

**A STUDY OF FINANCIAL LITERACY AMONG PRE-SERVICE TEACHERS  
IN MUMBAI****Dr. Meenakshi Lath***Associate Professor**Bombay Teachers' Training College, Colaba, Mumbai***Abstract**

*Financial literacy is the key factor which determines the financial wellbeing of a person. Standard and Poor's global financial literacy survey reports that, on an average, only 24% of adults in India are financially literate, which is the lowest among the adults in the emerging economies of the BRICS nations. The present study is an inquiry into the financial literacy among undergraduate pre-service teachers in Mumbai. It is important to understand the levels of financial literacy among this group as they are the key influencers at the school level. It is their interest and awareness which will be passed on to the learners they interact with in the future. The study adopted a descriptive survey approach. The survey tool, administered to 138 pre-service teachers was based on the understanding of basic concepts and knowledge of banking, digital payments, insurance, investments, fraud protection and grievance redressal, and pensions and retirement. The findings them of the survey revealed that 56.45% of the pre-service teachers are financially literate. Among, the knowledge of digital payments is highest, while the knowledge of banking, fraud protection and grievance redressal are moderate. Their knowledge related to insurance, investments, pensions and retirement left much to be desired. The research suggests that more efforts are required for the financial education of pre-service teachers.*



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## Introduction

Financial literacy is the starting point and one of the key determinants of a person's ability to confidently manage money and make money work for them. The Organisation for Economic Co-operation and Development (OECD) and International Network for Financial Education (INFE) has defined financial literacy as a "combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing." According to Investopedia - financial skills like budgeting and investing help to support an individual's life goals, whether it be saving up for starting a business, getting an education or enjoying retirement. The PISA 2015 assessment and analytical framework presents a definition of the domain of financial literacy assessed in Pisa 2015. Financial literacy is defined as knowledge and understanding of financial concepts and risks, skills and their application across a range of financial contexts (PISA 2015 Results (Volume IV), 2017)

On an average, a graduate in India spends 15 years acquiring a degree and attempting to get job-ready. During those years, a learner also spends much time on learning things which may never be relevant to life. Vince Shorb, CEO of the National Financial Educators Council asks this question - How much time has the graduate spent learning to save, invest and grow their money? These are basic life skills which we all need to acquire.

Financial illiteracy or poor financial literacy has consequences for the financial well-being of the person. For example, mathematically speaking, we all understand the concept of compound interest - something we have all learned early at secondary school level. However, practically speaking, we are all a little late in jumping on to the bandwagon when it comes to using the power of compounding to build wealth. There is often a lack of clarity about the difference between fundamental concepts like saving and investing. Another indication of poor financial literacy in the general population is the number of people who fall prey to misselling of financial products, financial scams and get-rich-quick schemes. Ever since the digital payments initiative started by the government of India, there has been an increase in the number of



unscrupulous operators who are looking to fleece their next victim.

Standard and Poor's global financial literacy survey reports that, on an average, only 24% of adults in India are financially literate, which is the lowest among the financial literacy average among adults in the other emerging economies, specifically the BRICS nations which include Brazil, Russia, China and South Africa.. In contrast the S&P survey reports that the average financial literacy rate of adults in the developing economies is 55%. This indicates that there is indeed a very wide gap and therefore an urgent need to remedy this issue through financial education initiatives in the country.

In our own country there have been several organisations which have been at the forefront of the work of providing financial education to the people. The Reserve Bank of India, apart from its role in framing monetary policy and regulating the banking sector also has an important developmental role. The RBI has rolled out a financial education initiative which has been in existence for several years. Through the initiative of the apex banking institution, financial literacy week has been celebrated in the country every year since 2017. Each year there has been a focus on a different financially related theme. Some of the early initiatives of the RBI were targeted at school children. The RBI had published two series of pictorial volumes which focused on savings and banking concepts for young learners. In addition it has developed financial literacy content for four other target groups which include farmers, small businesses, self-help groups and senior citizens. The website has resources such as audio-visual content, games and downloads, which have been created as a result of commitment of the RBI to financial literacy and inclusion.

The National Strategy for Financial Education 2020-25 is an approach for creating a financially aware and empowered India involving multiple stakeholders. One of the key developmental agendas of the government has been to ensure financial inclusion for the citizens. Financial literacy is the stepping stone to financial inclusion which empowers us to make informed choices and maintain financial well-being. The approach towards achieving financial literacy



centres around the '5Cs' namely, curriculum content in educational institutions, capacity-building, leveraging community resources, enhancing collaboration between stakeholders and adopting effective communication strategies (NSFE, 2020).

Following the leader, this initiative of promoting financial awareness has also been taken up by several banking institutions in the country. With multiple stakeholders contributing to this urgent task, it is hoped that the reach of these institutions will include those who have thus far been marginalized financially. The National Centre for financial education also has several resources related to knowledge about mutual funds, gold, banking, borrowing, financial planning and general financial literacy. While it is true that anyone with access to the internet and an interest in financial matters would be able to find enough resources - there are others who need to become financially conscious and need support in this endeavour.

The recent NPE 2020 document has only one reference to 'financial literacy' under section 21 which deals with adult education and lifelong learning. The policy suggests that financial literacy is one of the critical life skills which should be included in the curriculum framework for adult education and lifelong learning. It may be noted that there is no mention of financial literacy in the NPE 1986 document.

With this as the context in terms of financial literacy, the researcher was curious to inquire into the financial literacy of pre-service teachers. Witte et al (2020) claim that the first challenge for effective financial education are financially literate teachers and their professional development has an impact on the financial literacy of students.

The present study is an inquiry into the financial literacy among undergraduate pre-service teachers in Mumbai. It is important to understand the levels of financial literacy among this group as they are the key influencers at the school level. It is their interest and awareness which will be passed on to the learners they interact with. The aim of the research study was to study the levels of financial literacy among pre-service teachers.



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## **Conceptual understanding of financial literacy**

There are multiple understandings of the concept of financial literacy which differs both across geographies as well as the age of the target groups. The present study adopted the conceptual understanding of financial literacy as derived from the two sources mentioned below. The first source being the conceptual understanding of financial literacy as proposed by the S&P Global FinLit Survey which measures the essential elements of the people's knowledge of numeracy, compounding, inflation and risk diversification. The S&P survey assesses financial literacy through the use of four basic questions based on the above aspects. Any person who can answer three of the four questions is considered to be financially literate. The understanding of financial literacy also encompasses the interpretation derived from the Financial Education Handbook published by the National Centre for Financial Education in India. It includes within the domain of financial literacy, the knowledge of basic concepts, banking, digital payments, insurance, investment, fraud protection, grievance redressal and pensions and retirement. The researcher has included all the above dimensions related to financial literacy which are covered in the handbook.

The study adopted a descriptive survey approach. The tool used was a questionnaire in two parts. Part A with 4 questions related to the basic concepts of numeracy, compounding, inflation and risk diversification. Part 2 included 4 questions each of the aspects which checked awareness about banking, digital payments, insurance, investing, fraud protection and grievance redressal and pension and retirements. The survey was administered online through Google forms to 138 pre-service teachers. The results of the responses to the survey are analysed and reported below.

## **Data Analysis**

The responses to the survey questions were analysed using descriptive statistics. Table 1 represents the responses to Part A of the questionnaire and Table 2 represents the analysis for Part B of the questionnaire.



**Table 1. Respondents with number of correct answers for basic concepts**

Number of correct responses out of 4 questions on basic concepts of numeracy, compounding, inflation and risk diversification	Percentage of pre-service teachers	Level of literacy
1	15.94	Poor financial literacy
2	27.53	Inadequate financial literacy
3	34.05	Financially literate
4	22.4	High level of financial literacy

From the data analysis it is evident that as per the definition of the S&P Global FinliT Survey, 56.45% of the pre-service teachers are financially literate which is more than double the national average of 24% adults.

**Table 2. Mean Scores of Financial Awareness of Various Aspects**

Knowledge of particular dimension of financial literacy	Mean Scores	Ranking in terms of awareness
Knowledge of Banking	15.65	2
Knowledge of Digital Payments	17.8	1
Knowledge of Insurance	10.58	6
Knowledge of Investment	11.81	5
Knowledge of Fraud Protection and Grievance Redressals	14.34	3
Knowledge of Pensions and retirement	11.96	4

From Table 2 it is evident that the pre-service teachers have an excellent level of knowledge about digital payments as evidenced by the mean score of 17.8 for this aspect. Perhaps the push by the government, information campaigns by various banks as well as the pre-service



teachers' experience of making digital payments may have contributed to this high score. The level of knowledge about banking, fraud protection and grievance redressal is moderate with mean scores of 15.65 and 14.34 respectively. The knowledge about insurance, investments, pensions and retirement is sub-par as evidenced by the mean scores of 10.58, 11.81 and 11.96 respectively. This may be due to the fact that the pre-service teachers have not yet found immediate relevance for these aspects in their lives.

In view of the above findings it may be concluded that while more than half the pre-service teachers were financially literate, their knowledge about certain aspects of financial literacy were quite inadequate. Considering their role in developing financially literate learners, a greater emphasis on financial education at the pre-service level is desirable.

It is recommended that pre-service teacher education programmes can include a module on financial education to help develop greater awareness and improve financial literacy. The programme could also focus on learning strategies which could be used to create financial awareness for school children. Using the 5 Cs approach as suggested by the National Financial Inclusion plan - improving content, capacity building, collaboration and communication may be a good step. Another option is using community resources such as those sourced from banks and financial institutions which conduct financial education workshops. Emphasis may be given to concepts related to insurance and investments, considering that the pre-service teachers demonstrate poor awareness about these aspects. The financial education of pre-service teachers deserves greater attention and will surely lead to higher financial literacy among them. This will have nurturant effects on their own financial well-being, while also having a multiplier effect as they will go on to become key influencers of the young learners they teach.

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