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AN INVESTIGATION ON PSYCHOLOGICAL DETERMINATES OF RURAL HOUSEHOLD FINANCIAL SUSTAINABILITY AMIDST PREVAILING SOCIO-ECONOMIC CONDITIONS IN MALAWI

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Abstract:
Malawi is seeing a growing national economy and a rise in real household income, but the research that is currently available suggests that more families are having trouble in managing their money, particularly in the rural areas. Studies done in the past have looked into how socioeconomic factors affect financial sustainability. The psychological elements that may be connected to the financial sustainability of rural households have not received much attention in this line of research, nevertheless. Therefore, the aim of the present study was to fill the research gap by examining the effects of financial attitudes, financial behaviour, financial self-efficacy and financial literacy on rural household financial sustainability.
In order to achieve the determined objectives, the study was conducted and distribution of questionnaire guides was carried out. Non-probability sampling was used to choose the sample, which resulted in 121 individuals. The acquired data was analysed with SPSSS and Excel 2016.

The results of this study demonstrates that financial attitudes, financial behaviour, financial self-efficacy, and financial literacy have a significant impact on the financial sustainability of rural households. Thus, it may be inferred that the development of financial literacy may aid in the formation of positive financial behaviour, financial attitudes, and financial self-efficacy among rural households.
The study recommends the need for individuals needs to have household savings and investment policies, proper income and expenses ratio and being transparent and accountable on family incomes issues. Furthermore, the local government should conduct financial awareness improvement initiatives on financial sustainability. Lastly the government should launch campaigns to raise knowledge about the credit facility and execute initiatives to combat corruption among leaders.
Keywords: Financial attitudes, financial behaviours, financial self-efficacy, financial literacy, financial sustainability

I.INTRODUCTION

This chapter introduces the scope of research by providing a background of the study and the statement of the problem by identifying gaps in rural household financial sustainability which this study intends to fill. It brings to the fore justification for the study and spells out the research objectives, research questions, significance of the study and definitions of important terms.

A growing national economy and an increase in real family income is being experienced by Malawi, however, available evidence suggests that more families are suffering from problems in managing their finances especially in the rural areas. A financially sustainable household plays a big role in the socio-economic development of the country. In this situation, the government may not need to provide additional resources to assist such a household as a result; instead, the country's limited resources (revenues) are redistributed to other crucial departments for the advancement of the country. (Finscope, 2013).

However, in order to achieve a better and more sustainable future, as stipulated in the S. D (Sustainable Development) goals of Malawi of 2030, every party needs to play their part including household party in supporting the achievement of this vision. One of the key role that can be played by household is through the sustainable finance. The concept of sustainable finance has been evolved as awareness of the impact of economic activities on sustainable development of the country. This awareness began to appear at the end of the 1990 era when world leaders, international organizations, and various non-governmental organizations

(NGOs) at that time often discussed economic and environmental issues at high-level meetings such as global conferences. Jackson, O. (2011)

The formation of a competitive agricultural sector, conservation and environmental preservation, increasing employment and improving the quality of life in rural regions are the top concerns for rural development in the current economic climate. The most important engine of the rural economy is agriculture, and the diversification of economic activities through the creation of small enterprises, the development of alternative agricultural activities are the main prerequisites for promoting employment, increasing income, reducing poverty, and improving the infrastructure.

The growth of rural financial markets makes a significant contribution to corporate economic growth, population income growth, and the eradication of rural poverty. In rural areas, productivity, creativity, and entrepreneurship may all flourish when financial services are effectively provided. In order to increase agriculture's capacity to generate more goods and prevent environmental degradation, contemporary agricultural technology and production models are introduced with the help of improved access to finance.

Need of the study.

Financial sustainability is the ability to manage financial capacity over time (Bowman, 2011). Generally, the growth of a nation begins at the household and community level. A financially stable household contributes significantly to the socioeconomic development of the nation. In this instance, the government may not need to allocate additional resources to help such households; instead, the scarce resources (Revenues) of the country are redistributed to other critical government sectors for national development.

Despite this fact, current study has proven that many households in most developing countries, such as Malawi, struggle to meet their financial commitments to their households. Russia-Ukraine war and the COVID 19 pandemic have had a significant negative impact on Malawi's economy. (Gwengwe, 2022). As a result, inflation has significantly increased Malawians' cost of living. Hence, In Malawi far too many families struggle to maintain their household's financial stability Therefore, improving the financial sustainability of households is the task of the utmost importance, since the level and quality of life of the vast majority of the population is significantly inferior in Malawi.

The household financial sustainability, however, is a modern phenomenon in developing economies. Its significance has grown dramatically with the ongoing worldwide economic crisis, particularly during the COVID 19 pandemic. Researchers in Malawi have, nevertheless, expressed interest in learning more about the psychological factors that influence household financial sustainability. Therefore, the researcher decided it would be prudent to conduct a study in an effort to understand the psychological factors that affect household financial sustainability in Malawi.

Objectives of the study

Main objective

- To investigate the psychological factors that rural Malawian households must consider in order to maintain their financial stability.

Specific objectives

i. To identify the psychological factors that contribute to Malawi's rural households' financial vulnerability.
ii. To discover the challenges rural households in Malawi face while attempting to practice financial sustainability behaviour.
iii. To find effective money management methods to insure rural household financial sustainability in Malawi.

II. RESEARCH METHODOLOGY

The methodology section outline the plan and method that how the study is conducted. This includes Universe of the study, sample of the study, Data and Sources of Data, study's variables and analytical framework. The detailsare as follows;

Population and Sample

Population of the study

Population is sometimes referred to as 'the universe' (Richard J Darga, 2011). Data collection from an entire population is almost impossible considering the number of people, places or things that might be involved.

The units of the proposed study were rural households in Steven village of Mangochi, where the households were divided into groups by the T/A. To ensure more accuracy of the responses, some questionnaires were sent to some parts of Malawi such as Salima and Nkhatabay covering all the three regions of Malawi.

Sampling Procedure

Non-random or non-probability sampling techniques will be used to choose the members that will be used in the study. This is also called Purposive or judgmental Sampling.

This type of sampling involves the researcher using their judgement to select a sample that is most useful to the purposes of the research.

Sample size

The sample size was calculated by using the sample size formula as follows:

$n = \frac{N}{1+Ne^2}$, Where n – is the sample size, N – is the total population and e – margin of error. In the researcher case, the total number of respondents in group was 175, margin of error was 5% such that the confidence level was 95%. Hence, the sample size was 121 respondents, estimated response rate of 20% and number of individuals to invite was 605 in order to meet the estimated response rate.

Data and Sources of Data

Data collection is the process of gathering information from different sources. In order to answer the research question and also to meet the research objectives, the researcher needs relevant and authenticated information. Two main sources (primary data and secondary data sources) was used to collect data. The primary data was collected using questionnaire.

Primary data

In order to obtain first hand data, the researcher administered questionnaires to rural households. Primary data was gathered to obtain insights into an investigation on psychological determinates of rural household financial sustainability amidst prevailing socio-economic conditions in Malawi. The primary data is important because of the scarcity of similar research in Malawi.

Secondary data

Secondary data on the other hand refers to previously published material about a specific subject area. Secondary data was first used because, what others have already researched (though their purpose might be different) needs not to be researched again (Ghauri & Gronhaug, 2005). In this study, data from other surveys and Malawi economic statistics records were used.

III. CONCEPTUAL FRAMEWORK REVIEW

Conceptual framework is a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. (Wilson J, 2014). The goal of a conceptual framework is to categorize and describe concepts relevant to the study and map relationships among them. Such a framework would help researchers define the concept, map the research terrain or conceptual scope, systematize relations among concepts, and identify gaps in literature (Kombo &Tromp, 2009). In this study, the independent variables are the determinants of financial sustainability and the dependent variable is financial sustainability of households. (Dr. Taqadus Bashir & Naghmana Afzal, 2013). The relationship is clearly shown in a figure below:

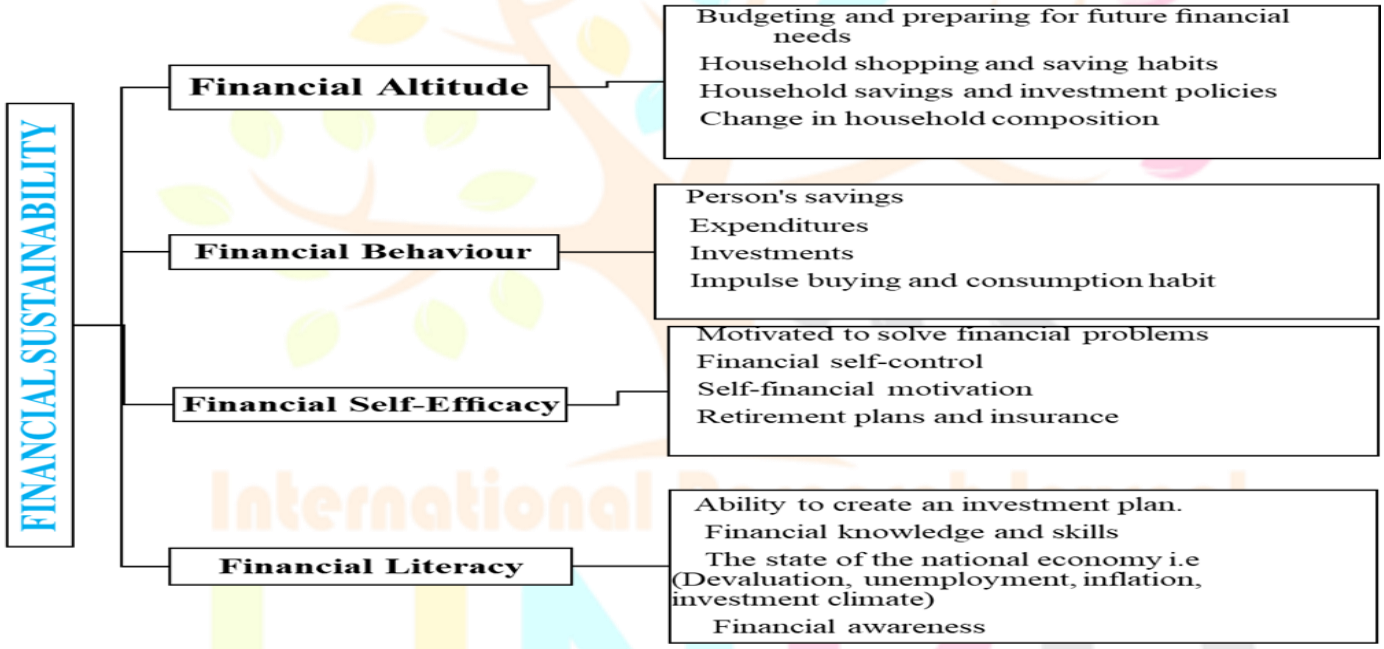

Fig.1: Showing the conceptual framework review

IV. RESULTS AND DISCUSSION

The age of the respondents

During administration of the questionnaire, respondents were asked to indicate their age. This variable was important as it showed the level of knowledge an individual had at the time of interview pertaining rural household financial sustainability. It was suggested that the older the person the, more the knowledge concerning rural household financial sustainability.

Table 1: Showing the age of the respondent

Statistics		
The age of the respondents		
N	Valid	121
	Missing	0
Median		2.00
Std. Deviation		.955
Range		3
Minimum		0
Maximum		3

Fieldwork, July 20222

Source:

The age of the respondents				
Age gap	Frequency	Percent	Valid Percent	Cumulative Percent
Below 18 years	16	13.2	13.2	13.2
19 - 30 years	35	28.9	28.9	42.1
31 - 45 year	45	37.2	37.2	79.3
Above 46 years	25	20.7	20.7	100.0
Total	121	100.0	100.0	

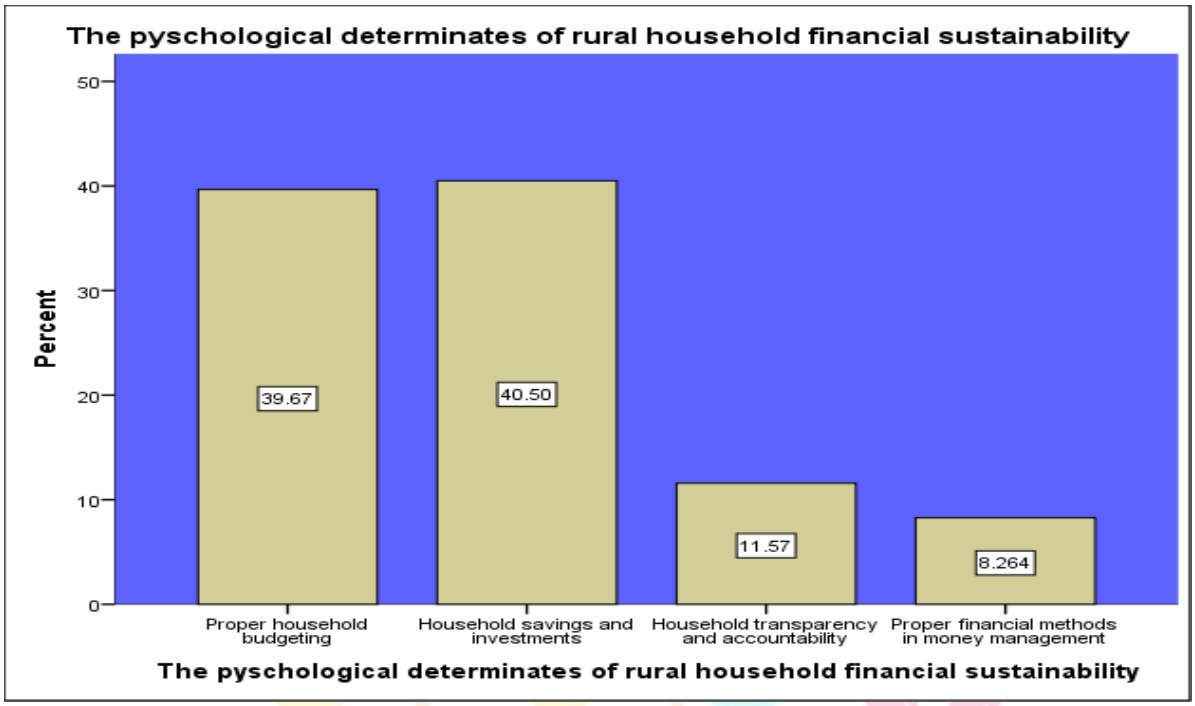

Fig2: Showing the psychological determinates of rural household financial sustainability.

The results indicate that the psychological determinates of rural household financial sustainability would be as follows: The majority of the respondents (40.50%) chose household savings and investments, followed by (39.67%) selected proper household budgeting and the other (11.57%) indicated household transparency and accountability. Lastly, the least (8.26%) chose proper financial methods in money management.

Indeed, despite the fact that these individuals had primary level education qualification, they can still be financially sustainable by embarking on household savings and investments. However, there will be a problem of financial management due to low literacy level.

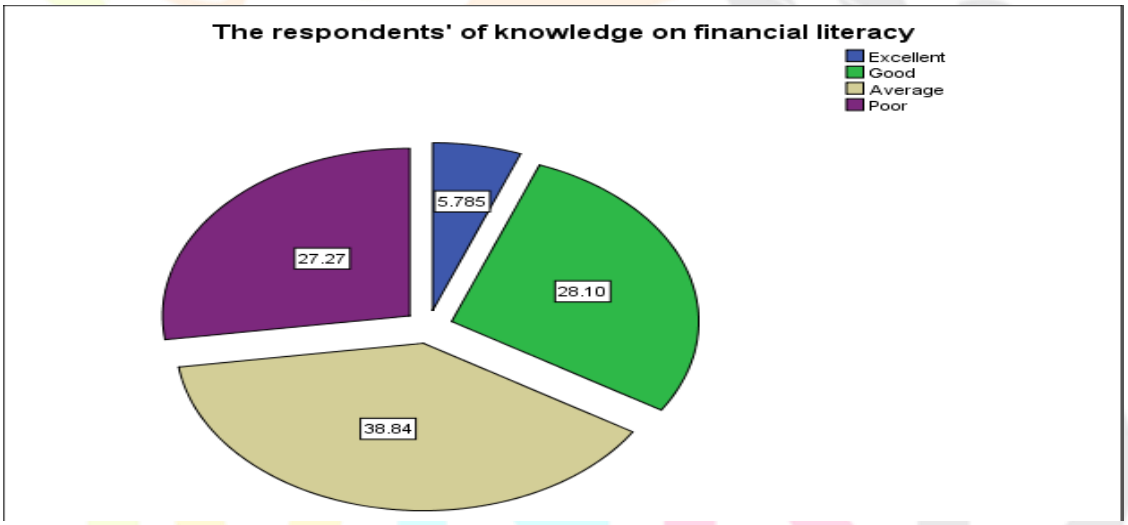

Fig. 3: Showing the respondents knowledge on financial literacy

According to pie chart above, participants revealed that 5.79% had excellent knowledge, 28.10% had good knowledge and majority of about 38.84% had average knowledge on financial literacy. Lastly, 27.27% replied to have no knowledge about financial literacy. This indicates that any financial initiative taken on rural household would not be challenged as majority had at least knowledge on financial literacy.

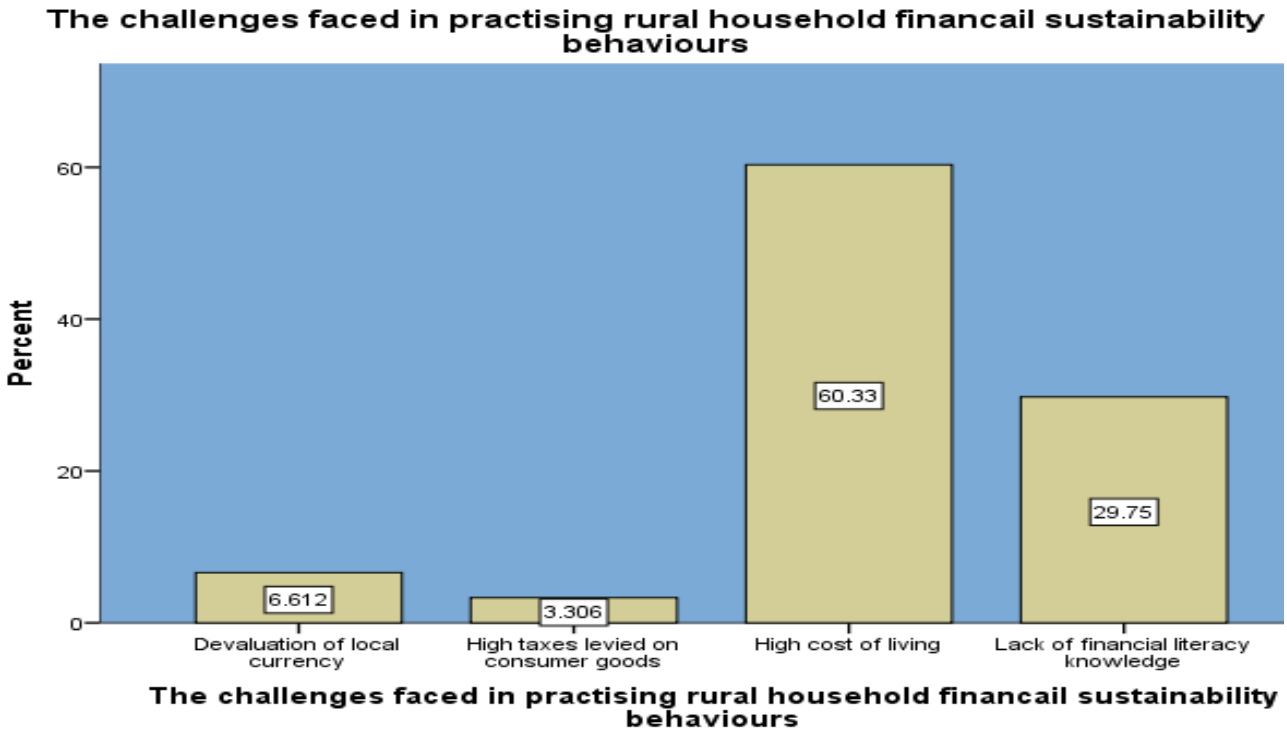

Fig.4: Showing the challenges faced in practicing rural household financial sustainability

Figure 3 above shows that the challenges faced in practicing rural household financial sustainability behaviors were as follows: participants in the study (60.33%) said high cost of living, 29.75% indicated that lack of financial literacy knowledge, 6.6% said devaluation of local currency. Lastly, 3.3% said high taxes levied on consumable goods.

Results of Descriptive Statics of Study Variables

Correlation Statistics

When data was collected from rural households and analysed on SPSS the results were as follows:

Table 2: showing the correlation statistics between highest education qualification of the respondents' and access to credit facility rendered by the government

The highest education qualification of the respondents * The respondents' access to credit facility rendered by the Government * The respondents' of knowledge on financial literacy cross tabulation					
Count					
The respondents' of knowledge on financial literacy			The respondents' access to credit facility rendered by the Government		Total
			Yes	No	
Excellent	The highest education qualification of the respondents	Secondary level	0	1	1
		Diploma level	0	1	1
		Degree level	2	3	5
	Total		2	5	7
Good	The highest education qualification of the respondents	Primary level	0	7	7
		Secondary level	4	16	20
		Diploma level	6	0	6
		Degree level	1	0	1
	Total		11	23	34
Average	The highest education qualification of the respondents	Primary level	7	25	32
		Secondary level	5	8	13
		Degree level	1	1	2
	Total		13	34	47
Poor	The highest education qualification of the respondents	Primary level	2	25	27
		Secondary level	2	4	6
	Total		4	29	33
Total		Primary level	9	57	66
		Secondary level	11	29	40

	The highest education qualification of the respondents	Diploma level	6	1	7
		Degree level	4	4	8
	Total		30	91	121

Source: Fieldwork July, 2022

From the table above, it can be concluded that there a positive correlation between education qualification and literacy level of the respondents. Those with high education qualification seemed to possess average literacy knowledge. On the other hand, there is also a positive correlation between the education qualification and access to credit facility.

It is clearly indicated that those with low qualification had no access to credit facility a frequency of about 57 respondents had no access. This can be concluded to say due to illiteracy of the rural households fails to access and understand the information regarding the government credit facility. Hence there is indeed for the government to conduct awareness campaigns about the credit facility among these rural areas

V. FINDINGS AND CONCLUSION

The objective of this paper was to investigate on psychological determinates of rural household financial sustainability amidst prevailing socio-economic conditions in Malawi. In achieving the research objectives defined in chapter one, primary data of the study was collected through the administration of questionnaires to difference parts of Malawi in a total sample size of 121. The study was based on four frame work as; financial sustainability vs financial attitude, financial sustainability vs financial behaviour, financial sustainability vs financial self-efficacy and financial sustainability vs financial literacy. The analysis of the respective household's financial sustainability was done by using the SPSS and excel sheet.

The current study on FS include a number of important insights. To begin, the findings suggested that rural household must demonstrate necessary financial attitudes, such as budgeting and preparing for future needs, improving in household shopping and savings habit and formulation of fruitful household savings and investment policies in order to become financially stable. People with a good financial attitude are more likely to be careful with their spending by budgeting and preparing for their future financial needs. (Chitea, Lorena & Dona Ion, 2017).

Furthermore, the study found out that rural household must demonstrate necessary financial behaviour, such as person's savings, a balanced ratio between expenditures and investment and being less prone to impulse buying and consumption habit. When rural households have good financial behaviour their FS is expressed as high according to the study.

This is consistent with previous research (Sabri et al., 2020), and it was discovered that positive financial behaviour have a positive impact on FS.

Third, the findings back up the theory that the general FSE and FS have a positive relationship. Previous research backs up the conclusion (Sabri et al., 2020). As pressure levels increased, people with lower levels of FSE showed a greater decrease in mental health than those with higher levels of FSE. As a result, general FSE plays a significant role in FS. The variables of FSE include: being motivated to solve financial problems, having financial self-control, self-financial motivation and having good retirement plans and insurance.

Lastly, the study found that the overall financial literacy level of rural household is not high both in terms of financial literacy score and correctly answering basic financial literacy questions. Although the notion of financial knowledge and skills seems to be rather familiar with respondents, many of them do not understand the concept of interest rates and investment diversification, the state of the national economy i.e (Devaluation, unemployment, inflation, and investment climate). Thus it can be concluded that financial literacy improvement may help form good financial behaviour for individuals. People with a higher financial literacy level may have better financial habits and may be well prepared for using new financial products and service.

Areas for Further Research

This project investigated the psychological determinates of rural household financial sustainability amidst prevailing socio-economic conditions in Malawi. Both during the study of literature review and during the collection of primary data from the selected sample, the researcher was stunned with different suggestions that could be feasible for further research in reference to the rural household financial sustainability. As the scope of this study was limited to rural household financial sustainability only, therefore, future study on financial sustainability:

Should be conducted on factors and motives defining the financial behavior of rural households in financial sustainability in Malawi.

Conclusion

The research has added to our understanding of the impact of financial behaviour, financial attitudes, financial self-efficacy and financial literacy on rural households' FS. Thus it can be concluded that financial literacy improvement may help form good financial behavior, financial attitude and financial self-efficacy.

It is then a duty of local government, since majority of rural households are not educated, to carry out an excise by providing financial awareness improvement initiatives, such as cluster seminars on acceptable financial behaviour, providing financial counselling and education and providing special trainings on financial literacy and sustainability **(refer to figure 21)** to its people in order to ensure financial sustainability among rural households amidst social-economic conditions in Malawi. People with a higher financial literacy level may have better financial habits and may be well prepared for using new financial products and services.

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