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IMPACT OF FINANCIAL LITERACY AND FINANCIAL BEHAVIOR OF WOMEN FARMERS IN BANGLADESH



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Introduction

Bangladesh is on its course to becoming one of the leading emerging economies in the world. A country with a 49.4% female population is projected to have substantial economic growth over the next decade.¹ Therefore, it is imperative to acknowledge the elements that impact economic growth. Financial empowerment and economic growth have a causal relationship. Households and communities with better financial literacy and positive financial behavior tend to live prosperous and happy lives. Enabling improved financial behavior and financial literacy are salient for women to promote their economic empowerment, which would result in economic growth. Dynamic regulatory policies and expanded financial literacy are major elements driving the economic growth. A working paper by Asian Development Bank (ADB) in 2016 stated that approximately 40% of the adult population and 75% of households have access to financial services in Bangladesh, where the majority of the households are from urban regions.² In 2019, a survey by Bangladesh Bank indicated that 45% of adults have zero access to formal financial services. What is even more staggering is that of the 55% with access to financial services, only 16% of them can benefit from all-inclusive financial services, and the rest 39% have access to just basic services such as savings accounts.

¹ <https://doi.org/10.1007/s11356-021-12516-6>

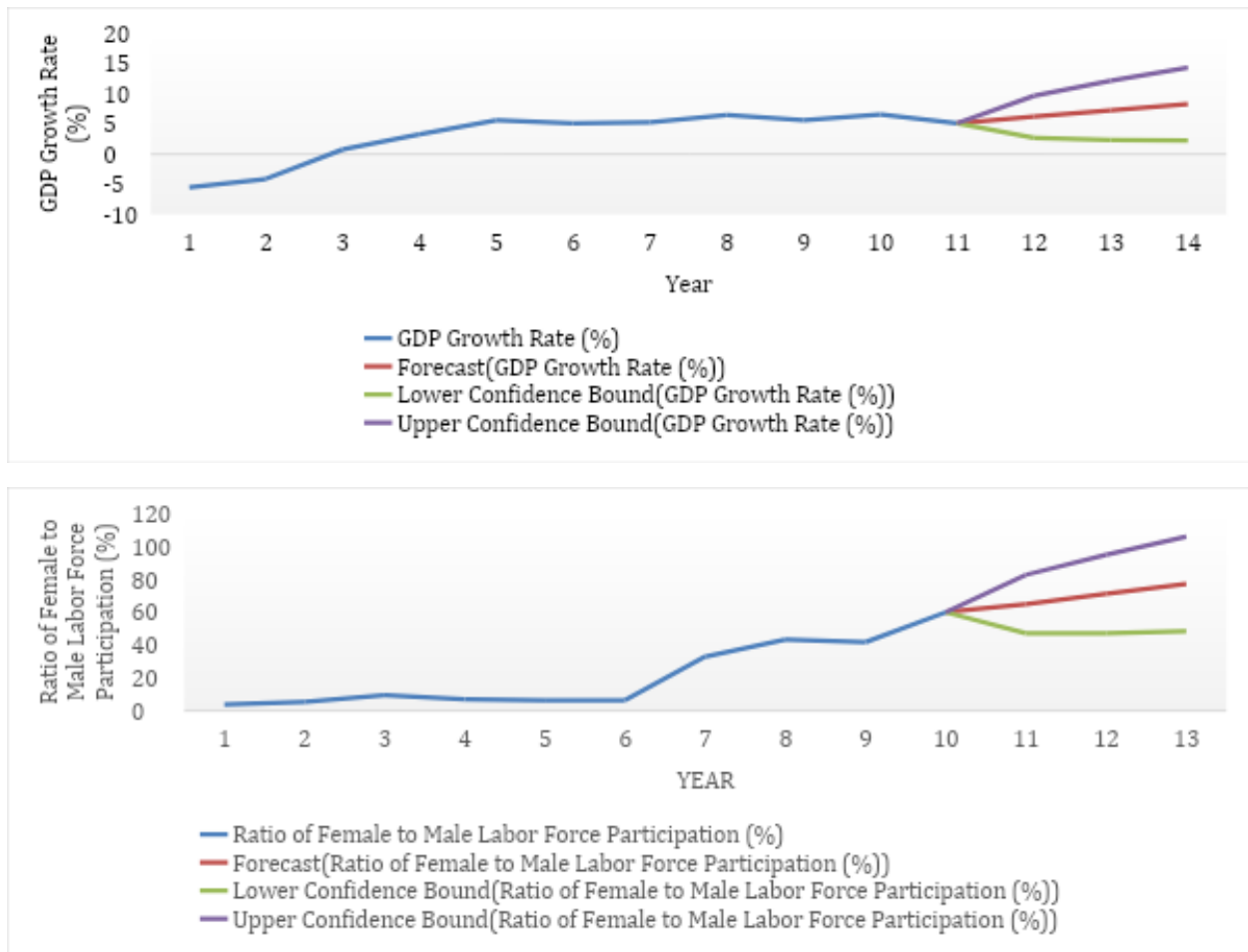
² <https://www.adb.org/publications/financial-inclusion-financial-regulation-and-educationbangladesh>

A study by the World Bank Group stated that only 36% of the women have formal bank accounts, compared to 65% of the men, even though the female population of Bangladesh is 49.4%.³ This depicts the financial gender gap amidst fast-paced GDP growth trends. The gap is more in the agricultural sector where women have little to no education. Bangladesh, although enjoying a GDP (gross domestic product) growth rate of 6.94%, a 3.49% increase from 2020 dismally faces systematic and cultural barriers to enhancing financial literacy and positive financial behavior for women.

The female-to-male labor force participation rate increased from 3.8% in 1975 to 41.8% in 2015, yet many don't have formal bank accounts on their names. Women in the agriculture sector constitute almost 65% of the farm workers in Bangladesh, but they have limited land ownership. While female farmers' wage varies between BDT182-214, the male counterparts earn between BDT285-352, indicating sharp gender discrimination, which is large because many do not have financial literacy as a result do not talk about their ownership and wage rate. Figure 1 below compares the GDP growth rate with the ratio of female to male labor participation rate from the 1970s to the present and then continues with forecasting, indicating that as female to male labor force participation rises, the GDP growth rate will also increase. This paper discusses the impact of financial literacy and financial behavior of female workers on the economic growth and development in Bangladesh.³

³<http://dx.doi.org/10.1080/00213624.2016.1249744>

Fig 1: Comparison of GDP Growth Rate to the Ratio of Female to Male Labor Participation in Percentage



Source: Bangladesh | Data | Worldbank.org

WHAT ARE FINANCIAL LITERACY AND FINANCIAL BEHAVIOR?

Financial literacy refers to the ability to understand the notion of savings, investing, and debt that usher to an overall sense of financial well-being and self-trust. Whereas, financial behavior is the management of an individual’s savings, expenditure, budget, etc. Financial behavior helps people understand how financial decisions around investments, payment, risk, and debt are largely influenced by human emotion and knowledge. Developing financial inclusion remains a central theme of Digital Bangladesh- a concept that aims to integrate tangible opportunities for the public to benefit from financial

services. Strengthening education on financial matters is a pre-condition for a country's development series. Bangladesh Bank recently issued guidelines for financial institutions to create a complete financially literate society as part of the sustainable development goals (SDGs) to be achieved by 2030.⁴ Moreover, financial inclusion is measured in three dimensions-access, usage, and quality of financial services and products available to the people. Since the 1970s, microcredit has been helping rural workers with financial services where the reach of formal finance has been limited. But in more recent times, the government is trying to ramp up its reach with various policies to target specific sectors such as agriculture and related sectors as part of the economic development goal.

Financial behavior is a key factor in financial literacy and the positive outcomes of that are driven by behavior like budget planning, creation of financial safety net, well-thought investment, and sound understanding of risk, among others. Figure 1 below shows the factors of financial literacy. For a complete overview, it is important to adjust all factors that play part in efficient financial management. All of these indicators are mutually interdependent.

Fig 2: Indicators of Financial Literacy



Source: Lusardi, A., & Mitchell, O. S.

⁴<https://www.dhakatribune.com/business/2022/03/28/bangladesh-bank-issues-financial-literacy-guidelines>

IMPORTANCE OF FINANCIAL LITERACY AND FINANCIAL BEHAVIOR AMONG WOMEN FARMERS

Women's empowerment is largely driven by financial literacy and financial behavior, which as a whole, benefits the overall well-being of societies including children and households. Multiple studies have linked a significant decline in poverty and gender violence, an increase in children's health and education, and access to medical facilities.^{5,6,7} Female farmers play a growing role in agricultural growth in Bangladesh. If more women were able to own land and adopt improved agricultural inputs and technologies such as tractors and solar water pumps, it could increase agricultural yields by 20-30%, signaling the need for increased financial literacy and favorable financial behavior.

With almost 870 million chronically food-starved populations in Asia and Sub-Saharan Africa and forecasted food demand of 9.6 billion globally by 2050, the additional agricultural yields that women farmers could produce are imperative. Hence, financial literacy is the key for women farmers. Not only does financial literacy and incorporating favorable financial behavior benefit the women themselves, but that also helps bring a high social return to the entire community and beyond. Empowering women farmers financially will also strengthen women's ability to manage more of the household income into better educated, better-nourished children and a more prosperous community. . A study on the impact of financial knowledge on the performance of female-owned farming businesses in Kenya stated financial knowledge had a highly positive impact on the performance of women's farming businesses as increased levels of financial knowledge were linked with increased amounts of savings and profit margins.⁸

⁵ <https://doi.org/10.3390/ijerph18136909>

⁶ <https://doi.org/10.3390/ijerph18084202>

⁷ <https://doi.org/10.1257/jel.52.1.5>

⁸ <https://doi.org/10.1108/JADEE-06-2018-0083>

The higher the financial literacy rate, the higher the access to financial services and standard of living becomes. Moreover, findings from Kenya and Indonesia suggest that there is a positive relationship between saving practices, debt management, investment practices, financial planning services, and financial inclusion among female farmers.^{9,10} Financial literacy improved their financial behavior (e.g. increase in debt management practices) by small-scale female farmers. Hence, knowing financial investment options translates to awareness of financial products and services such as loans to advance their investments on agricultural lands, which eventually would yield more food production and improved economic condition of the households and community as a whole.

THROUGH THE LENS OF BANGLADESH

The agriculture sector in Bangladesh is vital for sustainable transformation and modernization. It consists of 4 segments: fisheries, forestry, livestock and farming, which sum up approximately 40% of the labor force. This farming industry provides about 20% of GDP annually. However, gender biases and low research intensities lead to inefficient allocation of resources, mainly among women farmers. Corn farming is one of the products where women farmers highly participate, primarily due to its less water requirement and quick income turnaround. After some training, women farmers in Lalmonirhat and Rangpur regions of northern Bangladesh experienced affluent growth in corn production, through which women farmers were able to build homes, and improve their income and standard of living, which pulled their families out of poverty. Most of them now have TVs and solar panels on their roofs. However, corn and other produces are yet to take full advantage of their production power. A significant portion of the women farmers in corn and other production are living within the poverty threshold and face financial and cultural barriers and obstacles to access financial resources.

⁹<https://mail.google.com/mail/u/0/?tab=rm&ogbl#inbox/FMfcgzGqQJlfxzHgZLbCPmchHVmxNfdJ?projector=1&messagePartId=0.1>

¹⁰<https://doi.org/10.1257/jel.52.1.5>

Women farmers when given adequate financial literacy, they display improved financial behavior by improving the household's standard of living, sending children to school, saving for the future, and investing in the right resources to yield higher production. For example, 20,000 women farmers in the Ukhiya and Teknaf sub-districts of Cox's Bazar were given marketable skills training and financial literacy and business start-up grants by World Food Programme (WFP). With all the skills and financial knowledge, those women farmers earned over USD 15,000 from the farmer's market, selling goods to Rohingya refugees. That is about USD 2,200 per farmer group in a month. That training programme noted that household 'asset score' increased by 41% and women farmers were 6 times more likely to eat healthier and 4 times more confident than before.¹¹ Another example was set by the Feed the Future programme, in 2018, where women farmers were given training on financial literacy, among other skills, through which they were able to harvest and sell cattle feed and fodder directly from their farms. This resulted in doubling their monthly income within 2 years from USD48 to USD115.¹² Hence, women are a vital part of the country's farming communities. Educating the women farmers on financial literacy and positive financial behavior will provide them a way forward through income advancement.

THE MISSING LINK-THE RIGHT STRATEGIES

There is no doubt that Bangladesh is closing its financial gap, primarily with the help of digital banking, but to ensure financial inclusion and increase financial literacy and improve financial behavior among female farmers above and beyond mere numbers, innovation in policy and strategies must be present. Although women proportion of women farmers is growing at a fast rate, the financial inclusion gap is growing rapidly too.

¹¹<https://www.wfp.org/stories/unique-selling-point-women-farmers-bangladesh-find-buyers-refugees>

¹²<https://www.adb.org/publications/financial-inclusion-financial-regulation-and-educationbangladesh>

Two-thirds of male farmers have an account with a financial institution, but less than half of the female farmers do. The National Financial Inclusion Strategy (NFIS-B) is being crafted by Bangladesh Bank to provide a clear roadmap for financial inclusion for the people, including female farmers. Women farmers in Bangladesh face obstacles to financial inclusion due to gaps in financial literacy, poor financial behavior, added with limited land ownership. Women farmers who do not have a formal bank account with a financial institution, especially mobile money type, often do not know how, why, or where they can get or use it. Fixing the access and awareness issues is critical to empowering the women farmers in Bangladesh. For example, digital solutions such as mobile financial services (MFS) or ATMs will not gain attention if they do not know how to use them, and distributors and agents should have strategies to combat other digital literacy hurdles that might emerge. However, only 3% of the agents are women.¹³ Dutch-Bangla Bank (DBBL) currently has the largest number of women agents through community of women-owned tea shops and small businesses in rural areas distributing cash transfer payments. Women farmers tend to trust these women agents more, hence recruiting more women agents will help in creating awareness of how and where to invest and draw money for themselves. Staff working on pilot projects with bKash reported that women farmers are less likely to have National IDs and birth certificates, both a requirement for opening mobile banking accounts and owning lands. On the bright side, there are initiatives such as Swosti, which aims to bridge the gap between mobile banking and microloans through mobile credit cards for loans.¹⁴ If such initiatives can tap the agricultural market, then women farmers will be able to invest in technological resources and buy lands at ease, which will help not only themselves but their households and community, gradually leading to economic growth and development in Bangladesh.

¹³ <https://www.cgap.org/blog/digital-finance-bangladesh-where-are-all-women>

¹⁴ <https://www.cgap.org/blog/digital-finance-bangladesh-where-are-all-women>