace in Sri Lanka with a long history. Today it has become commercialized. In socio-economics terms, the agriculture sector in Sri Lanka plays a vital role. Agriculture is also seen as a critical tool for achieving long-term development and poverty reduction. Agricultural productivity growth is critical for the rest of the economy to thrive and develop. Therefore, Agriculture is considered as one of the important pillars of the national GDP in spite of its less contribution. Anyhow, the agriculture sector's contribution to the national GDP has significantly decreased over the last three decades. Moreover, the agriculture sector is an important source of employment for the largest amount of rural population in Sri Lanka. Moreover, approximately agriculture contributed 7.5% of GDP and employed 25.3% of the workforce as of the third quarter of 2018 (Department of census and statistics).

Formal and Informal Financial Sector

Most of formal financial systems consist of complex administrative procedures than informal ones. And formal financial institutions' working days and hours do not consider rural work schedules; banks are open at times when farmers are working in their fields. Loan application procedures are complicated and necessitate reading and writing abilities in order to create a file on the borrower. Loan requests are complicated to process, resulting in lengthy delays before final approval or denial. Even if a loan is approved, it can take a long time to obtain and the transaction costs are high compared to informal financing methods. The informal financial sector targets many rural and low-income earners. The rural populace attract to formal financial help since procedures for informal credit schemes are generally simple and straightforward. Credit is easy to obtain, non-bureaucratic and not heavily reliant on written paperwork. It is not necessary to be literate. However, due to informal lenders and high-interest micro-credit networks, the average farmer has slipped into a debt

trap. The Central Bank, commercial banks, savings institutions, cooperatives and the stock market serve as the formal sources of finance. In the informal loan market, money lenders, local bankers, mortgage brokers, dealers and merchants, landowners, acquaintances and relatives serve as intermediaries. Interest rates in the unorganized market are higher than in the organized market.

There are financial institutions, including banks and non-banking lenders, which provide credit facilities to the agricultural sector, and it has become imperative for CBSL to set aside 10% of the loan portfolio to provide credit facilities for agricultural development. (CBSL, 2016). Low-interest rates, long repayment periods, and minimal document requirements are the advantages of agricultural loans which are not included in other types of loan schemes. NSRCS, *Govi Shakthi* credit scheme, *Thurusaviya* credit scheme, credit for paddy purchasing, *Kapruka* credit scheme and credit for the Tea smallholders are the credit facilities delivered by BOC. *Kapruka Ayojana* loan scheme and *Saubagya* loan scheme are offered to farmers by People's Bank. These are the prominent loan schemes offered by state-owned banks. Private sector banks are reluctant to lend to agricultural credit facilities when considering government banks. Apart from those loan schemes, the government has implemented programs that encourage agricultural activities to the socio-economic prosperity of the people of the country. The governments that came to power in Sri Lanka were improving the support institutional framework for the rural sector. Such improvements include a guaranteed pricing scheme for farm produce, a formal rural loan scheme and crop insurance. That kind of credit facility helps farmers to fulfil their capital requirements and uplift their living standards. Farmers prefer government-led credit facilities due to the absence of collateral issues, strict monitoring procedures, and strict repayment mechanisms.

Financial literacy

Literacy is the ability to identify, understand, interpret, create, communicate, and compute, using printed and written materials associated with the varying context (Grant, 1986). Financial literacy deviates from general literacy because it emphasizes the financial aspects related to literacy. That financial literacy plays a vital role in people’s lives because every person does transactions. Financial literacy is considered a core skill to deal with the modern financial environment around the world (Aggarwal, Gupta and Singh,2014) Accordingly, financial literacy is a core competency that allows people to manage their monetary aspects in effective ways. For that at least they need a minimum level of financial literacy to continue day-to-day activities. In both developed and developing countries' policymakers emphasize that financial literacy is a crucial factor & financial literacy is awareness and knowledge about financial products, institutions, financial skills and financial capabilities (Xu and Zia, 2012). Financial literacy is not all about the knowledge but also the ability to use that knowledge and skill of financial concept management and financial decision making (Nunoo and Andoh, 2011). Also, it emphasizes competency in financial planning, advantage service

methods, customer rights, time value of money, compound interest, the mechanics of a credit card (Ombongi, 2015). Financial literacy positively impacts people's personal and business life and it helps to mitigate social and psychological pressures and enhance the welfare of the family (Taft *et al.*, 2013). People who are financially literate take wise decisions in day to day life regarding monitory aspects.

Loan utilization

Loan utilization is the amount of credit that has been used compared with how much credit has been extended by a lender. The loan is an important factor in agriculture when used properly (Khatun, Mian and Khatun, 2014). Therefore, the provision of credit facilities to the farmer will help them achieve the desired outcome. Loan utilization after getting a loan depends on the understanding of the farmer or the purpose. Some loans are used solely for the purposes for which they were obtained. Some of them are used for some other productive purpose but not for the specific purpose mentioned earlier. Some loans are partly used for productive purposes, and partially misused and some loans are misused (Pongen, Godara and Singh, 2019).

Statement of the problem

Agriculture is the main livelihood of the rural community in most developing countries like Sri Lanka. Anyhow the majority of rural farmers are facing challenges with accessing the resource, and they are poor in many resources. Similarly, the literacy level and socio-economic condition of the great proportion of rural farmers are low. Their general literacy is at a very low level. Most of them have not completed their primary education. They are lacking resources, and the access is limited to the resources. There were instances where some farmers did not own land. Similarly, , agrochemicals, and other inputs and machinery are costly. Due to that farmers have to bear the high cost. But they are lacking their own capital for that. At this point, they need financial support from another party.it may be formal or non-formal financial institutions. The banks, insurance, microfinance institutions are the formal bodies. Illegal financial lenders and borrowing from peers are the informal ways that farmers obtained credit facilities for their activities. In Sri Lanka, only government and regional banks are the agents who provide agricultural-based loan schemes for the farmers. BOC, People's bank, Regional development banks (RDB), *Sanasa* Bank, *Govi Jana*, *Ruhunu* Development bank (RDB) provide agricultural loan facilities to the farmers. The access to the institutions for the loan facilities is also limited due to some reasons. Collateral issues, low financial literacy, Interest rate, payback period, lack of third-party insurance constrained access to formal financial institutions.

Furthermore, after receiving the loan, several issues arise in terms of loan utilization and payback. The weakness of loan performance received from microfinance institutes is a major problem for some developing countries (Ombongi, 2015). Some farmers fully utilize the loan and at the same time

some farmers misutilise the loan. Due to the use of that loan for family expenditures, the farmer could not be able to receive real output from that loan. The financial institution provides that loan for agricultural purposes, so they release some tight fines and penalties, impose low-interest rates, and provide some facilities which are not obtained by other loan receivers. These benefits led farmers to borrow more. Nevertheless, they do not have a real idea about how to use that loan with minimum risk and manage the repayments based on their income. Therefore, farmers are facing a great challenge in loan repayments due to mis/underutilization of the acquired loan. Therefore, the correct utilization of credit for agriculture is an essential consideration. For the correct utilization of the loan, farmers require a certain level of awareness and knowledge on financial matters. Therefore, this research aims to determine the relationship between financial literacy and loan utilization of rural farmers.

The poor loan repayment plan is not a mere issue in the farmers' context and it has created a huge financial burden to the financial institutions and the Government. The main objective of this subsidized loan facility is to alleviate rural poverty thought uplifting the agricultural sector. Anyhow, this objective of the credit schemes was not achieved in many contexts of the country due to the misutilisation of the agricultural loan by the rural farmers.

Research questions & Research Objectives of the Study

In this research, a number of research questions have been addressed in context to farmers' knowledge on financial matters, the purpose of the loan acquisition and the impact of financial literacy on credit utilization.

Research questions

01. Since it is supposed to have a healthy financial literacy for the effective utilization of the credit, the first research question was, what will be the current financial literacy level of the agricultural loan borrowers?
02. As there is a direct relationship between financial literacy and credit utilization behaviour with the farmer socio-economic characteristics, the second research question was to: what are the socio-economic characteristics of farmers that affect the financial literacy and credit utilisation behaviour ?.
03. When it comes to credit utilization, there can be several factors that affect farmers' credit utility behaviour. They can be the internal traits of the farmer or other external forces. Therefore, the next research question was to analyse whether financial literacy affects the credit utility behaviour of farmers.

Research Objectives

The following research objectives were used to answer the above research questions,

1. To analyse the level of financial literacy and credit utilization behaviour of farmers in the *Kamburupitiya* DS division,
2. To analyse the impact of financial literacy on the credit utilization behaviour of the farmers in *Kamburupitiya* DS division.
3. To analyse the impact of farmers` characteristics on financial literacy and credit utilization behaviour and finally to give suggestions to improve financial literacy and effective loan utilization of farmers.

Significance of the study

The agriculture sector is considered as one of the key sectors that strengthens the economy in South Asian countries like Sri Lanka. Financial provisions are tightly linked with the agricultural sector because most farmers lack enough resources and capital. There are so many studies that have been conducted independently to determine financial literacy level, loan utilization, and detect the factors which influence financial literacy and loan utilization. Nevertheless, most of them are limited to the developed context. Most financial literacy studies have been limited to the developed countries, and research into poor farming communities in developing countries has so far been ignored (Gaurav and Singh, 2012) and the Lusardi & Mitchell (2008) also stated the same. Among them, there was little research about the effect of financial literacy on loan utilization. Nevertheless, very few studies were conducted in the Sri Lankan context. Accordingly, this study analysing the impact of financial literacy on credit utility is important for farmers as well as for organizations providing financial services to agricultural objectives and extension services. This is because many rural communists are engaged in agriculture and many of them have obtained credit facilities.

Hypothesis

The answers to Question 1 determine the financial literacy level and credit utilization behaviour of the farmer Also, question no 4 determine the relationships between financial literacy and credit utilization behaviour. The answer to question 2 will explain the impact of demographic characteristics on farmers' financial literacy levels and credit utilization behaviour. Following hypotheses are formulated, based on the questions and objectives of the research.

H_0= The financial literacy of the farmers in the *Kamburupitiya* area has not had a significant impact on their credit utilization behaviour.

$H_{1=}$ The financial literacy of the farmers in the *Kamburupitiya* area has a significant impact on their credit utilization behaviour.

H_0= Age of the farmers in the *Kamburupitiya* area has not had a significant impact on their financial literacy.

H_2= Age of the farmers in the *Kamburupitiya* area has a significant impact on their financial literacy.

H_0= Educational level of the farmers in the *Kamburupitiya* area has not had a significant impact on their financial literacy.

H_3= Educational level of the farmers in the *Kamburupitiya* area has a significant impact on their financial literacy.

H_0= Income level of the farmers in the *Kamburupitiya* area has not had a significant impact on their financial literacy.

H_4= Income level of the farmers in the *Kamburupitiya* area has a significant impact on their financial literacy.

H_0= The age of the farmers in the *Kamburupitiya* area has not a significant impact on their credit utilization behaviour.

$H_{5=}$ The age of the farmers in the *Kamburupitiya* area has a significant impact on their credit utilization behaviour.

H_0= The educational level of the farmers in the *Kamburupitiya* area has not had a significant impact on their credit utilization behaviour.

$H_{6=}$ The educational level of the farmers in the *Kamburupitiya* area has a significant impact on their credit utilization behaviour.

H_0= The income level of the farmers in the *Kamburupitiya* area has not a significant impact on their credit utilization behaviour.

$H_{7=}$ The income level of the farmers in the *Kamburupitiya* area has a significant impact on their credit utilization behaviour.

H_0= The Size of the loan has not had a significant impact on their credit utilization behaviour.

$H_{8=}$ The Size of the loan has a significant impact on their credit utilization behaviour.

H_0= The purpose of the loan has not had a significant impact on their credit utilization behaviour.

$H_{9=}$ The purpose of the loan has a significant impact on their credit utilization behaviour.

METHODOLOGY

Study area

The study area was the *Kamburupitiya* DS division in *Matara* District. It is one of the 16 divisional secretary divisions in the *Matara* district. The division comprises 39 Grama Niladhari divisions. It covers an area of 61 sq. km and had a population of 40969 persons in 2012 (Department of census and statistics, 2012). The average temperature is 27 ^{0}C. The average rainfall is 2775.3 mm per year.

Population and sample selection

The population was those who are received agricultural credit facilities from *Govijana* Bank, which belongs to the Agrarian service department. There were 125 credit receivers and 60 farmers were selected using a simple random sampling technique.

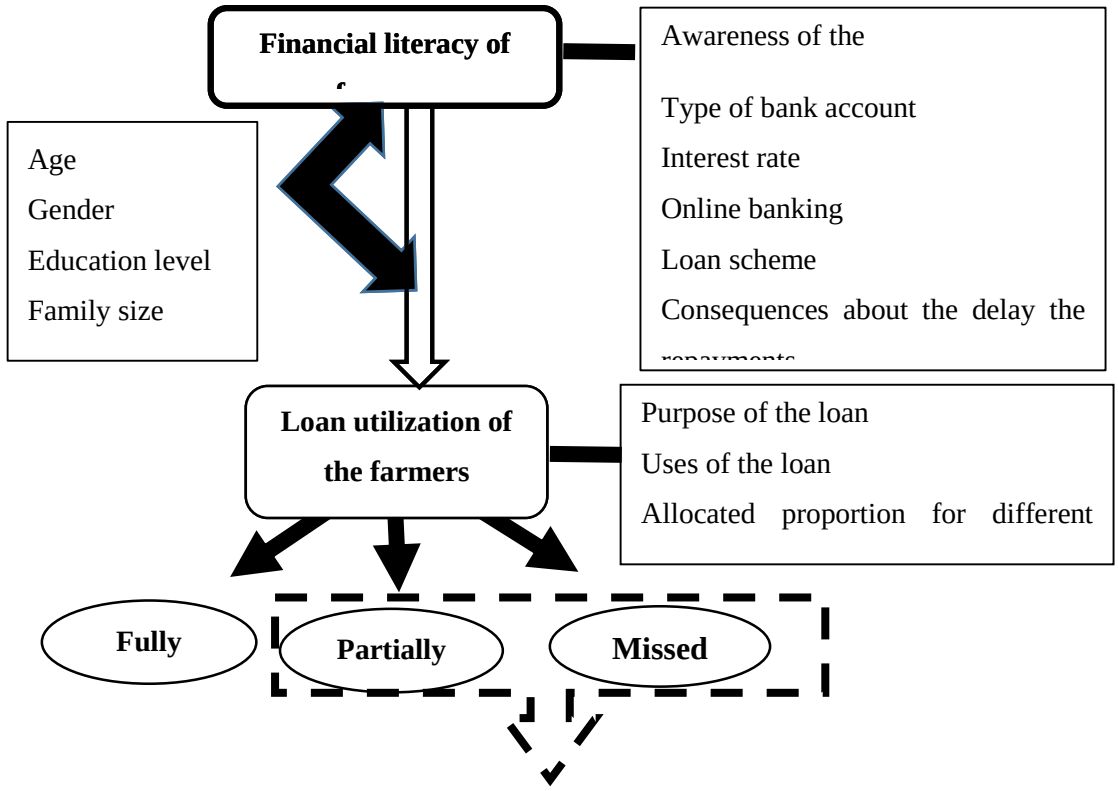
Data collection methods

The primary data collection was done using a semi-structured questionnaire through phone calls interviews. Demographic factors, credit utilising activities, awareness about financial matters have been collected through the primary data collection. Banks reports, articles and books are used to collect data about various loan schemes and borrowers in each loan scheme. This questionnaire was consisted of four main sections to reach four objectives. The first part of the questionnaire is related to gathering information on the farmer's demographic factors, to achieve the objective to analyse the impact of farmers` characteristics on financial literacy and credit utilization behaviour. The second part of the questionnaire consists of questions to collect data on credit utility behaviour, and the third part collects information on awareness of basic financial facts. Parts II and III of the questionnaire help to reach the objective of identifying the financial literacy and credit utility behaviour of farmers in the *Kamburupitiya* DS Division.

Conceptual Framework

In light of the wide exploration of similar research work, the conceptual framework has been designed. This study focuses on analysing whether any relationship between financial literacy level and credit utilization behaviour of the farmers in the *Kamburupitiya* DS division. Financial literacy level was measured through awareness about basic financial matters such as bank accounts, interest rates, credit schemes, bookkeeping, online banking, and cheque transaction. And also this study tried to reveal socio-economic factors that affect financial literacy level and evaluate socio-economic factors, credit size and the purpose of the loan which may affect the credit utilization behaviour of the farmers

Figure 1: Conceptual Framework



Method of data analysis

The collected data were tabulated and then analysed using the statistical package for social sciences (SPSS) software and presented with findings descriptively and statistically such as averages and percentages. Relevant table extracts and graphs are also included here to give deeper meaning to the data presented. Percentage analysis was used to study the general characteristics of farmers which included age, education, major income source, income level, the purpose of the loan and loan size. The percentage is formed by dividing the number of respondents in the relevant category by the total number of respondents in the sample.

Chi-square analysis was done to determine the relationship between dependent and independent variables. For this, financial literacy level was taken as the dependent variable and farmers' age, education and income level was considered as independent variables. Wilcoxon signed-rank test was used to analyse five-point Likert scale data ranging from very poor to excellent in inferential data analysis. Each variable was subjected to test the reliability and the variables that have Cronbach`s alpha value above 0.7 were taken for the analysis. As well as credit utilization behaviour was taken as the dependent variable and farmers' age, education credit size, the purpose of the loan and income level was considered as independent variables.

RESULTS AND DISCUSSION

This chapter represents the results that were obtained through the analysis of collected data. Furthermore, results were interpreted and discussed according to research objectives.

Table 1: Demographic factors

Demographic	Status	Frequency	Percentage
Gender	Male	01	98.3 %
	Female	59	1.7 %
Civil status of the respondents	Single	2	3.3 %
	Married	58	96.7 %
	Divorce	0	0
Age category of the respondents	20-29 years	6	10 %
	30 – 39 years	21	35 %
	40 – 49 years	16	26.7 %
	50 – 59 years	10	17.7 %
	60 – 70 years	7	11.7 %
Livelihood of the respondents	Farming	08	13.3 %
	Non - Farming	52	86.7 %
Educational level of the respondents	Haven`t formal education	4	6.7 %
	Primary Education	11	18.3 %
	Up to O/L	32	53.3 %
	Up to A/L	13	21.7 %
	Higher Education	0	0 %

Monthly income level of the respondents (Rs)	10 000 – 20 000	3	5 %
	20 000 – 30 000	29	48.3%
	30 000 40 000	21	35 %
	40 000 – 50 000	5	8.3 %
	< 50 00	2	3.3 %

Source: survey data-(2020)

It is observed that the majority of credit receivers are female and it was 98.3 per cent as a percentage of the total sample. The rest of the others are male, and it contributes 1.7 per cent. The majority of loan borrowers are married. It was 96.7 per cent of the total respondents. Most of the borrowers are women and married. This has happened due to the nature of Govi Jana bank Credit schemes. The loan scheme is supposed to distribute among team members, and each member of the team has an equal responsibility to repay the loan. Therefore, occasional group meetings have to be organized. Frequent group gathering is not convenient for the male borrowers as they are engaging in other income-generating activities. Therefore, women tend to borrow loans who attend these meetings.

According to the findings, the majority of respondents belonged to the 30 - 39 years age category. As a percentage, it was 35 per cent. In context to income generating activities of the respondents, it is observed that only 13.3 per cent of respondents were doing farming as their main livelihood. The Rest of 86.7 per cent of respondents were doing farming as an alternative income source. Mainly Rice farmers, tea growers, cinnamon growers, pepper growers, and banana and pineapple producers make up the farming community. The non-farming group includes government employees, business owners, private labourers, drivers, and fishermen. Those who are engaging with business activities use that loan for their business activities. Widhiyanto *et al*,(2018) also revealed that Some agricultural credit receivers have other jobs such as carpenter, traders, factory working, and others non -farm activities. Respondents have the main occupation as farmers if more than 50 per cent.

The majority of respondents were educated up to the Ordinary Level. It is 53.3 per cent. None of the respondents received higher education. Moreover, 7 per cent of respondents did not have any formal education. In context to the monthly income category, the majority of the respondents were in the Rs 20000-30000 per month income category, which was 48 per cent as a percentage, and the lowest percentage of respondents (3 %) was recorded to the < 50000 classification. Secondly, 35 per cent of respondents were belonged to Rs. 30000-40000 per month income category.

Purpose of the loan borrowings

Table 2: Purpose of the loan

The above table 3.2 presents the percentages of farmers who obtained the loans from Govi Jana bank for the different farming activities. Accordingly, the majority of borrowers have access to credit facilities for the cinnamon industry. It was 35% of the total sample. Next, 23% of the respondents have obtained loans for the purpose of paddy cultivation. 18% of respondents were obtained credit for Home gardening 11 per cent of respondents were received credit for pepper cultivation and fruits. The lowest number of respondents was obtained credit for the tea cultivation.

Loan Category

There are four types of loan schemes offered by Govi Jana bank as Rs. 15000, 25000, 50000 and 100000. Table 3.3. Show the percentage of respondents under different loan categories. The majority of respondents (40 %) had applied for a 50,000 loan facility. The lowest percentage was 12 per cent for 25,000 rupees' loan schemes.

Purpose of the loan	No. of respondents	Percentage
Cinnamon cultivation	21	35.0 %
Paddy cultivation	14	23.3 %
Home gardening	10	16.7 %
Pepper cultivation	07	11.7 %
Tea cultivation	06	10.0 %
Fruits	02	3.30 %

Table 3: Loan category

Loan category (Rs)	No. of respondents	Percentage
15000.00	15	25%
25000.00	07	12%
50000.00	24	40%
100000.00	14	23%

Credit Utilisation Behaviour

Most importantly, this study has analysed the credit utilization behaviour of credit borrowers. The respondents were asked to explain how they have used borrowed loans for agricultural purposes as the loan schemes have been designed and issued for agricultural purposes. Following table 3.4 shows the percentage of respondents according to their credit utilization behaviour.

Table 4: Credit Utilisation Behaviour of the Respondents

Credit utilization	No	Percentage
Fully utilized	15	25%
Partially utilized	21	35%
Mis-utilized	24	40%

Accordingly, the credit was fully utilized only by 25 per cent of credit receivers for the purpose for which the credit was obtained. The farmers fully utilized that loan for replanting and extending the cinnamon, tea and pepper cultivations. The loan was utilized to bear the expenses of land preparation, purchase new plants, transport them and labour cost for land preparation and planting them. As well as the entire quantity was utilized for the paddy harvesting process and for fruits, mainly bananas and pineapples. The other 35 per cent of credit receivers from among respondents partially utilized the credit facility. The most partially used credit scheme was the home gardening credit facility. A very little amount of loan was utilized for the home gardening and the rest of the percentage was used for personal things like release their pawing, family consumption. Most importantly, it has been observed that the majority (40%) of respondents have misutilised the borrowed loan amount without investing for agricultural activities, but for other productive and personal purposes. The productive purposes were the starting new business (Plant nursery, grocery shops, fish drying business), and other personal purposes were included as the release of their pawing, to pay another loan and education for their children.

Anyhow, the research findings of Pongen *et al*.,(2019) also have revealed that the majority of borrowers are not fully utilized the loan amount per se activities and according to them only the 35% of respondents fully utilized loan facilities for their intended purposes. Only 9.17% of borrowers invested the entire loan for other productive businesses while 49% of loan receivers partially utilized their loan for productive purposes as well as unproductive purposes and 6.66% of respondents totally misutilised that loan.

Factors affect the Credit Utilization Behaviour of the Respondents.

Most importantly, this study intended to analyse the factors which affect the credit utilization behaviour of the farmers. Furthermore, we observed whether there is any significant association between the socio-demographic characteristics of the borrowers and their credit utilization behaviour using chi-square analysis. According to the analysed data, there is no significant relationship between the credit utilization behaviour of the borrowers with their age (0.334), educational level (0.807), income level (0.696), loan size (0.444), and purpose of the loan (0.053). However, the family size of the borrowers has shown a significant association with the credit utilization behaviour of the borrowers. In support of these findings, Yomi-Alfred (2015) also revealed that credit size has not a significant relationship with credit utilization behaviour. In contrast to these findings, Godara and Singh,(2019) and Pongen *et al*. (2019) have revealed the significant positive association between the credit utilization behaviour of borrowers with their age, income level and socioeconomic status. In addition, Yomi-Alfred (2015) also concluded that educated farmers are better in credit utilization compared to non-educated farmers showing the impact on education level on the credit utilization behaviour.

Table 5: Factors that affect the credit utilization behaviour

Determinant factors	Significance value P	Test value	Decision
Age	0.334	9.103	The age of the borrowers does not have any impact on their credit utilization behaviour.
Education Level	0.807	3.011	The education level of the borrowers does not have any impact on their credit utilization behaviour.
Family size	0.016	24.84	Family size of the borrowers does have an impact on their credit utilization behaviour.
Income Level	0.696	5.564	Income levels of the borrowers do not have any impact on their credit utilization behaviour.
Loan size	0.444	5.81	Loan size of the borrowers does not have any impact on their credit utilization behaviour.
Purpose of the loan	0.530	9.022	Purpose of the loan requested does not have any impact on their credit utilization behaviour.

chi-square test 0.05

The Financial Literacy Level of the Respondents in *Kamburupitiya* DS Division

In order to measure the Financial Literacy of the loan borrowers, we used 13 variables and conducted a reliable analysis to increase the validity of research findings. The computed Cronbach's alpha score is 0.884, which is higher than 0.7, indicating that the variables we used in the questionnaire have adequate to measure the financial literacy of the respondents. In this study, the financial literacy level was measured by considering awareness level about basic financial matters. Five points Likert scale were used to measure the awareness levels ranging from Excellent, Good, Average, Poor and Very poor and allocated the marks accordingly 1 to 5. Then three categories were demarcated as High (47-65), Moderate (27-46) and Low (13-26) by the considering mean value of the marks.

Table 6: Financial literacy level

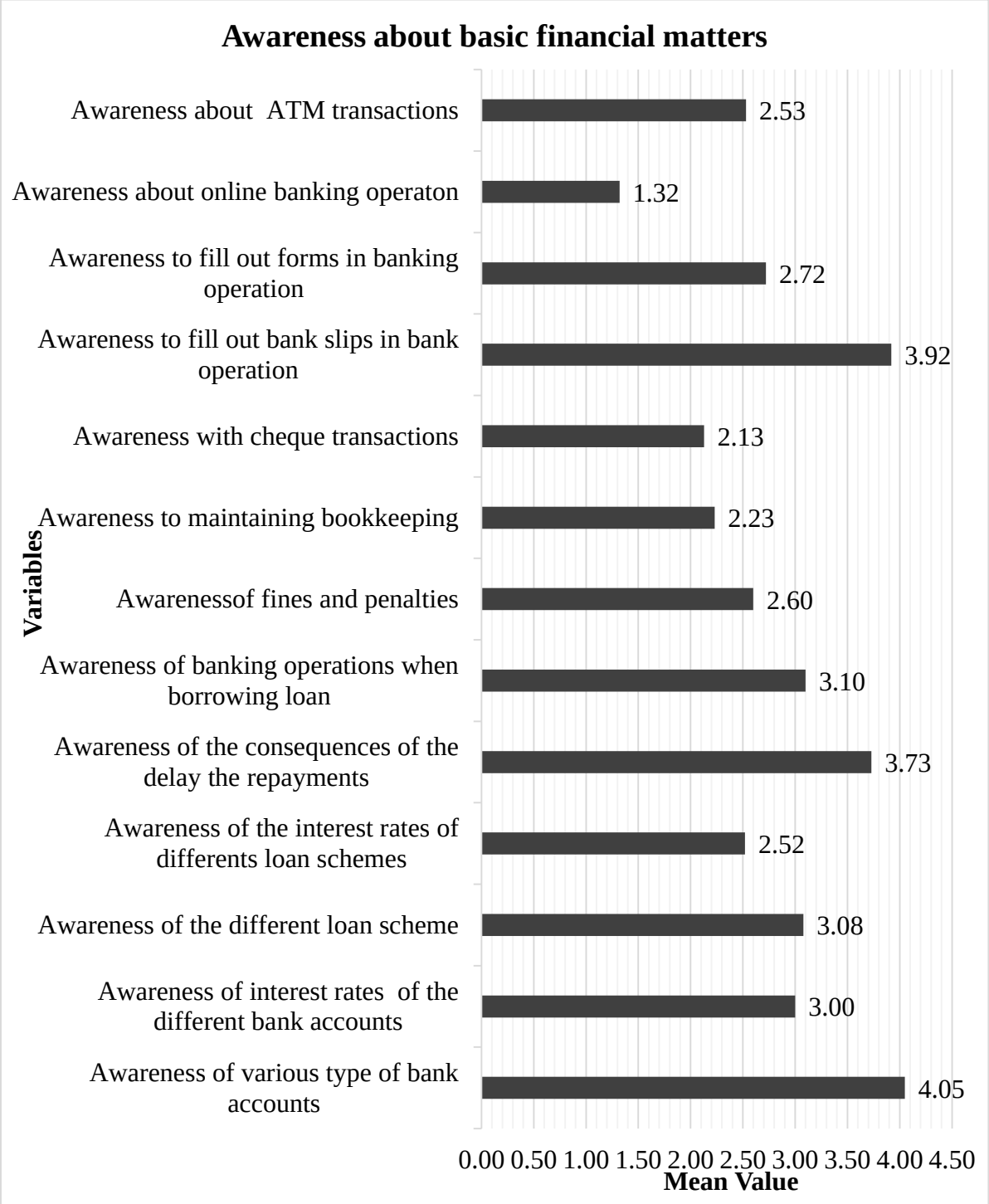
Financial literacy level	No	Percentage
High	10	17%
Moderate	39	65%
Low	11	18%

Based on the above table, the majority of loan borrowers have a moderate level of financial literacy in the *Kamburupitiya* area (65 %). Moreover, 18 per cent of the borrowers have a lower level of financial literacy while 17 per cent of respondents had a higher level of financial literacy. Incompatible with these findings, Aggarwal et al, (2014) have shown that 37 per cent of farmers in Punjab have moderate financial literacy while 47 per cent of farmers have higher financial literacy. Therefore, it is obvious that the majority of farmers who obtained financial assistance were neither very poor nor fluent in financial literacy.

Awareness of basic financial matters.

The following figure shows the different categories of financial awareness in *Kamburupitiya* area. In this study, we aimed to analyse the awareness of respondents in regards to all financial transactional activities, payments procedures and management of bank accounts.

Figure 2: Awareness of basic financial matters



According to the research findings, the respondents have sound knowledge about various types of bank accounts (mean value 4.05), filling out the bank slips when transactions (mean value 3.92), and consequences of delay the repayments (mean value 3.73), they have very poor knowledge about online transactions (mean value 1.32), cheque transactions (mean value 2.13), and have low competency about maintaining bookkeeping (mean value 2.23). The Awareness of other financial

matters was fair. Moreover, we analysed the impact of social-demographic characteristics of borrows on their financial literacy level. The following table shows the research findings on that.

Factors Affect the Financial Literacy Level of the Respondents

Table 7: Significance of factors that affect the Financial Literacy Level

Determinant factors	Significance value P	Test value	Decision
Age	0.071	14.42	Age of the respondents does not have any impact on their financial literacy level.
Education Level	0.001	18.114	Education level of the respondents does have any impact on their financial literacy level.
Income Level	0.012	18.191	Income level of the respondents does have any impact on their financial literacy level.

chi-square test 0.05

According to research findings, the education level and income level of the farmers have a significant impact on financial literacy level. Anyhow, the age of the respondents has not any significant impact on the financial literacy level of the farmers. Similar to this research finding, Aggrawal *et al.*, (2014) and Bhushan, medury (2013) also revealed that Education and income has a strong positive relationship with financial literacy, but age has not significantly impacted financial literacy. Nevertheless, Ravikuma *et al*, (2013) elicited, age, education, Experience, farm income, size of landholding, years of relationship with the bank, frequency of bank visit and bank account has a positive impact on the financial literacy of farmers. Moreover, Widhiyanto *et al*,(2018) find that age is negatively and significantly affected to the financial literacy level of the farmers. As Gaurav (2010) found, age has a significant positive effect on financial literacy. Older people are generally more financially literate. However, financial literacy is of no importance to education. As Luzardi and Tufano (2009) found, age significantly affects financial literacy and adults show lower financial literacy.

Relationship between Financial Literacy and Credit Utilization Behaviour of the Farmers in *Kamburupitiya* DS Division

The intention of this study was to determine the relationship between the dependent variable which is financial literacy, and each of the other independent variables. Correlation is a statistical approach for demonstrating the strength of pairs of variables.

It is used to investigate the relationship between the independent and dependent variables.

The correlation test was conducted at the 5% level of significance. According to the chi-square analysis, there is no significant relationship between financial literacy level and credit utilization behaviour of the farmers in *Kamburupitiya* DS Division. The chi-square value was 0.54 (P-Value > 0.05). The negative relationship between financial literacy and payday loan use in the United States (Kim and Lee, 2018).

Table 8: Relationship between Financial Literacy and Credit Utilization Behaviour

chi-square test 0.05

Value		Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	3.071[a]	4	.546

CONCLUSION

This research revealed a few important research implications. The research found that the majority of farmers in *Kamburupitiya* have moderate knowledge about the basic financial matters and have sound knowledge about various types of bank accounts, filling out the bank slips when transactions, and consequences of delay the repayments, they have very poor knowledge about online transactions, cheque transactions, and have low competency about maintaining bookkeeping. Education and income significantly affect financial literacy. Age does not significantly impact the financial literacy of the farmers in *Kamburupitiya* DS division.

Moreover, the credit was fully utilized by 25% of farmers for agricultural purposes, and 35% of farmers partially utilized the loan and 40% of farmers totally misutilised the loan. Furthermore, Age, education, loan size, income, the purpose of the loan has not any significant impact on the loan utilization behaviour of the farmers. However, family size has a significant impact on credit utilization behaviour.

In addition, we couldn't see any significant impact of financial literacy on the credit utilization behaviour of the farmers in *Kamburupitiya* S division.

Anyhow, there were some limitations regarding this research. The first is that some people are reluctant to provide information on loans and loan utilization. Another limitation was difficult to meet the farmers at the daytime because they are busy with the field in the day time. There are opportunities to do further research on the provincial and whole Sri Lankan context.

Recommendation and future direction

There are some specific suggestions that have been made by this study based on the information collected through primary and secondary data. The establishment of an effective and efficient relationship between financial institutions and farmers to minimize the problems faced by a farmer during financial operations has been suggested as the main initiative to improve financial literacy. Furthermore, organizing awareness programs to improve financial literacy and organizing a workshop to improve knowledge on budgeting and bookkeeping through extension agents also will be effective strategies to improve financial literacy among farmers.

In addition, financial institutions can communicate about their financial products through mass and social media to give awareness to farmers such as television and radio stations. Moreover, the provision of an incentive program for effective loan utilization when farmers borrow loans will be a more effective approach to minimize misutilisation of the loan. More importantly, field officers should develop a sound monitoring and tracking system with regular visits to their farmers. Furthermore, policies should be implemented to incorporate financial knowledge to all levels of the education system and farmers' loan schemes should coordinate with the poverty alleviation programs and farmers' empowerment programs.

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