

# Financial Literacy and Inclusion for Income Generation in Rural Communities in Nigeria

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**Abstract:** Basic literacy involves developing fundamental skills in reading, writing, and simple arithmetic, completing job applications and general life skills and financial literacy is the ability to comprehend and utilise a variety of financial skills, including investing, budgeting, and personal financial management as well as the value of these skills and the fundamentals of personal finance has to do with managing money as well as saving and investing, including financial planning, banking, insurance and mortgages. This positional paper explains the above concepts in details and also attempts a spiral strategy of the concepts as it relates to the rural dwellers in the rural communities. Such understanding can help acquaints one with the fact that financial literacy is important to the rural dwellers as it can make them less susceptible to financial deception, having a strong foundation in financial literacy may assist a variety of different life goals, such as saving for children education, appropriately managing deb, and running a farming related business. the paper ends with suggestions of some practical recommendations.

**Keywords:** Basic literacy, Financial literacy, Personal finance, Financial planning

## Introduction

A rural area is an expanse of open ground with few houses or other structures and few inhabitants. The population density in rural areas is quite low. Their residences and places of business are usually situated close together. There are fewer people in a rural location and they live and work usually on farms or ranches. Little towns, villages, hamlets and other localities are found inside or close to rural areas. Ordinarily, rural places have substantially cheaper cost of living than cities. In rural locations, it is less expensive to rent a home, buy food and use transportation. Because of this, earnings are typically lower in the rural areas. According to the World Bank's collection of development indicators (2021), 47.25% of Nigeria's population lives in rural areas.

## Basic Literacy

Basic literacy skills are the aptitudes for reading, writing, and mathematics. People in all communities come from various racial and ethnic backgrounds and belong to a variety of societal groups. Whether or not the persons have jobs or have domestic responsibilities. They need to understand the basics of literacy. In both urban and rural locations, training facilities have been set up to instruct those who have dropped out of school early or who have never attended classes in the basics of literacy. Reading and writing skills are regarded as being of the utmost significance for improving people's lives in general. The elderly need to practice a lot in order to improve their writing and numeracy skills in particular. It is necessary to comprehend workplace literacy, fundamental skills, the meaning and significance of literacy, as well as how to advance literacy while addressing persistent disparities (Kapur, 2019). Literacy has grown to be seen as an essential element of country development because it is required for all kinds of academic and personal accomplishment to be functionally literate.

The ability to actively participate in global activities like collaboration, and sharing of ideas, business, and commercial activities makes literacy highly valued in the global market. In addition to promoting, one's own development or education, literacy increases one's chances of success in both school and in life (Rintaningrum, 2019). Literacy has been defined variously regardless of the quality of the education, the learning results or the expectations of the community. The fundamental problem with connecting literacy to the number of years spent in school is that many kids go through years of official education without learning to read and write, while others do so outside of the educational system. They realised that the concept required social interaction, and that it covered topics like why people read texts, how readers comprehend texts, how readers connect with writers, and how readers discuss what they have read with others since they might need to discuss the text's content. Talking about the concepts and details learned from the text with others enabled readers to interpret it in a variety of contexts, and this social interaction may be a

tool for teaching students to comprehend and value texts (OECD, 2022).

### **Financial Literacy**

Knowing and using a variety financial literacy encompasses a range of financial competencies, including investing, budgeting, and personal financial management. Additionally, it can aid adult learners in understanding concepts and phrases related to finance, such as the time value of money, compound interest, debt management, and financial planning. The earlier one masters the fundamentals of money, the more successful and self-assured they will be with money throughout their lives. Adult learners should get familiar with financial literacy in the adult literacy class, which includes Investing, borrowing, banking, and budgeting being the pillars upon which the majority of financial decisions that affect adult learners' daily lives are built. Banking, budgeting, debt and credit management, and investing are examples of basic financial literacy and how it may be used in daily life Financial literacy can assist adult learners in becoming independent and achieving financial stability in order to prevent them from making bad financial decisions (Klapper, Lusardi & Van-Oudheusden, 2019).

### **Financial Literacy in the Rural Communities**

Rural communities often run on resource-based economies unlike the cities which runs mostly on service-based economy, meaning that most of the rural dwellers make their living from agriculture, timber, mining, or other harvesting of natural resources as these natural resources are most often located in rural areas. Thus, most of the rural dwellers are farmers and financial literacy can provide farmers with the knowledge and skills they need to successfully set financial goals, plan and manage their money, as well as build their wealth. These skills will help them manage their daily expenses, expand their entrepreneurial opportunities, and reduce their overall vulnerability. Adult literacy programmes can be a great medium to spread financial literacy at the rural community's level. Introducing rural dwellers who are adult learners to topics on money, banking and life examples that teach them about financial education can be a good way to imbibe financial prudence into the rural dwellers ((Kapur, 2019).

The collection of abilities related to money that are necessary to safely manage one's finances and achieve financial security is can be very helpful to the rural dwellers for careful financial dealings. There is need for financial literacy and financial inclusion for the rural dwellers. Issues like planning, budgeting and money management are also paramount to the rural dwellers. They also inquire financial attitudes that are connected to financial understanding and literacy. There is need for adult learners to be acquainted with financial resilience by finding out what resources are available to meet both fundamental requirements and shocks to income and spending. The Consumer Financial Protection Bureau developed five financial well-being questions. These inquiries correspond to the results of the OECD's financial well-being study. Questions about attitudes towards sustainable finance, experiences with financial scams, questions about integrity, trust, and financial consumer protection, as well as questions about society and demographics, were used to find out whether respondents had any of these experiences.

### **Benefits of Financial Literacy in the Rural Community**

Financial decision-making is more crucial than ever, unlike people in the cities who need financial literacy for retirement preparation, for pension plans where companies or government offices that employ them already have a working pension savings structure (Aydilek & Aydilek, 2019). Majority of the rural dwellers does not have such opportunity. thus, a dire need for financial literacy among the rural dwellers not only for the present but also for the future financial issues when strength must have abated. A careful financial plan can help the rural dwellers save for the raining day and to guide against future/old-age health and financial financial problems. Financial literacy is essential for making well-informed judgements, avoiding excessive debt, it is important to guide adult learners in the rural communities through these difficult choices and maintaining good financial management (Kuyinu, 2020). Most of the rural dwellers in Nigeria are poverty-stricken individuals, they can benefit the most from financial literacy as their economic standing makes them less likely to successfully recover from an economic setback without adequate financial knowledge (Rahul, Shailesh & Aashi, 2022).

### **Basics of Personal Finance in the Rural Communities**

The rural dwellers equally need financial literacy to make their own financial decisions on how to handle finances, the options available for saving, consumption and investing of personal finance is all about establishing and achieving one's financial objectives, whether they have to do with retirement planning, home ownership, helping out other family members, investing for a child's education, or anything else or banking, setting up a budget, managing credit and debt and investing are all aspects of personal finance. It's crucial to take into account these indicators and effectively engage adult learners in the rural communities to manage their finances while utilising basic literacy education to develop the fundamental financial literacy skills required of them for effective functioning (Jean, 2013).

### **Basic Financial Literacy and Opening of Bank Account in the Rural Communities**

Bank accounts are frequently the first financial accounts that a person opens for significant purchases and life events, people in the rural areas also engage in money transactions thus a dire need for them to open bank account, they should be educated about bank accounts as the first step in creating a secure financial future. Adults may not feel the need to open a bank account, but with the help of basic financial education, they can realise how important it is to do so because using a debit card is safer than carrying cash. Bank-held assets in Nigeria are frequently insured, making theft more challenging. Many financial transactions, including those involving a debit or credit card, an ATM, a cheque, or online payment services, need the use of a bank account. Additionally, having a bank account is necessary for receiving payments from employers and interest on money (Leona, 2014).

There is need to help the rural dwellers to know that the most typical sort of bank account is a savings account, which is a deposit account with a bank or other financial institution that pays interest. Although savings accounts frequently have low interest rates, it makes sense to set money aside in them for urgent expenses due to their dependability and security, though, banks are no longer reliable in the recent times where it has been very difficult for people to access their monies with Banks in Nigeria. Thus, even with the fact that Banks in Nigeria are currently not perfect for keeping an emergency fund, it is believed that this challenging financial phase will soon pass away. There is need for everyone including the rural dwellers to set aside money for unforeseen pressing needs. An account that permits deposits and withdrawals at banks and other financial institutions can help in proper handling of money. There are many ways to deposit money, including direct deposit and other kinds of electronic transfers, in contrast to less liquid investment or savings accounts. In addition to writing cheque, account holders can withdraw money from their accounts by using ATMs, banks, or debit cards linked to their accounts (Leona, 2014).

#### **Basic Financial Literacy and Emergency Saving in the Rural Communities**

Adult learners' Rural dwellers should also be made aware of the fundamentals of an emergency fund, which is any sum of money set aside to help with unforeseen costs like medical bills, auto repairs or natural disaster challenges like affected building resulting from heavy windy-rain. An emergency fund is not dependent on a specific type of bank account. Adults in the rural areas can be helped to understand how to use emergency saving. Such emergency funds can be kept in various accounts and they should be made to understand that one is not expected to use emergency reserve funds to cover ongoing expenses. The account's balance in emergency saving should be sufficient to cover expenses for three to six months (Patrik & Cliff , 2014).

#### **Basic Financial Literacy and Setting up of Budget in the Rural Communities**

Rural dwellers will benefit from having a basic understanding of financial literacy when they realise that one of the simplest and most effective strategies to control spending, saving and investing is to create a budget. If the rural dwellers do not understand where their money is going, they cannot start to improve their financial situation. They must begin keeping track of how their outgoings compare to their inflows. Tracking monthly income lessens monthly expenses is the first step in creating a budget. The adults can decide whether to complete this on paper, in an Excel spreadsheet, or in another platform or a programme for creating budgets. Organization for Economic Cooperation and Development claims that (OECD, 2015), the following variables may be taken into account: List the monthly income from each source, broken down by amount. This category includes earnings from side jobs, other endeavours like selling crafts, investment interest, alimony, settlements, paychecks, and other income.

The rural dwellers can be taught how to make a note of all of their monthly expenses and categorise them as either fixed or discretionary spending. There is need to check if one cannot recall where one is spending his/her money, one can check bank statements, credit card statements and brokerage account statements. Loan payments and rent or mortgage payments. Spending on non-essential or changeable items like eating out, shopping, buying clothes, and travelling is referred to as discretionary expenditure which are minimal among the rural dwellers as many of them dwell in their personal built homes or extended family houses, get their food from their farms, don't usually need transportation to their farms and or workshops rural or school unlike the Urban dwellers. Expenses that necessary in the Urban are usually a desire rather than need in the rural communities. Whether monthly savings consist of cash, funds in a bank account, or contributions to an investment account, there is need to help the rural dwellers by taking advantage of literacy education to help the rural dwellers keep track of them. In order to determine which expenses should be reduced, they require a thorough picture of their income, expenses, and savings. They need to be taught how to calculate their cash balance at the end of every month by deducting their monthly expenses from their monthly income (Society for the Advancement of Socio-Economics (SASE, 2016).

#### **Basic Financial Literacy and Investment in the Rural Communities**

Understanding the fundamentals of where and how to invest money is crucial. Knowing the risks and potential rewards of various types of investments will help one to choose one's investments and the amount to be invested (Agus, 2023). When it comes to the best investments, there is no one correct response that works for everyone. For the rural dwellers, they invest more in thrift where group of people with some common interest pull money together to empower one another on shifting till it goes round to each and every one of them, thrift does not always rotates as smoothly as planned due to defaulters where some ended up losing their hard-earned money. Financial literacy can help curb problems emanating from such groups, the rural dwellers need to be helped to understand the rules of engagement in any financial dealings and how to seek some authentications such as legal backing, justice

and better conditions for allowing only capable and trustworthy individual with reliable suety to join such financial groups. The rural dwellers usually invest in selling of farm produce, exportation of farm produce, packaging, storage of farm produce, agricultural tools, farm chemicals and fertilizers as well as local agriculture consultations (Yasukova, 2015).

### Basic Financial Literacy and Income Generation in the Rural Communities

The ability to generate money and protect one's life can help the rural dwellers to curb issues including poverty, unemployment, and a lack of economic possibilities. Income generation interventions aim to boost earning potentials. These interventions can take many different shapes in the rural communities such as in the area of microcredit programmes that give little loans to people, group of people or organisations that ordinarily would not be eligible for loans from traditional financial institutions. Giving poor people in the rural communities' access to a greater range of financial opportunities. The rural dwellers can be trained in business and vocational skills towards income generation programmes for both microcredit and the development of vocational skills (Lucey, Agnello & Laney. 2015). The fundamental goals of adult education and literacy programmes continue to be the eradication of extreme poverty and a rise in people's standard of living. Literacy and basic education both aim to eradicate poverty, advance community and economic development and world peace. If every adult in rural communities in the developing nations had a basic understanding of reading, 171 million people or 12% fewer people worldwide might be lifted out of poverty (United Nations Millennium Development Goals progress report, 2022)

### Conclusion

The study's objectives, which included examining basic and financial literacy for improved revenue generation among rural dwellers were successfully attained. A follow-up study could examine the benefits and outcomes of literacy that go beyond an increase in material wealth. By exposing new patterns and perspectives of many concepts, such as basic literacy, financial literacy, income generation, improved wellness, etc., this study has significantly added to the body of knowledge and basic literacy as it pertains to income generation and rural dwellers inclusion.

### Recommendations

Basic literacy has been shown to promote and or create income generation; hence it is advised that any initiative aimed at ensuring improved income generation among the rural dwellers should first ensure that literacy centres are well- equipped, well- funded and operational so that literacy education can succeed. Striving literacy programme will enhance financial literacy and income generation among the rural community dwellers.

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