

## A Study of Financial Literacy Programs in India

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### **Abstract**

This paper aims to explain the level of financial literacy in India. Finance is the basic requirement of each and every individual of all over the world. Along with this, it plays very vital role for the economic development of the country. We can't only blame our income for our financial problems because its main cause is absence of financial literacy which causes problems in financial management such as lack of financial planning or misuse of credit. The increasing financial literacy in developed countries, it makes sense that the importance of the level of financial knowledge for us. The result of this study generally illustrates the importance of financial literacy in the developing countries like India. Financial literacy initiatives undertaken by government have been evaluated. It needed to make a main objective of all countries government to increase financial literacy among their citizens.

**Keywords:** Financial literacy, financial management, banks

### **Introduction**

Financial Literacy is the combination of two different and very important words, first is Finance and the second word is Literacy. Finance, it is basically the management of money and includes activities such as investing, borrowing, lending, budgeting, saving and forecasting. Literacy, it is the ability to identify, understand, interpret, create, communicate using printed and written material. And the combination of these two terms is Financial Literacy. In simple words, "Financial Literacy is skill to manage financial resources effectively" and there are lots of definitions of financial literacy.

The Center For Financial Inclusion defined financial literacy as "The combination of knowledge, skills, attitudes and ultimately behavior's that that translate into sound financial decisions and appreciate use of financial services." Similarly, The President council On Financial Literacy (PACFL) defined financial literacy as "The ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.

Financial literacy therefore is a combination of awareness, knowledge, skill, attitude and behavior

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necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. Financial capability is also a synonymous term of financial literacy. Financial literacy was introduced by the UK Financial services Authority(FSA).

The authority defines financial literacy as capability possessed by individuals to make informed financial decision. Understand how to manage credits and debits. They can examine the various risks and returns involved in different savings and investment options. They have an understanding of the wider ethical, social, political and environmental dimensions of finances.

The UK government's economic and finance ministry (HM treasury) consider financial capability as a wider concept, comprising of people's knowledge, skills and understand their own financial circumstances, along with the motivation to take action financially capable consumers plan ahead find and use information, know when to seek advice and can understand and act on this advice, leading greater participation in financial service market. It improves ability of the people in, availing financial services, planning their own finances and optimal utilization of resources which in turn promotes economic development. It is a lifelong process, related to the knowledge and to life. Its main characteristic is that it can be improved through teaching. Financial literacy increases confidence and self- control of the people, which in turn facilitates their participation in the formal economic system. It will finally lead to empowerment and well-being.

#### **OBJECTIVE OF THE STUDY**

1. To Study the initiative taken by Financial Supervisors in India.
2. To provide a blueprint for increasing financial literacy among people.

#### **Literature Review**

##### **Financial literacy in India**

The effort to enhance financial literacy in India over the last decade has also been given an impetus by the country's central banker, the Reserve Bank of India that has mandated that banks take the initiative to enhance financial inclusion and financial literacy in the country.

Lusardi (2004) concludes that financial education programmes for older people have positive impact on their wealth after retirement. The study which is based on data analysis of older households shows that many families which are on the verge of retirement, possess very less or no assets. The study further concluded that retirement seminars can increase level of their savings and assets; especially in respect of those, who are less educated and whose savings are on lower side.

**Arya P. (2018)** defined that the need for financial literacy is getting greater because of the low level of literacy and large section of population which remains out of the formal financial set up. In this context the need of financial literacy has become broader and it acquires greater significance because it could be an important factor in the very access of such groups to finance. India has large sections of

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people who are resource poor and who operate on the margin. These groups are really vulnerable towards persistent downward financial pressures. Moreover with no established banking relationships, the poor sections are pushed towards expensive alternatives. Challenges in the areas of household management, could be accentuated by the lack of skills or knowledge that make well informed financial decisions. Financial literacy can help them prepare ahead of time for life needs as well as to deal with unexpected contingencies without assuming unnecessary debt.

**(Kumar & Anees, 2013)**, An overview of the meaning and measurement of financial literacy is presented to highlight current limitation and assist researchers in establishing identical, commonly accepted financial literacy instruments

**National Strategy for Financial Education in India** The first decade of the twenty-first century has seen a universal recognition for spreading financial literacy among people. World over, countries are adopting various targeted programmes for schoolchildren, teachers, research institutions, etc. for the promotion of financial literacy. Further, they have also launched mass media campaigns/websites providing simplified information, often in vernacular mediums, which can be used by the public to learn about the monetary and banking system. Since this is a global problem it requires a global approach. In India, we have that through the Financial Stability and Development Council (FSDC), which is chaired by the Union Finance Minister with heads of all financial sector regulatory authorities as members. FSDC is mandated, inter alia to focus on spread financial education.

**RBI**- Reserve bank of India has undertaken a project entitled “project financial literacy”, This project disseminate information regarding the central bank and the general banking concepts to various target groups, including school and college students, women, rural and urban poor, defense personnel and senior citizens. The project has been implemented in two modules, one module focusing on the economy, RBI and its activities, and second module focus on general banking. It is disseminated to the target audience with the help of banks, local government machinery, schools and colleges through presentations, pamphlets, brochures, films and also through RBI’s website. **SEBI** - securities exchange board of India has embarked financial education on a nationwide campaign, To undertake financial education to various segments like School students, college students, working executives, middle income group, homemakers, retired personnel SEBI has empanelled resource persons throughout India. → These SEBI certified resource persons organise workshop to the target segments on various aspects like savings, investment, financial planning, banking, insurance, retirement planning etc

**IRDA** - Insurance regulatory and development authority has taken various initiatives in the area of financial literacy. Awareness programme has been conducted on radio and television and simple messages about the rights and duties of policy holders, channels available for dispute redressal etc have been disseminated through television, radio as well as print media

**PFRDA** - The pension fund regulatory and development authority has been engaged in spreading social security messages to the public. PFRDA has issued advertisements in print media and

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electronic media through radio and television. PFRDA appointed intermediaries are called Aggregators who are directly responsible for pension awareness mostly in vernacular languages and in line with socio-economic sensibilities.

### CONCLUSION

When the youth of our country are aware about financial literacy, then this will be beneficial for our society, individual and whole community but very fewer people are aware about it . When our youth will gain the required skill then this will bring positive attention to the school as well as community. Promoting financial literacy can reap many benefits for the educational institution which also include student recruitment and retention, building awareness among community members and the media and fundraising through grant and sponsorship opportunities, when financial literacy programmes will be included in the school curriculum then this will open new doors for youth as well. For a success of any financial literacy programmes there should be a motivated teacher, ample resources, relevant curriculum, and involvement of community.

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