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A STUDY ON WAYS TO ENHANCE FINANCIAL LITERACY IN INDIA.

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Abstract

A nation's economic development is determined by its financial system. Financial literacy is the most effective practical strategy for accomplishing the objective of the financial system. Initiatives to promote financial literacy differ widely by country regarding their vision and strategic objectives. Multiple studies reveal that a lack of fundamental financial literacy is a major factor in poor financial decisions. India's demand for financial literacy is rising due to the country's low literacy rates and the significant portion of the population that still needs to be included in the formal financial system.The goal of this paper is to provide an overview of the state of financial literacy in India today using a variety of surveys. The paper also focused on the various barriers faced by the Indian Economy and the numerous financial literacy initiatives launched to overcome these challenges by financial regulators. As per the RBI report, these initiatives helped improve the Financial Inclusion Index from 53.9 in March 2021 to 56.4 in March 2022. Financial literacy is attributed to financial inclusion, growth, and stability.

Keywords:*Financial Literacy, Financial Regulators, Financial Inclusion*

Introduction

Financial Literacy is a crucial aspect of the global policy agenda for financial inclusion since it enables people to make rational financial decisions that enhance their own well-being. One of the most upsetting aspects of the 2008 subprime mortgage crisis, which continues to impact people globally today, was financial illiteracy. The main problem is that the bar for acceptable financial literacy has been rising over time, affecting many people worldwide. People must make a range of financial decisions, and unhappily, sometimes they do not take the risk involved into account or do not recognize it until it is too late.

Developing the knowledge, abilities, and attitudes necessary to become financially informed is known as financial literacy. It teaches people responsible methods for making money, investing, borrowing, and spending it. Financial education aims to empower individuals to identify their financial objectives, make proactive rather than reactive decisions, and work toward achieving these objectives. Understanding personal financial management is all that is required for financial literacy. It offers the combined advantages of preventing money theft and making plans for a financially secure future.

The financial system of a country is essential to its growth and development. Due to the complexity of financial goods that has grown over the last ten years along with financial advancements, financial investors now bear a lot of weight and obligation. Global economies today focus more on financial literacy as a key component for developing a country's financial system. Consumers can acquire the knowledge, fundamental skills, and information they require to assess their alternatives and be able to understand the repercussions of various financial activities through the development of financial literacy.

The Indian economy employs many young people, so it is crucial to teach them the importance of financial literacy. In this regard, the Reserve Bank of India (RBI) has taken a number of steps. One of them is the establishment of counselling centres by public sector banks in all cities, the provision of short-term courses, etc., as well as the creation of a dynamic website that provides up-to-date details in plain language with examples about the various strategies of banks. The desire to learn about finances is great.

Objectives

- To provide an overview of the present state of financial literacy in India.
- To summarize the various initiatives taken by financial regulators to boost financial literacy.
- To study the various difficulties faced by the Indian economy.

Research Methodology

The study carried out here is qualitative in nature. It mainly depends on secondary data. The research publications from which the study's secondary data has been derived include papers, books, reports, magazines, journals, articles, published sources, official websites of regulatory bodies, and newspapers. Published papers and articles were searched using specific keywords like financial literacy, challenges in financial literacy and financial regulators. The above mentioned keywords are selected after going through the relevant published research papers on financial literacy and inclusion. Initially they were searched in the title of the papers, after that, screened research papers abstract were read to finalize the research papers for full reading. Data was gathered from selected journal, articles that mostly give comprehensive view of various challenges faced and initiatives taken to overcome those barriers which ultimately helps in boosting financial literacy in India

State of Financial Literacy in India

The Global Financial Literacy Excellence Center's assessment indicates that only 24% of Indian adults are financially literate. India is the major rising economy with the lowest level of financial literacy. This is due to interstate injustices, a lack of formal education, and a lack of awareness. Although there is scope for improvement, financial literacy rates in other sophisticated economies are higher.

Although India has a population of around 1.3 billion, almost 76% of adults, according to the IBEF (India Brand Equity Foundation), still need to improve their Basic financial literacy. India has the potential to be among the countries with the highest rates of financial literacy in the world given that 27.6% of Indians between the ages of 25 to 44 are still involved in the financial inclusion initiative through financial education. Around 21.8% of total population of India comes under this age category. If youngsters between the ages of 10 and 19 are also provided adequate financial education then this percentage of 27.6% might increase by more than 20 % in the next twenty years. Financial resources could promote wider economic growth and increase living standards. If its workforce is trained in financial matters, India may succeed greatly.

Initiatives taken by Financial Regulators

A nationwide policy has been developed by the Indian government to encourage financial literacy. The government, as well as other regulatory bodies, have given top prior to it. The stakeholders expand financial literacy throughout many economic sectors by coordinating their efforts. The following regulatory bodies took the initiatives-

- **"Reserve Bank of India" (RBI)-** In terms of financial literacy in India, the Reserve Bank of India is highly engaged. Financial inclusion is still the primary area of priority for RBI, and financial literacy is one of those areas. 16 financial health posters, the Financial Diaries, and the RBI Financial Literacy Handbook. Using the media and social media, RBI can reach more people. The RBI has ordered public and private banks to aggressively advance the cause of financial inclusion. Therefore, the RBI needs to accomplish a lot to spread financial literacy and education throughout India.
- **"Securities and Exchange Board of India" (SEBI)-**The financial education initiatives of SEBI are industry-specific. seminars on deposits and exchanges; commodity workshops

are taught by SEBI approved instructors. In addition to the aforementioned initiatives, SEBI has also carried out the following: Website of SEBI contains information aimed at educating and promoting awareness. Programs for financial and investor education are listed on the website.

- **“Insurance Regulatory and Development Authority” (IRDA)-** The IRDA was founded with a focus on financial education. In addition to Hindi and 11 other Indian languages, brief instructions about policyholder rights and obligations are also given in those languages. IRDA launched a website to inform customers after launching a nationwide study on insurance awareness in India. To identify issues with policyholders, IGMS centralizes complaints and conducts data analysis. The IRDA creates lectures and tests. There are six games in "Young Corner" on the Policyholders' website. Published topics included students, crop insurance, and right-buying jobs.
- **“Pension Fund Regulatory and Development Authority” (PFRDA)**- In 2018, PFRDA established "Pension Sanchay." The website of the PFRDA talks on financial literacy in retirement planning. On the website, authorities and financial experts post blogs regarding banking, investments, and finance. The PFRDA in India runs subscriber awareness campaigns. PFRDA has recruited a training company to increase members' knowledge of NPS and APY. The PFRDA Annuity Literacy Program informs participants on the annuities offered by Trust and Annuity Service Providers under NPS.
- **“National Payments Corporation of India” (NPCI):** In 2015, September 8 (World Literacy Day)NCPI sponsored 120 e-Payment Literacy classes. Workshops attracted 23,930 attendees in 2017 and made it into the Limca Book of Records. PSUs and private banks received education on RuPay, AePS ,IMPS and USSD from NPCI. For the purpose of promoting Knowledge of online payments and fraud awareness, the NPCI created posters, ATM screens, web banners and SMS messages.
- **“Organization of Economic Cooperation and Development” (OECD)** The government need to encourage fair, egalitarian, and coordinated financial education, according to the OECD's "Recommendations on principles and good practises for financial education and awareness."Financial education should start in schools so that people can learn as soon as feasible.Financial literacy should be promoted as part of the accountability and obligation of financial institutions. When it comes to long-term commitments or financial services that may have significant financial repercussions, financial institutions should be encouraged to make sure that clients read and understand the information. Essential life

planning components such essential savings, debt, insurance, and pensions should receive specific attention from these plans.

- **Government Initiatives-** The Indian government occasionally launched a number of programmes to increase financial literacy. Here are some of them:

- **"Pradhan Mantri Jan Dhan Yojana'' (PMJDY)** One of the government's major programmes, the PMJDY was introduced in 2014 with the goal of ensuring the financial inclusion of public without bank accounts. A variety of Financial services such as primary savings and deposit, pension, insurance, credit and remittance are all reasonably offered through the programme. Any bank branch or business associate (Bank Mitra) location where this programme is offered allows customers to open a BSBD account. The account holder can also benefit from further initiatives like the MUDRA (Micro Units Development & Refinance Agency Bank), DBT(Direct Benefit Transfer), and APY (Atal Pension Yojana)
- **"Pradhan Mantri Mudra Yojana" (PMMY)** this initiative was launched in 2015 with the goal of providing loans and short term capital loans to small businesses engaged in the manufacturing, service sectors and trading, including the agricultural sector (poultry, beekeeping, dairy, etc.). The three loan kinds made available by the initiative are for Tarun (up to Rs. 10,00,000 or US$ 13,700), Kishore (up to Rs. 5 lac), and Shishu (up to Rs. 50k). For the years 2021–2022, A goal of 3 lakh crore (about 41 billion dollars) was planned, of which 20% has been attained as of July 30, 2021.
- **"Stand-Up India"** For each branch of Scheduled Commercial Banks, the 2016-launched project gives at least 1 woman borrower and 1 SC/ST borrower with bank loans totalingbetween Rs. 10 lakh to Rs. 1 crore in an effort to encourage entrepreneurship among members of scheduled castes and scheduled tribes and women. Loans are granted expressly under this programme for establishing new businesses in the manufacturing, trading, and service industries.
- **"Pradhan Mantri Jeevan Jyoti Bima Yojana" (PMJJBY)** The programme, which was introduced in 2015, aims to cover all causes of death for the uninsured, especially the disadvantaged class. T heprogramme offers a renewable Rs. 2 lakh ($2740) per year in term life insurance (aged 18-50) to all bank holders. The plan's annual premium of just Rs. 330 (US$ 4.5) is administered by LIC and other insurers that provide life insurance on the similar terms. As of July 2021, 10.6 crore people had enrolled in the programme cumulatively, with 45.4% of them are women's, and a total of Rs. 5154.8 crore had been claimed.

- **“Digitalisation”** JAM (Jan Dhan-Aadhaar-Mobile) (Jan Dhan-Aadhaar-Mobile) The government wanted to make a digital infrastructure that could be utilised for a multitude of functions, including giving direct benefits, enabling credit flows, establishing pension schemes, and encouraging digital payments via "RuPay" cards. As part of this programme, Jan Dhan accounts were linked to Aadhaar and smart phone numbers. Biometric authentication based on Aadhaar and digital payment solutions. As many bank accounts are connected to Aadhaar numbers, multiple banking touchpoints make it simple to conduct online financial transactions. Aadhaar has created more over 125 crore digital identities, allowing people to authenticate and conduct transactions. Cost-effective payment options, such as IMPS, RuPay debit card, UPI, etc., have been adopted using biometric ID.
- **“Jan Dhan Darshak”** The government aims to make it easier for people to search and look financial touchpoints such common services centre, bank branches, ATMs , Bank Mitras, and Post offices with this smartphone application called "Jan Dhan Darshak" (CSCs). Authorities also utilise the programme to find unbanked towns and villages that lack any financial touchpoints. The software will serve as a map allowing users to find financial service touchpoints at specific areas across the nation. The government claims that the software has mapped more than 8 lakh financial service touch points. To increase financial literacy among individuals, the government intends to extend the reach of the "Centre for Financial Literacy" programme at the block level across the country by March 2024. Additionally, it aims to incorporate financial literacy issues into school curricula as part of the NSFE(National Strategy for Financial Education) 2020–2025, as of July 2021, only 15 school boards had done so. The FI-Index(Financial Inclusion Index), which the RBI will start publishing each year, is the government's future plans for boosting financial inclusion promotion and advancement. This index will make it easier to identify process gaps and evaluate annual progress.

- **Difficulties faced in financial literacy:** Financial regulators in India took a number of steps to increase financial literacy. Despite these efforts, the country's population continue to confront numerous challenges, which are described as follows:
- **Infrastructure issues:**In our nation, there are many issues with both physical and digital connectivity. There are locations in urban regions where the internet connection is exceedingly slow, which causes issues. This is in addition to the fact that a lot of rural areas lack both physical as well as online access.

- **Technology:** Issues with operational efficiency, turnaround times, partners in technology, and card and portable device availability are among the technology-related worries.
- **Equality Issues -** A number of studies and sources, particularly those by the OECD and INFE, show that women are less financially literate than males are, as well as having lower levels of confidence in their skills and long-term investment intentions. Although women manage their money more wisely than men do in the short term, long-term planning and financial literacy are still lacking in women, which contributes to gender inequality.
- **Legislative issues.** Regulatory organisations understand and agree that raising the degree of financial literacy among their citizens is necessary to achieve financial stability within their countries. Although they agreed and had plans to offer a framework, they haven't fully or even partially carried them out. The main problem is that they don't know where to start.
- **Lack of knowledge and overconfidence** - The majority of individuals tend to be overconfident in many facets of life. There are already a number of services available to the general public, and because customers frequently lack a thorough understanding of them, they regularly entrust specialists with their money without thinking twice or carefully considering their decisions. People tend to choose good things, thus banks, financial institutions, and financial experts only emphasize the advantages of their goods while leaving out any potential concerns.
- **Lack of finance -** Lack of finance is another factor. Governments, counties, and other federal organisations do not provide public institutions with enough resources to develop new courses or compensate the qualified instructors. This widens the gap between those who are ready and those who are not.
- **7Improving financial inclusion:** Instead of focusing on costs, the appropriate business model should generate revenue by offering numerous deposit, credit, and other services.
- **Other:** Fewer transactions, inactive accounts, poor volume, low value, high cost, and dependability worries

Conclusion

The cornerstone of a stable financial system is financial literacy. The topic of financial literacy should be addressed from either a policy perspective or a pragmatic perspective. In order to be distributed completely, financial literacy should be on the agenda with a uniform framework and method. Our government and regulatory authorities have implemented creative approaches to raise literacy levels in India. Despite attempts, there is little financial literacy in our nation. To ensure success, such activities should be carried out frequently and under constant supervision. Schools should cover fundamental financial concepts so that kids may educate their illiterate parents. Regulators can review their initiatives on a regular basis. The goal of these initiatives should be to give users the knowledge and tools they need to understand so that they can choose the financial goods and services that best meet their requirements, aspirations, and circumstances. The overall initiatives made by regulatory bodies, non-governmental organizations, and community organizations should be designed to help people develop the capacity to make informed decisions, recognize financial products and services that meet their needs, and make wise financial decisions.

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