



एन

Educreator Research Journal



Volume-IX, Issues-I
Jan – Feb 2022

Original Research

"A STUDY OF FINANCIAL LITERACY INITIATIVES IN INDIA"

Dr. Laksha Ailani

Model College (Autonomous), Dombivli (E)

Abstract :

The financial service sector in India has undergone significant changes in the last few years and the sector has been ever widening. There is a necessity to increase the size of banking and financial sectors to ensure that the benefits of these developments reach the general public. Financial inclusion is a National priority of Government of India and the Financial Sector Regulators i.e. RBI, IRDAI, SEBI, and PFRDA for inclusive growth. In india, financial inclusion is the process of ensuring access to common financial products and services needed by weaker sections and low-income groups at an affordable cost in a fair and transparent manner by important institutional players. Financial inclusion provides an avenue to the poor for integrating with the formal financial system which is possible through financial literacy and education.

Keywords: *Financial Literacy, Financial Education Initiatives, Financial Inclusion*

Copyright © 2022 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

Introduction :

Financial Inclusion has remained one of the important developmental goals of both the Government of India and the four Financial Sector Regulators i.e., RBI, SEBI, IRDAI and PFRDA. Financial literacy supports the pursuit of financial inclusion by imparting financial awareness and education to rural as well as urban customers. Financial education brings economic development by empowering the customers to make informed choices leading to their financial well-being.

Financial education plays an important role in creating demand side response to the initiatives of the supply side interventions. Financial education initiatives by concerned stakeholders will help general public to achieve financial well-being by accessing appropriate financial products and services through regulated entities. These efforts will work as per the guidelines of the National Strategy for Financial Education (NSFE). Financial education efforts at national level ensures inclusive and equitable quality education to customers by promoting life-long learning opportunities for all individuals of society.

Problem Statement:

India has made tremendous progress in bringing the formal financial system and education for common people. After India's first NSFE was published in 2013, there have been many developments with regards to the financial inclusion of the country. Recently, notable financial inclusion initiatives by the Government of India such as Pradhan Mantri Jan-Dhan Yojana (PMJDY), social security schemes viz. Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Atal Pension Yojana (APY), Pradhan Mantri Kisan Maan Dhan Yojana (PM-KMY), Pradhan Mantri Mudra Yojana (PMMY) and Pradhan Mantri Shram Yogi Maan Dhan Yojana (PM-SYM) have changed the financial inclusion landscape. These initiatives remain helpful in bringing the excluded sections into the financial mainstream and also ensure access to various financial services such as Basic Savings Bank Deposit Account (BSBDA), remittance facility, need based credit, pension, insurance and to the excluded sections. Still, there is a huge gap in actual supply and demand side interventions. To fulfil this gap various regulators have taken various steps.

Objectives:

1. To analyse need for financial literacy and financial education
2. To study various financial literacy initiatives taken by various stakeholders

Review of Literature :

Financial literacy implies the ability of individuals to obtain, understand and evaluate information required to make decisions to secure their financial future as best as possible. After analysing a host of papers on the subject, Huston (2010) proposed that financial literacy must also include application of financial knowledge. It is argued that an individual can be regarded as being financially literate only if he has ability to apply this knowledge practically. The OECD defines financial literacy as, "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing." (OECD INFE, 2011).

Lusardi et al. (2010) investigated financial literacy among the young in the US, data collected by the National Longitudinal Survey of Youth in 2007-08. The research questions were related to preparedness of the young to make sound financial decisions, determinants of financial literacy among the young and policy initiatives needed to improve financial literacy of the young. They concluded that the level of financial literacy among the young is low. Several studies from time to time, have attempted to evaluate the level of financial literacy in India. Most of them report that the level of financial literacy in India is substantially low. The VISA (2012) reported India at the 23rd position among the 28 countries surveyed for financial literacy level.

Financial education has a positive impact on Financial Literacy (Mandell, 2009; Bruhn, de Souza Leão & Legovini, 2013; Batty, Collins & OddersWhite, 2015); however, few scholars have contested this contention (Becchetti, Caiazza & Coviello, 2013; Lührmann, SerraGarcia & Winter, 2015). Many researchers have shown a mixed outcome such as behavioural changes post participation in FL education programs (Forté, 2012); outcomes have remained tough to measure (Lyons, 2005) and have been contradicted (Loibl & Hira, 2006). A significant number of schools need to incorporate Financial Literacy in their curriculum (Montanaro & Romagnoli, 2016).

Evaluation of Critical Gaps in Financial Literacy:

NCFE (National Centre for Financial Education) has carried out a pan India Financial Inclusion and Financial Literacy Survey in 2019 with the help of an external surveying agency to find out the status of financial literacy in India. The Survey revealed that:

- More efforts are needed to improve financial literacy among women
- Rural India needs more focused attention
- The group with lower education level requires, greater financial education initiatives
- The group of age '50 and above' requires more financial education

Financial Literacy Initiatives by Stakeholders:

1. NCFE -National Centre for Financial Education

NCFE creates financial awareness and empowerment through seminars, workshops, conclaves, training, programs, campaigns, discussion forums by itself or with help of institutions, organizations through financial education campaigns across the country for all sections of the population and provides training in financial education. NCFE prepares appropriate financial literature for target-based audiences on financial markets and financial digital modes for improving financial literacy so as to improve their knowledge, understanding, skills and competence in finance.

NCFE conducts financial education campaigns through financial education programs like MSSP (for schools), Financial Education Training Programme (FETP) for school teachers, FACT (for undergraduate and postgraduate students) and FEPA (financial education program for adults).

2. RBI- Reserve Bank of India

RBI has prescribed the following content for basic financial education:

- a. Financial Literacy guide, Financial Diary and set of 16 posters prepared by RBI
- b. Special camps booklet prepared by NCFE for people newly inducted into the financial system which captures the fundamental tenets of financial wellbeing such as savings, borrowings, time value of money, inflation, concept of interest and compounding, relation between risk and rewards etc. The content covers relevant topics in the banking sector such as ATMs, payment systems such as NEFT, UPI, USSD, awareness about sachet portal, keeping away from fictitious emails/calls, Ponzi schemes, fraudulent transactions, KYC, Exercising Credit Discipline, Business Correspondents etc.

A Financial Awareness Messages (FAME) booklet comprising 20 messages for the general public and five Posters on financial literacy for the Financial Literacy Week have been made available on the Financial Education webpage of RBI's website.

3. SEBI - Securities Exchange Board of India

SEBI has undertaken the following initiatives for basic financial education:

- a. Financial Education through Resource Persons Program to impart financial education to the public. The eligible individuals trained and empanelled as RPs (in districts) by SEBI who can conduct free workshops in local language and are paid honorarium.
- b. Visit to SEBI by students

- c. Financial Education Booklet covering basics of concepts like financial planning, Savings, Investment, Insurance, Pension, Borrowing, Tax saving, caution against Ponzi schemes, Grievance redressal, etc. SEBI has the following initiatives for sector focused financial education:
- Investor awareness programs by SEBI recognized Investors' Associations
 - Regional Seminars in association with Exchanges/Depositories
 - Commodity awareness programs by SEBI recognized Commodity Derivatives Trainers

In addition to the above, SEBI has also undertaken the following initiatives:

- Participation in World Investor Week in association with International Organization of Securities Commissions (IOSCO): With the objective of highlighting the initiatives taken by various financial market regulators in the direction of conducting investor protection and education awareness activities, IOSCO has been organizing every year a weeklong global campaign referred to as World Investor Week (WIW).
- Dedicated Investor Website: A dedicated website <http://investor.sebi.gov.in> is maintained for the benefit of investors. Schedules of various investor and financial education programmes are also displayed on the website for the information of investors. The website provides relevant educational/ awareness material and other useful information. Further,
- Mass Media Campaign: In order to reach out to people, SEBI has embarked on a mass media campaign giving relevant messages to investors through popular media. Since year 2012, SEBI has carried out various awareness campaigns in multi mass media (TV/Radio/Print/bulk SMS) on topics as mentioned below:
 - Investor grievance redressal mechanism
 - Collective Investment Scheme - Unrealistic returns.
 - Collective Investment Scheme – Don't Go by Hearsay.
 - Application Supported by Blocked amount (ASBA) - Initial Public Offering (IPO).
 - Dabba Trading
 - Caution against Hot Tips- Additionally, posters on cautionary messages listed above were printed in various languages and distributed to district collectors, panchayat offices, etc. in various languages.
- Investor Grievance Redressal: SEBI has been taking various regulatory measures to help in solving investors grievances. The grievances lodged by investors are taken up with the respective listed company or intermediary and continuously monitored. SEBI Complaints Redressal System (SCORES) has helped the investors in real time knowledge of status of their grievances since investors can log onto SCORES at any time and from anywhere and check the status of the grievances.
- SEBI Toll Free Helpline: SEBI had launched toll free helpline service numbers 1800 22 7575/1800 266 7575 on December 30, 2011. The helpline service is available every day from 9:00 a.m. to 6:00 p.m. (except on declared public holidays in Maharashtra) to investors from all over India. The helpline service is available in English, Hindi and various regional languages.

4. IRDAI- Insurance Regulatory and Development Authority of India

Since its inception, IRDAI has taken various initiatives in the area of financial literacy. Awareness programmes have been conducted on television and radio and simple messages about the rights and duties of policyholders, channels available for dispute redressal etc. have been disseminated through television and radio as well

as the print media through sustained campaigns in English, Hindi and 11 other Indian languages. IRDAI has got a pan India survey on awareness levels about insurance carried out through the NCAER in a bid to improve on its strategy of creating insurance awareness. IRDAI has also brought out publications of 'Policyholder Handbooks' as well as a comic book series on insurance. Some of the major initiatives carried out by IRDAI are listed below:

- Conducting seminars, awareness campaigns, Metro Rail campaigns, quizzes, etc.
- 'Young Corner' - an interactive six game featurette was launched on the Policyholders website. A Hindi version of the website was also launched to increase its reach
- Print campaign cautioning the general public about the spurious callers and fictitious offers was launched. Insurance comic books in 12 vernacular languages were released
- Handbooks on Insurance such as Employment opportunities in Insurance for students; Crop Insurance, right buying etc., were launched
- Pan-India campaign against spurious callers through TV Commercials and Radio jingles on the utility and benefits of various forms of insurance in five regional languages

5. PFRDA- Pension Fund Regulatory and Development Authority

PFRDA has launched a dedicated website called "Pension Sanchay" in 2018. Through this website, PFRDA aims towards addressing the need of financial literacy from the perspective of retirement planning. The content of the website has been designed keeping into view the four most important concepts in financial decision-making knowledge of interest rates, interest compounding, inflation and risk diversification. The website has separate blog segment where blogs written by the professionals in the financial sectors and the officers of the Authority are made available which provides meaningful insight regarding the fundamentals of finance, banking and investments.

PFRDA conducts subscriber awareness programs through its central record keeping agencies at different places across India. Further, PFRDA also has empaneled a dedicated training agency for creating subscriber awareness and capacity building regarding the NPS and APY. In addition to the above, PFRDA also conducts Annuity Literacy Program in co-ordination with NPS Trust and Annuity Service Providers for making subscribers aware about the different annuities available to them.

6. NABARD - National Bank for Agriculture and Rural Development

- Creation of financial awareness amongst the rural masses through various media in Hindi, English and vernacular languages.
- Conduct of Financial Literacy Awareness Programmes (FLAPs) targeted for people who are newly inducted in the financial system, Adults, Farmers, School Children, Senior Citizens, SHGs and Entrepreneurs besides financial education for rural masses on different modes of digital payments.
- Conduct of FLAPs with Mobile Demo Vans fitted with Audio-Video equipment, ATM, Micro-ATM and handholding for conducting digital transactions
- Printed materials such as leaflets, posters, books/booklets on financial literacy initiatives; jingles related to financial inclusion eg. opening of bank accounts, SHG savings, Swarojgar Credit Cards, etc., were aired and animated films on loans, budgeting and usage of ATMs hosted on our website as well as YouTube channel

- Capacity building initiatives to sensitize and train the staff of commercial banks, RRBs and RCBs for effective delivery of financial literacy through BIRD Setting up of financial literacy centres by Regional Rural Banks (RRBs) and Rural Cooperative Banks (RCBs).
- 7. SIDBI - Small Industries Development Bank of India**
- Samridhi, the virtual assistant was launched by SIDBI on the Udyami Mitra portal on April 02, 2018. The virtual assistant guides budding entrepreneurs across a wide gamut of topics ranging from kinds of loans to handholding support.
 - A “Bankability Kit for MSE Entrepreneurs” in bilingual format has been hosted on the portal. This is a one stop guide for entrepreneurs to assess themselves, give an overview of what bankers look at, tips to communicate with banks, financial products for MSMEs, besides other important components.
 - Certified Credit Counsellors and CCIs have been empaneled and onboarded on Udyami Mitra platform to strengthen the supply side by enhancing access to credit as also giving thrust to demand side issues of MSMEs particularly those at the bottom of pyramid.
 - Udyami Mitra Portal aims at instilling ease of access to MSMEs financial and non-financial service needs. The portal also hosts 325 project profiles covering 40 industrial sectors for reference purposes.
 - SIDBI with the support of the nationwide Common Service Centres (CSCs) has delivered an Entrepreneurship Awareness campaign or the Udyam Abhilasha project which focused on 115 aspirational districts across 28 states. These 115 districts account for more than 20% of the country’s population and cover over 8,600 Gram panchayats. During the campaign around 470 training locations were covered with over 2.25 lakh hours of inputs given to 18000+ youths (including about 35% women) 41
 - SIDBI has positioned Hauz Khas Metro Station (in New Delhi) as a thematic station and disseminating information amongst masses. This initiative aims at connecting people with initiatives like Pradhan Mantri Mudra Yojana, CGTMSE, Social Security schemes, SIDBI offerings, GOI initiatives, etc.
 - During the recent Kumbh Mela, SIDBI initiated a special project by setting up a Swavalamban stall and created financial awareness aimed at spreading entrepreneurship culture across the nation through games (Kaun Banega Udyami), Nukkad Natak/ puppet shows, financial literacy videos on MUDRA, CGTMSE, Standup India and so on.
- 8. NPCI - National Payments Corporation of India**
- NPCI started working with Public Sector Banks (PSUs) and private sector banks to create awareness and literacy sessions on RuPay, IMPS, AePS, and USSD. NPCI was involved with cooperative and regional rural banks. While conducting awareness and literacy sessions NPCI also distributed posters, ATM screens, web banners, SMS, emailers, etc. for digital payment literacy and fraud awareness.
 - NPCI started Disseminating digital payment literacy to corporate employees and beneficiaries with the help of these agencies. Currently, apart from the banks NPCI is also associated with Indian Railways, OMCs, NABARD, Education Institutes, Corporate CSR, NULM, MFIs, BCs, NGOs, Agritechs, FinTechs, etc to promote digital payment literacy and awareness.
 - NPCI entered the Limca Book of Records in the year 2017 for conducting 120 e-Payment Literacy camps simultaneously across the country on September 8, 2015, the world Literacy Day. 23,930 customers attended workshops.

Conclusion :

India is having a population of 1.3 billion people, but still approximately 76% of the adult population are yet to develop understanding about basic financial concepts. India has the potential to be among the top financial literate country in the world as 27.6% of its people between the age group 25-44 will be participating in the financial inclusion program through financial education provided by various stakeholders like SEBI, RBI etc. This rate could expand by more than 20% in the next two decades, if the youngsters within the age group 10-19 are also provided proper financial education. This group comprises about 21.8% of India's population. Financial abilities and financial decision making can bring general economic growth and increase the standard of living. India's workforce combined with strong financial education can take the country to a robust level of economic development in terms of investments, saving, and stability. A financially savvy India would have an impact at global level.

References:

1. Lusardi, Annamaria and Oliva Mitchell, and Vilsa Curto. 2010. "Financial literacy among the young." *Journal of Consumer Affairs* 44: 358–380
2. Mandell, Lewis. 2009. "Starting Younger: Evidence Supporting the Effectiveness of Personal Financial Education for Pre-High School Students." Minneapolis, MN: The National Theater for Children.
3. RBI. 2013. What, why, who and how of financial literacy. Retrieved 29 September, 2019, source: http://www.rbi.org.in/scripts/BS_SpeechesView.aspx?id=779
4. <https://www.ncfe.org.in/reports/nsfe/nsfe2025>
5. <http://www.financialliteracy.gov.au/>

Cite This Article:

Dr. Laksha Ailani, (2022). "A Study of Financial Literacy Initiatives in India" Educreator Research Journal IX Feb 2022. 67-73