Turkish Online Journal of Qualitative Inquiry (TOJQI)
Volume 11, Issue 2, June 2020: 609-619

An Assessment of Financial Literacy and Financial Education InIndia

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ABSTRACT

Evidence from around the world presents alarming and widespread deficiencies in financial literacy. This evidence has led to the launch of financial literacy programs in many countries. The programs vary widely in their scope and approach across countries. In India 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. The goal of this paper is to provide a snapshot of the current status of financial literacy in India with the help of various survey results and the various financial education programs initiated in India to improve the level of financial literacy in India. Some recommendations are also put forward to make our financial education programs more effective.

Keywords: Financial Literacy, Assessment, Education, Literacy

Introduction

Financial literacy has assumed greater importance in the recent years, as the financial systems of the 21st Century have been growingwith speed, sophistication and becoming more complex world over. The economic and social environment in which people take financial decisions has changed – and this change is set to continue with the dynamic and ever- changing technology. Financial products andservices have multiplied along with technological and other means of marketing them. There is also an information asymmetry leading to making informed choices more and more difficult for the common person. This calls for skills that can be obtained throughfinancial education.

Financial literacy means different things to different people. For some it is a wide-ranging concept, incorporating an understanding of economics and how household decisions are affected by economic conditions and circumstances. For others, financial literacy means focusing quite narrowly on basic money management skills – budgets, savings, investments, insurance. In its Recommendation on Principles and Good Practices for Financial Education and Awareness, the Organization for Economic Co-operation and Development (OECD)defined financial education as ―the process by which individuals improve their understanding of financial products andconcepts; 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 and protection‖ (OECD 2005).
Financial literacy is considered as an important adjunct for the promotion of financial inclusions and ultimately financial stability. Evidence from around the world presentsalarming and widespread deficiencies infinancial literacy. This evidence has led to the launch of financial literacy programs in many countries. The programs vary widely in their scope and approach across countries. Largely, these are targeted to raise the understanding about the principles and conventions of savings and money and to enable individuals to take optimal financial decisions consistent withtheir goals.

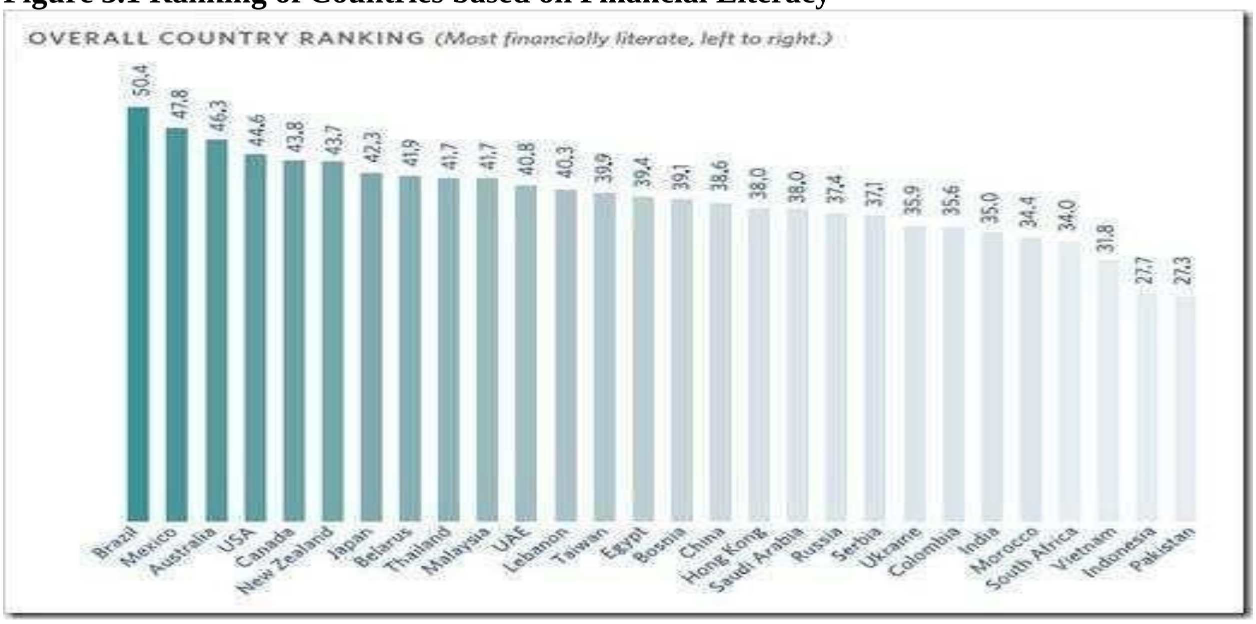
Financial Literacy in India

In India the need for financial literacy is gettinggreater 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 haslarge sections of 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 timefor life needs as well as to deal with unexpected contingencies without assuming unnecessary debt.

Several studies have attempted to examine the level of financial literacy in India. Most of them report that the level of financial literacy in India is poor. For instance, the VISA (2012) study ranks India at the 23-rd position among the 28 countries surveyed. Out of a possible score of 100, Brazil topped the charts with a

50.4 followed by Mexico with 47.8, Australia with 46.3, USA with 44 and Canada with 43.8 in top 5 overall country ranking. According to the report only 35% of Indian respondents are financially literate.

Figure 3.1 Ranking of Countries based on Financial Literacy



Source: Survey Result of VISA

According to the latest MasterCard Financial Literacy Index (2013), in terms of overall financial literacy, India is at the bottom among 16 countries in the Asia-pacific region with 59 index points. It has been created based on a survey conducted between April 2013 and May 2013 on 12,205 respondents aged 18 – 64 in 27countries across 3 key regions: Asia/Pacific,Middle East and Africa (APMEA). This is the 3rd survey of Financial Literacy conducted since 2010. Bangladesh and Myanmar are new additions in this latest survey. Their study found that the children and the young havesignificantly lower level of literacy compared to adults. In terms of money management, the survey found the Indians to have performedpoorly, particularly in terms of keeping upwith bills and credit commitments, setting money aside for big purchases and making the minimum payment each month for credit cards.The lack of ability to keep up with bills, set money aside for big item purchases and to pay off credit cards fully could be due to a lack of surplus cash, resulting from the fact thatincome levels are not high enough to coverexpenses.

According to the World Bank‘s Global Financial Inclusion Index (Findex) 2012, only 22% of adult

Indians saved in the past year (2011). This low propensity to save may be dueto the fact that they were simply not earning enough to set aside money for savings, big purchases, and credit commitments (Klapperet.al. 2012).
According to the study of OECD, the financial literacy score for each respondent wascomputed by adding the scores in the three underlying dimensions, namely, financial knowledge, behaviour and attitude. The maximum score that was possible for financial literacy was 21 (8 for financial behaviour, 8 forfinancial knowledge, and 5 for financial attitude). The average score of India for the sample at 13.8, was within the range of average scores of 12.4 to 15.1 reported by the OECD study for the 13 countries covered in its survey.India is well ahead of several countries thatinclude South Africa, Armenia, Poland, Estonia, and Albania. However, it is alarming to note that only about 39% of the employed respondents have financial literacy scores above the OECD average. Similar figure for the retired is about 56%. This seems to suggest that for the majority of the young employed and for a large number of the retired Indians the financial literacy level is not very high. This is despite their relatively better score for financial behaviour and their almost at par score for financial attitude(Atkinson, Messy 2012).
The study conducted by Indian Institute of Management Ahmedabad on students, youngemployees and retired persons, based on the globally recognized OECD questionnaire, gave a striking conclusion that financial knowledge in India is very poor as compared to the global standards. A large part of this is due to poor numeracy skills and can be attributed to thepoor elementary and primary education system as documented in other studies. However, this poor knowledge is offset by prudent financial behavior and good financial attitude that leadto an overall score of financial literacy that is atpar with admittedly poor global standards(Agarwalla et al. 2012).

Financial Education Programs initiated in other countries

Research has shown that levels of financial literacy worldwide are unacceptably low. Developing countries have much lessfinancially literate population as compared to developed countries. People find it difficult to take decisions regarding personal finance issues confidently and often make mistakes (Mitchell 2011, Poterba et al. 2007). In India also the levels of financial literacy are very low.Recognizing the importance of knowledge about financial decisions,a number of public agencies, private foundations, school systems,and employers have begun to sponsor financial literacy programs. The governments and various organizations such as EconomicCo- operation and Development (OECD), the
U.K. Department of International Development(DFID), and the World Bank are promotingfinancial literacy in developing countries by imparting financial education. Financial education empowers individuals to take their financial decisions in a better way. Financial education programs cover topics such as savings, borrowings, budgeting and making useof financial services.
Many countries are developing strategies to raise levels of financial literacy. While governments and organizations internationally have approached financial literacy in different ways, there are a number of recurring themes. These include a move from general to more targeted programmes aimed at different groups in society; an increasing focus on young people, particularly school students; and the emergence of nationally coordinated approaches to developing and delivering programmes, often through a coordinatingbody.
In 2005, the Australian Commonwealth Government established the Financial Literacy Foundation. The foundation works in partnership with government, industry and community organisations in providing a national focus for financial literacy issues. Its Advisory Board is responsible for contributing independent and strategic guidance on financial literacy issues. Additionally, the Australian Government has mandated that school systems must deliver financial education to all students by 2008. In its 2007–08 Budget initiatives, the Australian Government provided funding of AUD 2 million for the provision of professional development for the 1,000 teachers who will be teaching financial literacy from 2008 onwards. As part of the Australian Government‘s commitment to lasting generational improvements in financial literacy, a further AUD 4 million was provided to the Department of the Treasury to extend theUnderstanding Money media

campaign(Australian Securities & InvestmentCommission Report, 2011).
In the US, a range of federal government initiatives have been taken to promote financialliteracy, supported by various private-sector measures. At federal government level, the Financial Literacy and Education Commission have played an active role in promoting financial literacy through a range of measures, including educational material and internet- based information. Initiatives have been taken at a range of levels, including financial education programmes for young students and adults(U.S. Government Accountability Office,2004).
New Zealand launched its National Strategy for Financial Literacy in 2008 and constituted an advisory committee that is supposed to update on the action plans on a half-yearly basis2. The strategy is attempting to integrate the initiatives such as the New Zealand Financial Literacy Program developed by Enterprise New Zealand Trust to improve financial decision making skills of youth.

Financial Education Programs in India

The effort to enhance financial literacy in Indiaover the last decade has also been given an impetus by the country‘s central banker, theReserve Bank of India that has mandated that banks take the initiative to enhance financial inclusion and financial literacy in the country. A draft national strategy for financial educationwas prepared and released by RBI in July 2012 (RBI 2012). The strategy includes observations on not only the role of the banks but also the need for financial education in schools.

- ***National Strategy for Financial Education inIndia***

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 alsolaunched mass media campaigns/websitesproviding 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. Realizing this, the Organisation for Economic Cooperation and Development (OECD) created the International Network on Financial Education (INFE) in 2008 to promote and facilitate international co-operation between policy makers and other stakeholders on financial education issues worldwide. Currently, more than 200institutions from 90 countries have joined the OECD/INFE.
In view of the sheer magnitude of the task at hand, it is beneficial to have a strong institutional architecture guiding and coordinating the efforts of various stakeholders towards spreading financial literacy. In India, we have that through the Financial Stabilityand Development Council (FSDC), which ischaired by the Union Finance Minister withheads of all financial sector regulatory authorities as members. FSDC is mandated, inter alia to focus on spread of financial inclusion and financial literacy. The Reserve Bank, besides its role as a member of the FSDC, has also taken numerous initiatives for spreading financial inclusion and financial literacy, both in terms of creating an enabling policy environment and providing institutional support.
Under the aegis of the FSDC, India has been prepared the draft for National Strategy for Financial Education (NSFE). The Strategyenvisages ways of creating awareness and educating consumers on access to financial services; availability of various types of products and their features; changing attitudes to translate knowledge into responsible financial behaviour; and making consumers of financial services understand their rights andobligations. The Strategy calls for active involvement of individuals, financial sector regulators, educational institutions, NGOs, financial sector entities, multilateral international players and the Government at both Centre and State.
The Strategy envisages a time frame of five years for its massive financial education campaign. It envisages that financial education will be delivered to different target groups through trained users. Basic financial educationis aimed to be included in school curricula up to senior secondary level. This is based upon the premise that the most effective way is to weave financial education into the normal content of curriculum. Accordingly, the curriculum setting bodies like the National Council of Educational Research and Training (NCERT), Education Boards like the Central Board for

Secondary Education (CBSE), Central and State Governments are requested to try and embed such concepts in the school curriculum.
Simultaneously, the Strategy aims at establishing initial contact with 500 million adults, educating them on key savings, protection and investment related products so that they are empowered to take prudent financial decisions. It also seeks to create awareness about consumer protection and grievances redressal machinery available in the country. All the above measures would be undertaken through various stakeholders including NGOs, civil society and by using all available channels of mass communication. As a first step towards increasing financial education, the NSFE envisages conducting aNational Survey on Financial Education to provide a holistic assessment of the need for financial education in the country.
Since the challenge in India is to link large number of financially excluded people to the formal financial system, the focus of our strategy at the base level is to create awareness of basic financial products. Some of the steps that have been taken by the Reserve Bank and other stakeholders to promote financial literacyin India are as under:

RBI’s initiatives on Financial Education

The Reserve Bank of India has undertaken a project titled "Project Financial Literacy". The objective of the project is to disseminate information regarding the central bank and general banking concepts to various target groups, including, school and college going children, women, rural and urban poor, defencepersonnel and senior citizens. The project envisages a multi pronged approach. Theproject has been designed to be implemented intwo modules, one module focusing on the economy, Reserve Bank and its activities, and the other module on general banking. The material will be created in English, Hindi, and regional languages. It would be disseminated tothe target audience with the help, among others, of banks, local government machinery, schools and colleges through presentations, pamphlets, brochures, films, as also, through the Bank's website.
The Reserve Bank has released on its website on January 31, 2013, a comprehensive Financial Literacy Guide, which, banks have been advised to use as a standard curriculum to impart basic conceptual understanding of financial products and services. The financial literacy guide consists of Guidance Note for trainers, Operational guidelines for conduct of financial literacy camps, and financial literacy material, including posters. The guide also contains a financial diary to be distributed to the target audience, so as to enable them to keep a record of their income and expenses, as a first step towards financial planning (RBI‘s several policies toimprove financial literacy 2011).
The Bank has also created a link on its web site for the common person to give him the ease of access to information, in 13 regional languages, which he can use in his dealings with banks.

Credit Councilling Centres

Credit Counselling can be defined as 'counselling that explores the possibility of repaying debts outside bankruptcy and educates the debtor about credit, budgeting, and financial management‘. It serves three purposes. First, it examines the ways to solve current financial problems. Second, by educating about the costs of misusing a credit, it improves financial management. Third, it encourages the distressed people to access the formal financial system.
Earlier, there were reports of farmers committing suicides in some parts of the country due to their financial liabilities. Through the provision of timely and professional advice, common people can be helped to manage their debt, improve money management skills and gain access to the structured financial system. Counselling can help solve current financial problems, createawareness about the costs of misusing a credit, can improve financial management and help develop realistic spending plans. Debt counselling/credit counselling can be bothpreventive and curative. In case of preventive counselling, the centres could provide awareness regarding cost of credit, availability of backward and forward linkages, wherewarranted, etc. The clients could be encouragedto avail of credit on the basis of their repaying capacity. Preventive counselling can be through the media, workshops and seminars. In the case of curative counselling, the clients may approach the counselling centres to

work out individual debt management plans for resolving their unmanageable debt portfolio. Here, the centres could work out effective debt restructuring plans that could includerepayment of debt to informal sources, if necessary, in consultation with the bank branch (Academic Foundation's continuing series, 1998).

The broad objective of the FLCCs will be to provide free financial literacy/education and credit counselling, the specific objectives of theFLCCs would be:

1. To provide financial counselling servicesthrough face-to-face interaction as well as through other available media like e-mail, fax, mobile, etc. as per convenience of the interested persons, including education on responsible borrowing, proactive and early savings, and offering debt counselling to individuals who are indebted to formal and/or informal financial sectors;
2. To educate the people in rural and urban areas with regard to various financial products and services available from the formal financialsector.
3. To make the people aware of the advantages of being connected with the formal financial sector.
4. To formulate debt restructuring plans for borrowers in distress and recommend the same to formal financial institutions, including cooperatives, for consideration.
5. To take up any such activity that promotes financial literacy, awareness of the banking services, financial planning and amelioration ofdebt-related distress of an individual.

Credit counseling centres are not expected to act as investment advice centres /marketing centres for products of any particular bank/banks. Counsellors may refrain from marketing / providing advice regarding investment in insurance policies, investment in securities, value of securities, purchase/ sale of securities, etc., or promoting investments only in bank‘s own products.

Initiatives taken by SEBI for Empowering Investors

Securities exchange board of India (SEBI) which is regulatory body for securities market has been established to protect the interest of investors. SEBI is very active regulatory body in terms of financial literacy. Recently EBI is running a campaign called securities marketawareness campaign (SMAC). Motto of campaign is ―an educated investor is aprotected investor‖. This campaign was launched in the year 2003 and the objective of this campaign is to disseminate message of―Invest with knowledge‖. SEBI conducts various work shop across the country, till date it has organized more than 2188 workshop in more than 500 cities.

SEBI conducts investors education &awareness programs in which expert from financial market provide knowledge for investing wisely to investors. SEBI has prepared its own standard reading material and presentation material for workshop in English, Hindi and regional language. In part of educating investors SEBI officials also take active participation in programmes aired on all India radio. SEBI also uses television to promote its message for investors. SEBI uses print media to educate investors. It has prepared Do's and don'ts list for investor related to securities market. According to SEBIdata over 700 advertisements related to investors education have been published in more than 48 different news papers, magazines in approximately 111 cities in English, Hindi and regional language. A website dedicated to investors has been prepared by SEBI at which all information has been given.

Apart from this according to notification ― securities and exchange board of India (investors protection and education fund) regulation 2009, a fund will be created by contribution made by board, grants by central, state government etc. this fund will be utilized for the purpose of protection of investors and promotion of investor education and awareness, under this notification fund will be used for seminars, training, research, and publication for investor, awareness programmes through media i.e. print and electronic, funding of investor's investing and awareness programmes of investors association approved by SEBI. Besides this, SEBI has also prepared material for school and college students, household especially middle class andretired people etc.

IRDA'S Initiatives on Financial Education

Insurance Regulatory and Development Authority has taken various initiatives in thearea of financial literacy. Awareness programmes have been conducted on televisionand radio and simple messages about the rightsand duties of policyholders, channels available for dispute redressaletc have been disseminated through television and radio as well as the print media through sustained campaigns in English, Hindi and 11 other Indian languages. IRDA conducts an annual seminar on policy holder protection and welfare and also partially sponsors seminars on insurance by consumer bodies. IRDA has got a pan India survey on awareness levels about insurance carried outthrough the NCAER in a bid to improve on its strategy of crating insurance awareness. IRDA has also brought out publications of‗Policyholder Handbooks' as well as a comic book series on insurance. A dedicated website for consumer education in insurance is on the verge of launch.IRDA's Integrated Grievance Management System (IGMS) creates a central repository of grievances across the country and provides for various analyses of data indicativeof areas of concern to the insurance policyholder.

PFRDA Initiatives on Financial Education

The Pension Fund Regulatory andDevelopment Authority, India's youngestregulator has been engaged in spreading socialsecurity messages to the public. PFRDA has developed FAQ on pension related topics on its web, and has been associated with various nongovernment organizations in India in taking thepension services to the disadvantagedcommunity.

PFRDA's initiatives have become more broad- based with direct mass publicity on NPS – bothas individual model through POPs and group models through Aggregators. PFRDA has issued advertisements in print media and electronic media through radio and television. PFRDA appointed intermediaries are called Aggregators who are directly responsible for pension awareness mostly in vernacularlanguages and in line with socio-economic sensibilities.

Market players Initiatives on Financial Education

Commercial banks are increasingly realizing that they are missing out on large segment of financially illiterate and excluded segment of prospective customers. Also, in view of the national emphasis on electronic benefit transfer the commercial banks have initiated various measures for creating awareness through Financial Literacy and Counseling Centers and Rural Self Employment Training Institutes on financial literacy. The objective of these centers is to advise people on gaining access to the financial system including banks, creating awareness among the public about financial management, counseling people who are struggling to meet their repayment obligations and help them resolve their problems of indebtedness, helping in rehabilitation of borrowers in distress etc. Some of these credit counseling centers even train farmers/women groups to enable them to start their own income generating activities to earn a reasonable livelihood. Even top managementof commercial banks is undertaking Outreach visits to villages with a view to spread financial literacy.Similarly, many Stock Exchanges, Broking Houses and Mutual Funds have initiatives in the field of financial educationthat spawns conducting of seminars, issuanceof do's and don'ts, and newspaper campaigns. Insurance companies too, carry out campaigns and other educational activities for generic education in insurance.

Initiatives taken by Other Public Sector Banks

Establishment of village knowledge centre (VKCs): it is an initiative by UBI to empower local people in the rural areas. It is a small unit attached to rural branches of union bank. VKCs are equipped with computer with netfacilities. This center provides following information i.e. Giving advice for banking products, various schemes of the bank and financial knowledge. These centers not only provide financial information but also information regarding crop patterns, weather conditions prevailing in particular areas and moreover they also promote the villagers for sending their children in school.

Andhra bank has also taken the initiative in financial literacy programmes. As per the guidance of RBI to set up a financial literacy- cum- credit- counseling centre by lead banks, Andhra bank has taken initiative and established financial literacy-cum-credit-counseling centre in areas where it is lead bank. Besides this, commercial banks, insurance companies, mutual fund companies like state bank of India, bank of Baroda, Punjab national bank, oriental bank of commerce, icici bank, life insurance corporation of India, icici prudential life insurance etc. have actively been engaged inincreasing financial literacy in rural and urban areas.

United nation development programme (UNDP) has also supported in this direction, UNDP project ―Financial Inclusion‖ is basically focuses on India. UNDP appointed NABARD as an implementing partner. Though main objective of this project is financial inclusion but as it is clear that financial literacy is the prerequisite for financial inclusion so UNDP has also focused to increase the financial literacy. The objective is to identify responsible partner to strengthen financial literacy among the poor and to sensitize banks, MFIs, NGOs staff on dealing with disadvantages section of society. UNDP's major focus is to implement this programme through banks, NGOs and MFIs as these organizations have direct interaction with local people at regular basis. Banks and NGOs have interpersonal relations with local community that is why banks, NGOs can effectively educate people in their influential.

Co-ordinated Initiatives

Financial literacy initiatives by government and non- government agencies can play a decisive role to strengthen financial inclusion and consumer empowerment in India. Government of India is taking effective measures to ensure maximum financial literacy as it is clear by steps taken by Reserve bank of India, SEBI etc. since India has huge population, and government alone cannot do justice to this task. Though Private sector banks, insurance and mutual fund companies are active to educate to investing groups but these organizations should focus more over financial literacy programmes to achieve the objective of hundred per cent financial literate people. Financial education should be introduced in school level education itself which will eliminate future financial education programmes by financial sector. Government, public and private sector companies, NGOs, MFIs should have a proper coordination so that they can effectively launch any financial literacy campaign and effectively produce positive results.

Other Measures

Other than the Reserve bank and other commercial banks, various NGO‘s in the country are also entrusted with the task of spreading financial literacy in the country. Prominent among them is the NGO named‗Sanchayan‘ which is dedicated exclusively in spreading financial literacy and awareness among the youth and adults who come from low income background. For this the NGO conducts free workshops on topics ranging from the basics of banking, credit cards, and PAN cards. Moreover they also cover investment decisions in shares and mutual funds. The main objectives of these workshops is to enable these youth and adults to become aware and become part of mainstream banking and financial services industry. The main mission of ‗Sanchayan‘ is to create a financial literate India. The NGO has been launching very useful programmes with this objective. The Financial literary and counseling programme for urban poor like maids, rickshaw wallahs, auto drivers etc was the first of this kind. The organization has also tied up with the National stock exchange for introducing literacy programmes in stock market knowledge. It has also developed the financial literacy program for young adults named ‗FUN‘ in increasing financial awareness among them. It has also helped many youths to open bank accounts in public sector commercial banks (Sanchayan annual report 2009-10).

Another NGO named Citi India (A branch of the Citi group international) has been on the arena of spreading financial awareness among Indian masses. The group has launched a pilot program on women empowerment through financial literacy in participation with the SEWA (self employed women‘s association) bank. This program was developed to teach the women how to employ the money they have borrowed and how to use the profits earned by them. The program aims to advice the women how to invest these funds in insurance or pension schemes. The Citi center of financial literacy a key department within the organization focuses on imparting training programs for the trainers of financial literacy and for the field workers. Moreover the group has also partnered with the Indian school of business a premier business school in Hyderabad for doing comprehensive research in eradicating financial literacy.

The Indian school of microfinance for women started in 2003 for empowering the lives ofwomen is also undertaking efforts in increasing financial literacy in the country. It has taken initiative to celebrate October 14 as financial literacy day every year. The institution through its center of financial literacy has formed a network of partner organizations named National alliance for financial literacy to take up financial literacy as a mass movement across the country. The national financialliterary drive was launched in 2008 aimed to reach one million women in the year 2009. Theevent proved to be grand success. It is alsoengaged in knowledge sharing network on financial literacy at the national level. It is also proposed to set up coordinating centers at the state level as well as district level. Moreover, the group is also organizing financial counseling centers, fi8nancial camps, portalsand certified courses on the topic (Indian school of microfinance for women Annual report. 2008-09).

CRY (child rights and you) is an NGO working for the underprivileged children of India. It partnered with the Citi group to promote economic empowerment in India during2011(Citi India partners 12 NGOs, 2011).

Mapping of Financial Education Content in the School Curricula

The most effective way is to weave financial education in the normal content of curriculum. For example, compound interest is taught inArithmetic as an abstract concept of, A lendingto B at some interest rate compounded annually. This can be turned into an opportunity of financial education by weaving into a problem of a company that borrows froma bank or a bank customer who opens a Cumulative Deposit Account instead of asimple Fixed Deposit Account. Similarly, thereare opportunities available in the syllabi of Social Studies, Moral Science etc.

While a number of measures have and are being taken across the country, given the enormity of the task, a lot of ground still needs to be covered. Apart from the Government and the regulatory bodies, there is a need for involving the civil society and all other stakeholders in spreading financial literacy.

Recommendations

The financial education offered by India remains inadequate and practitioners perceive financial literacy levels as unacceptably lowparticularly in poor communities.The major challenge of every financial education programis to reach more people more often throughout their lives withrelevant content and through appropriate delivery mechanisms. This requires:

1. Improved outreach, particularly todisenfranchised communities and vulnerable segments of communities: the poor and unemployed, rural communities, pensioners and others. This requires better and more efficient targeting, which should be part of a national strategy.
2. Exposure over a lifetime, which is needed to reinforce previous learning, but also
3. because the financial landscape is always changing along with people‘s financial needs.
4. Relevant content that take‘s cognisance of the target audience‘s previous learning and
5. attitudes, their environment and their financial knowledge needs.
6. An appropriate context, without which programmes tend to fail. There must be a form of motivation and the target audience must perceive the context as relevant.
7. An appropriate delivery mechanism such as classroom-based programmes which lend themselves to more in-depth training, or multimedia which has a broader reach and can be more entertaining.
8. A national strategy that clearly spells out the overall objectives of financial literacy, and is explicit about the responsibility of thegovernment, the private sector and the non-profit sector.
9. Develop global guidelines and standards for financial literacy initiatives and consumer

protection frameworks in financial markets and help out stakeholders in implementing those rules and standards.

10. Extend baseline surveys of financial capability to developing countries to produce analogous data on current levels, to monitor progress toward goals, and to provide an orientation point for impact evaluations.

Conclusion

Financial literacy is not a skill that is acquired through once-off learning. Rather, it is the function of continuous, repetitive learning over a lifetime. The final aim is not to create financial experts; it is more important to equip individuals with sufficient knowledge to make sense of financial activities, seek out appropriate information, and be able to understand and interpret the information that they subsequently acquire.

In India studies conducted by Ajay Tankha, Development consultant of Sa-dhan, a self help group in regard to financial literacy has indicated that nearly 96% of the population across the country felt that they would not survive for more than one year if there is a loss of income. More than half of the population of the country prefers banks to keep their surplus. More than one third prefer to keep their surplus at home and only 5% keep their surplus at post office schemes. Higher income earners save up to 44% of their income whereas the bottom 20% borrows up to 33%. To meet ends, 40% of rural households borrow from local money lenders to meet important expenditures. These data clearly points out that Indian household do have the habit of making savings out of the household income but most of their current income is insufficient to meet their needs. In this context the role of Self help groups‖ in the field of spreading financial literacy is also worth to discuss (Tankha 2011).

Access to finance by the poor sections of the society living in the country depends on the degree of financial literacy available for them. For reduction of poverty and social; cohesion, such groups should be financially educated and brought to the mainstream financial climates.

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