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AN OVERVIEW OF CURRENT FINANCIAL LITERACY EFFORTS IN INDIA

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Abstract: The term financial literacy has evolved over the years and has become a focus area for researchers and policymakers across the world. Financial Literacy has gained importance with the development of a variety of financial products, drastic changes in other economic factors, amplified complications of the markets, information overload etc. The dream of making India a cashless and digital economy cannot be fulfilled without making the people financially educated. As per Standard & Poor’s global financial literacy survey, 76% of Indian adults are financially illiterate. Given this fact it is very important for the authorities to make sufficient interventions to educate people in the matters related to finance. The fear and hesitation towards online transaction must be washed away from the minds of people. This paper makes an attempt to study present level of financial education in India, various financial literacy programmers initiated by government and other responsible authorities and to what extent these programmes have been successful in spreading financial awareness. Various policy measures have been suggested for proper implementation of schemes.

Keywords: Financial Literacy, Financial products, Digital economy, financial market

I INTRODUCTION

Financial literacy is all about understanding financial products and making knowledgeable selections of saving and investment, based on assessment of risk-reward trade-off. It includes Effective actions and improved decision making in financial matters. To understand financial planning one should be financially literate.

Reaching the masses is a huge challenge in a large country like India. Financial inclusion is essential but financial exclusion is still excessively large in the county. The major reason behind such exclusion is lack of financial knowledge. Thus, financial education is a fundamental factor in achieving financial inclusion. Financial inclusion and financial literacy should go hand in hand.

The Organization for Economic Co-operation and Development (OECD) has defined financial education as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices,

to know where to go for help, and to take other effective actions to improve their financial well-being.” Financial Literacy does not just know about markets and investments, but also savings, financial planning, banking and being "Financially Smart". To understand financial planning, a person should be financially educated and be able to understand the importance of preparing household budgets, cash management and asset allocation to meet financial goals. The S&P Financial literacy survey carried out in 140 countries with over 150,000 adults. The survey tested on their knowledge of four basic financial concepts - numeracy, risk diversification, inflation, compound interest (saving and debt). The survey suggests that Indian adults financial literacy was lower than the worldwide average, BRICS nations and South Asian nations. Below table shows the performance of Indian adults in answering the questions.

Some of the other findings of the survey are

1. About 39% of the adults who had borrowed formal loans are financially literate.
2. 26% of the adults in the richest 60% of households are financially literate, while 20% of the poorest 40% of households are financially literate.

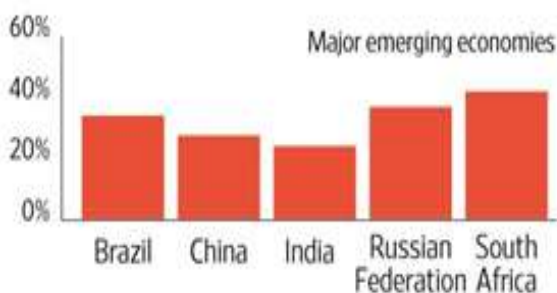
3. The income gap is obvious when the survey is broken down by concept - Poor adults are 21 percentage points less likely than richer adults to correctly answer the compound interest topic correctly. With regard to interest, the gap is 11 percentage points.
4. 38 percent of adults with tertiary education are financially literate; compared to 30 percent of adults with secondary education, and 18 percent of adults with primary education.

% of adults answering correctly

Topic	India	BRICS	South Asia*	World
Risk diversification	14	28	18	35
Inflation	56	46	46	50
Interest	48	48	46	49
Compound interest	44	44	39	45
Financially literate %	24	28	23	33

*excluding India

There is a wide variation in financial literacy around the world (% of adults)



Source: *livemint.com*

Interestingly, the survey also found a gender divide - 73% Indian men are not financially literate while 80% Indian women are not financially literate.

Various regulatory authorities like RBI, SEBI and IRDA have initiated financial education programmes across the country. Every financial literacy programme should convey answer to the following question -

- Why Save, invest and insure?
- Why a regular stream of income is needed after retirement?
- Why save or invest consistently and habitually?
- Why insurance? why insure fully?

- Why save with banks, borrow from banks and borrow within Limits?
- What are the differences between saving and investment?
- Why borrow for income generating purposes? what is interest on borrowings? How local moneylenders charge higher rates interest?

II REVIEW OF LITERATURE

(Anshika & Singla, 2017) Asserted that lower level of financial literacy India is a major obstacle in the path financial inclusion and will further hamper the path of economic growth of Indian economy. To improve financial literacy, they suggested that more capital infusion is needed to conduct workshops, Seminars at the schools, colleges, workplaces and residential areas. Small events on teaching significances of the investment opportunities should be organised at various schools, colleges, offices etc. to increase practical knowledge of the finance in day to day life.

(Kumari & Viz) Studied the efforts made by important regulatory authorities in promoting financial literacy. Researcher highlighted various financial literacy programmes being run all over the country and their importance in making people financially literate. They made suggestions for the policymakers in identifying the growing needs for financial awareness and developing suitable financial literacy programmes.

(Aggarwal & Gupta, 2014) Evaluated the influence of demographic factors like gender and education level have an impact on financial awareness. On the basis of their survey on 148 students, they tried to find whether having a commerce degree promotes financial awareness among college students. It was found that the level of education and discipline had positive impact on financial literacy.

(Taylor, 2010) Identified major factor which influences the level Financial Literacy. Using panel data models on data from general household survey, he found that the key determinants to financial literacy were demographics like age, health, family size and structure, housing occupancy, and employment status of the individual and family members. He found that older men and women who worked full-time with an employed partner had the best financial capability.

III OBJECTIVES OF THE STUDY

1. To study present level of financial education in India.
2. To study various initiatives taken by RBI, SEBI and IRDA for imparting financial education in India.
3. To recommend actions for enhancing the financial literacy level in India.

IV RESEARCH METHODOLOGY

The study is descriptive and qualitative and is based on secondary data. A thorough study of literature has been

done to find out the importance and explore the need of financial literacy in India. The secondary data has been collected from various secondary sources like magazines, journals, magazines, websites and other published sources is available online and offline. Information of financial literacy initiatives undertaken by regulatory viz. Reserve bank of India (RBI), Securities exchange board of India (SEBI) and Insurance Regulatory Development Authority (IRDA) have been obtained from their respective official websites.

V FINANCIAL LITERACY INITIATIVES IN INDIA

(A) Initiatives taken by RBI's on Financial Education

Reserve Bank of India's developmental role includes Financial Inclusion and Financial Education. Towards this, RBI has produced many comics, handbooks, booklets etc. which are available on its website in nearly 13 languages so that banks and other participants can download and use it to spread information and aware the public about financial products and services.

In a move to provide elementary financial literacy information to general public RBI has designed the booklet **FAME (Financial Awareness Messages)**. FAME Contains financial awareness messages, such as, documents needed to be submitted while opening a bank account (KYC), importance of budgeting, saving and responsible borrowing, maintaining creditworthiness, a credit score and by repaying loans on time, doorstep banking and localized banking, process of lodging complaints at the bank and the Banking Ombudsman, usage of electronic transfers, capitalizing money in registered entities etc.

Audiovisuals have also been produced to create awareness on the topics like "**Basic Financial Literacy**", "**Unified Payments Interface**" and "**Going Digital**". The pictorial booklet series of Reserve Bank named '**Raju**' and '**Money Kumar**' were also effective ones. The booklets '**Raju**' taught about banking concepts and savings habits and The '**Money Kumar**' clarified the role and functions of the Reserve Bank of India.

The project titled "**Project Financial Literacy**" is also instrumental to the financial literacy programme of RBI. The objective of this project is aimed to disseminate information regarding RBI and universal banking concepts to various target groups. Apart from this, RBI also organises town hall and outreach visits in which all the top executives take part and disseminate information about economy, banking and RBI. It also arranges visits of school and college students to RBI to know and understand its functioning.

(B) Initiatives taken by SEBI on Financial Education

The Securities Exchange Board of India has undertaken financial education programmes through a nationwide campaign. SEBI has established **National Institute of Securities Market (NISM)** which introduced

'School for Investor Education and Financial Literacy' to boost financial skill in individuals from all walks of life. NISM also conducts Investors Education programme since 2014. NISM conducts **Financial literacy quizzes** and **Pocket money financial literacy programmes** in schools every year.

SEBI has appointed Resource Persons, who are trained and equipped with the knowledge of financial markets for conducting investor awareness programmes all over the country. They are appointed to impart financial education to people at various sections of the society. SEBI also seek the help of intermediaries financial market like stock exchanges, depositories, Association of Mutual Funds in India, Association of Merchant Bankers of India, etc.

Through '**Visit SEBI**' programme, students from various educational institutions are encouraged to visit SEBI and understand its operations. SEBI has set up SEBI Helpline and **SCORES (SEBI Online Complaint Redressal System)** through which investors across the country could file complaints and get their grievances setted.

(C) Initiative taken by IRDA on Financial Education

The Insurance Regulatory and Development Authority has also taken a number of initiatives in the field of financial literacy. Awareness programmes have been organised regularly to convey about the rights and duties of policyholders, mechanism available for dispute and grievance redressal etc. through **National Strategy for Financial Education (NSFE)**. These messages have been dispersed all over the country in different Indian languages through various channels of communication like television, radio, print media etc. IRDAI has also participated in the "**JAGO GRAHAK JAGO**" programme of Ministry of Consumer Affairs, Food and Public Distribution, Government of India, which aims to educate consumers.

IRDA's insurance awareness campaign '**Bima Bemisaal**' is the consumer education initiative with the tagline "Promoting Insurance Protecting Insured" which creates awareness about insurance among the general public. A central repository of grievances has been created by IRDA, named Integrated Grievance Management System (IGMS) which facilitates registration of policyholders complaints and help them continuously track its progress.

To improve on its strategy of creating insurance awareness IRDA has done a survey on awareness levels about insurance which was carried out through the NCAER. IRDA sponsors many seminars on insurance and organises seminars on policyholder protection and welfare. Like RBI, IRDA has published '**Policyholder Handbooks**' and comic book series on insurance.. IRDA has also launched the website **www.policyholder.gov.in** for education of policyholders.

(D) NCFE National Council of Financial Education - A collective effort of RBI, SEBI, IRDA

National Centre for Financial Education (NCFE) is established with the support of financial sector regulators i.e. Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority (IRDA) along with additional support from Pension Fund Regulatory and Development Authority (PFRDA) and Forward Markets Commission (FMC), to enhance financial literacy and financial inclusion in India. NCFE conducts **National Financial Literacy Assessment Test (NFLAT)** every year targeted towards students of Classes VIII to X. This test helps students to acquire financial knowledge during schooling itself.

NCFE has initiated **FETP (Financial Education Training Program)** for providing unbiased personal financial education to people and organizations for improving financial literacy in the country. The program is based on two pillars; education and awareness, the major objective of which is to establish a sustainable financial literacy movement that can endow people's lives. NCFE is also conducting **FETP for school teachers** of class 8 to 10 across India. After completion of the training, these teachers are certified as "Money Smart Teacher" and facilitate guiding financial education classes in schools and inspire students to obtain basic financial skills.

VI SUGGESTIONS

Based on the study it is evident that RBI, SEBI and IRDA has been continuously taking innovative steps to enhance the literacy level in India. But, despite all these commendable efforts, financial literacy in India is very low. This low level of literacy is a major hindrance in the path of making India a cashless and digital economy. This also intrudes the path of financial inclusion. It is required to include financial education in school curricula so that new generation could learn it at initial stage itself. Regulatory Authorities should create separate departments to frame and look after financial literacy programmes. They should conduct such programmes at regular intervals. The financial literacy programmes should be designed in a manner that it could reach the rural people, urban poor, children/students, women, senior citizens, defence personnel etc. It is also suggested that these programmes should be monitored comprehensively to check its effectiveness and to achieve maximum results.

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