CHAPTER 3
REVIEW OF LITERATURE

3.0 Introduction

Financial literacy has become a prominent concern among banking and non-banking corporations, government and non-government agencies, educational institutions, consumer and community interest groups and other national and international organisations only recently. Therefore, studies on financial literacy are new and the literature has not expanded substantially to embrace all dimensions and segments of the population.

The available literature on the subject identified certain important concepts to consider when studying financial literacy of all categories of people, especially, economically marginalised or low income people. These concepts relate to how financial literacy needs and financial service access varies across region, people and time. The academic literature has identified four principal ways in which financial literacy needs vary.

i. The complexity of the economy in which one lives affects one’s financial literacy needs. Studies on financial literacy reveal that because of changes in economic policy, economies have become more complex so that people require more financial knowledge.

ii. Financial literacy needs vary over the course of one’s life. This is explained by the life-cycle theory dealt with extensively in the economics literature. This model finds that some age groups, e.g., young and middle-aged adults, require the greatest financial literacy.
iii. Financial literacy needs vary across social strata in the society. People with few financial assets do not have the same literacy requirements as people with many assets.

iv. Financial literacy needs vary by individual life goals.

3.1 Pattern of Presentation of Literature

The study presents the literature in seven segments as given below:-

1. International studies
2. Studies in African region
3. Studies in American region
4. Studies in European region
5. Studies in Asia and Australia
6. Studies in India
7. Studies in Kerala

3.2 International studies

The theme of financial literacy is an international new-comer that has only been discussed intensively at the international level for a small number of years. At its core are individuals, the aim being to develop their financial skills and abilities to such an extent that they can make decisions independently and on a financially meaningful basis. Financial literacy is considered as an accepted mission of the governments and central banks all over the world. The ultimate objective of financial literacy efforts in most of the developed countries is mass capital market participation and consumer protection necessitated by economic reforms and developments in the financial sector. In developing countries the
basic objective is inclusive growth. Central banks in the developing countries have, over the past decade, done significant work in the area of financial literacy and education. Initiatives on financial education and literacy started in the US in 1990, Australia in 2003, Europe in 2007 and India in 2005. A few volumes of literature and material for financial literacy and education are available in these countries. In most countries, financial literacy initiatives are collaborative efforts of government, central bank, regulatory authorities, financial institutions and Non Governmental Organisations (NGOs) in addition to international agencies.

International Development agencies like OECD, World Bank and ADB are actively engaged in the propagation of financial literacy. Their activities consist of sponsored studies, workshops, seminars and conferences. The OECD has been promoting the importance of financial literacy for many years. This international organisation has ‘Directorate of Financial and Enterprise Affairs’ which monitors programmes and studies on financial literacy among the member countries. Responding to the concerns of member governments, the OECD launched a comprehensive high-level project on financial education in 2003. This project has produced a large number of concrete outcomes in three main areas: measurement and analysis, standard setting, and international cooperation.

In the area of measurement and analysis, a key milestone of the OECD is the publication of the first major study on financial education at the international level, entitled *Improving Financial Literacy: Analysis of Issues and Policies* (2005)\(^1\). The OECD has since then developed analytical papers and
methodologies on a wide range of issues related to financial literacy. In the area of standard setting, the OECD Council formulated its first international Recommendation on Principles and Good Practices for Financial Education and Awareness (2005)\(^2\). These principles address the role of government, financial institutions, and employers and the design of financial education for achieving financial literacy.

The OECD has proposed to test 15 year-olds on their knowledge of personal finances and ability to apply it to their financial problems. This is the first large-scale international study to assess the financial literacy of young people. The results will be published in the next PISA study (2011)\(^3\) due for release by end of 2013 or early-2014. Sixty-five countries or regions are taking part in this PISA test which will focus on testing mathematics literacy. Students from 18 of these countries will also tackle problems related to financial literacy.

The World Bank Group is working to strengthen financial literacy and financial education on several fronts: by undertaking analyses, such as impact analysis of financial literacy programs and developing data on financial literacy; by incorporating financial literacy in the agenda to expand access to finance including new technological approaches to financial inclusion; by strengthening financial consumer protection frameworks; and by promoting a multi sector approach to the topic encompassing finance, education, and social protection through national economic strategy processes.
Carolynne and Richard 4 (2000) in the article ‘Conceptualising Financial Literacy’ points out the importance of financial literacy which is to be encouraged in those who are not financially literate. These perceptions are exemplified by the existence of centres or bodies dedicated to financial literacy all over the world. The authors explore the current literature on financial literacy and also the use of the term ‘literacy’. They state that the available definitions were found to be lacking in giving a correct meaning. The authors explore these limitations and suggestions are offered towards developing an explicit conceptualisation of financial literacy. The main aim of the study was to examine the nature of the term financial literacy. The paper begins by looking at concerns that exist over an individual’s ability to use financial information effectively and the implications. The authors argue that financial awareness and financial literacy are not synonymous and financial literacy is a complex phenomenon in need of an adequate conceptualisation.

Margaret Miller, Nicholas Godfrey, Bruno Levesque and Evelyn Stark 5 (2009) published a study ‘The Case for Financial Literacy in Developing Countries- Promoting Access to Finance by Empowering Consumers’. The study was co-authored by Margaret Miller (World Bank Group), Nicholas Godfrey (Department for International Development (DFID), Bruno Levesque (Organisation for Economic Co-operation and Development (OECD), and Evelyn Stark (Consultative Group to Assist the Poorest, (CGAP). The authors discussed the importance of financial literacy for consumers in developing countries, especially in the context of the global financial crisis. It also reviews
how leading international organisations are working to strengthen financial literacy throughout the developing world. The authors state that financial literacy is an active process, in which communicating information is only the beginning: empowering consumers to take action to improve their financial well-being is the ultimate goal. Financial literacy is critical for promoting access to finance by creating incentives and environments that promote desired financial behaviours such as saving, budgeting, or using credit wisely. For the nearly three billion people living at the bottom of the pyramid, the ability to make good financial decisions is also important. The poor lack resources to cushion them from lost savings or investments or enable them to rebound from adversity. Having access to safe savings products or insurance can greatly affect their financial future. Fees and interest expenses related to financial products-formal or informal—are also likely to represent a higher share of income and thus have a significant impact on well-being. This study presents empirical evidence on the value of financial literacy programs and makes the case for the importance of further research to determine the most effective financial literacy tools, programs and public policies, especially in the context of developing countries.

*Lusardi Annamaria* 6 (2001), a world famous financial literacy scholar and academician, in her article ‘Financial literacy around the world: an overview’ states that “in an increasingly risky and globalised marketplace, people must be able to make well-informed financial decisions. New international research demonstrates that financial illiteracy is widespread when financial markets are well developed. The older population believes itself well informed, even though
it is actually less well informed than average, women are less financially literate than men and are aware of this shortfall. More educated people are more informed, yet education is far from a perfect proxy for literacy. There are also ethnic/racial and regional differences: city-dwellers in Russia are better informed than their rural counterparts, while in the U.S, African Americans and Hispanics are relatively less literate than others”. She summarises the article by stating that around the world, financial literacy is critical.

**Adele Atkinson and Flora-Anne Messy**\(^7\) (2011) in their study ‘*Measuring financial literacy: results of the OECD - INFE pilot study*’ focus on variations in financial knowledge, behaviour and attitude across countries and within countries by socio-demographics. The authors test financial knowledge, financial behaviour and attitude in 14 countries. The results highlight a lack of financial knowledge amongst a sizeable proportion of the population in each of the countries surveyed. Furthermore, there is considerable room for improvement in terms of financial behaviour. Attitudes are shown to vary widely. These results will enable countries to identify needs and gaps in financial education provision and develop national policies or strategies. To the authors, financial knowledge, financial behaviour and attitude are the key elements of financial literacy. A financially literate person will have some basic knowledge of key financial concepts. The OECD core questionnaire therefore includes 8 questions to test levels of knowledge in each country. The questions have been chosen to cover a range of financial topics and to vary in difficulty, although none of them is excessively complex and none of them requires expert knowledge. The way in
which a person behaves will have a significant impact on their financial wellbeing. It is therefore important to capture evidence of behaviour within a financial literacy measure. The OECD INFE core questionnaire used for the study does this by asking a variety of questions in different styles, to find out about behaviours such as thinking before making a purchase, paying bills on time and budgeting, saving and borrowing to make ends meet. Attitudes and preferences are considered to be an important element of financial literacy. If people have a rather negative attitude towards saving for their future, for example, it is argued that they will be less inclined to undertake such behaviour. Similarly, if they prefer to prioritise short-term wants then they are unlikely to provide themselves with emergency savings or to make longer term financial plans.

Robert Holzman\(^8\) (2010) in his study ‘Bringing Financial Literacy and Education to Low and Middle Income Countries’ presents a World Bank led and Russia Trust Fund financed work program to measure financial capability and the effectiveness of financial education in low and middle income countries. The two activities and their staging have been motivated by the lessons of high income countries with financial literacy programs and the deviating characteristics of low and middle income countries. While progress has been made in high-income countries to measure financial capability, there is little robust empirical evidence that financial education can improve it. The authors argue that while applying the financial capability concept in low and middle-
income countries, it needs to be adjusted to their characteristic and supported by innovative interventions and rigorous impact evaluation.

Matthew Martin⁹ (2007) in his study ‘A Literature Review on the Effectiveness of Financial Education’ summarises research on financial literacy efforts internationally. He opines that most financial literacy programs are relatively new; much of the literature reviewed is also new and financial literacy is still developing as a program of research. However, he asserts that financial education is necessary and that many existing approaches are effective. The important findings are: - some households make mistakes with personal finance decisions; mistakes are more common for low income and less educated households; there is a causal connection between increases in financial knowledge and financial behaviour; and the benefits of financial education appear to span a number of areas including retirement planning, savings, home ownership, and credit use.

(1) consumer disclosure should be simple, easy to understand and comparable; (2) abusive business practices by financial service providers should be prohibited; (3) consumers should have an easy, inexpensive and speedy method of resolving disputes with financial institutions; and (4) financial education should be available to consumers so that they can understand financial services and products and make informed decisions. The Good Practices were developed as part of a pilot program in consumer protection and financial literacy, which has prepared Diagnostic Reviews in ten countries of Europe and Central Asia since 2005. The Good Practices were released as a consultative draft in August 2008 to contribute to the international dialogue on strengthening financial regulation, and to obtain feedback and input from regulators and other stakeholders worldwide.

In an International Research Paper prepared and presented by Sonia Marcolin and Anne Abraham\(^\text{11}\) (2006) and presented in the 3\(^{\text{rd}}\) International Conference on Contemporary Business- September 2006 at School of Accounting and Finance, University of Wollongong, Australia, the authors review, compare and analyse financial literacy studies conducted in Australia, the United States and the United Kingdom to determine areas of both commonality and inconsistency. The paper identified recurrent themes that could be extended, together with potential new areas for financial literacy research.

\textit{Brenda J} \(^\text{12}\) (2006) in the study ‘College Students and Financial Literacy: What They Know and What We Need to Learn’, examine overall financial management practices of college students using quantitative and qualitative data. Specifically,
the study investigates how college students acquire financial knowledge and behaviours and the factors that place some students at greater financial risk than others. The findings show that parents play a key role in their children’s financial behaviour. The study results provide important insights into financial education opportunities for students, parents, campus administrators, and financial professionals and educators.

Abhijit V. Banerjee and Esther Duflo\textsuperscript{13} (2006) of Massachusetts Institute of Technology conducted a study ‘The Economic Lives of the poor’ by using survey data from 13 countries to document the financial flows of the poor people (those living on less than $2 dollar per day) or the extremely poor (those living on less than $1 dollar per day). The authors describe their patterns of consumption and income generation as well as their access to markets and publicly provided infrastructure. Surveys were conducted in 13 countries including India. They mainly used the Living Standard Measurement Surveys (LSMS) conducted by the World Bank and the “Family Life Surveys” conducted by the Rand Corporation, all of which are publicly available. The survey found that among 13 countries, food expenses typically represents from 56 to 78 percent among rural households and 56 to 74 percent in urban areas. Among the non-food items, the poor spend significant amounts of money on alcohol and tobacco and in India it is 6%. Spending on festivals and wedding is an important part of the budget for many extremely poor households. The survey also reveals that very few of the poor households get loans from a formal lending source and also very little access to formal insurance. They save to pay off debt.
3.3 Studies in African Region

The literature available on studies relating to financial literacy in African Region is comparatively slim. Lack of financial literacy is often tied to lack of access to financial products, or failure to use them even when they are available. In Africa, only about 25 percent of adults have a bank account and 50 percent use no financial products at all. In South Africa, a recent survey found that nearly 60 percent of the people surveyed do not understand the term ‘interest’.

*Master Card Worldwide*¹⁴ (2010) conducted a survey, ‘*How Well Do Women Know Their Money: Financial Literacy across Asia/Pacific, Middle East and Africa*’ among 10,502 consumers from 24 markets across Asia/Pacific, Middle East and Africa (APMEA). The Survey was conducted between 13 September and 11 November 2010.

The Survey comprised questions covering three major components:

i. Basic Money Management (weighted 50%): To determine the level of basic money management skills in terms of budgeting, savings, and responsibility of credit usage.

ii. Financial Planning (weighted 30%): To assess the level of knowledge of financial products, services, and concepts, and ability to plan for long-term financial needs.

iii. Investment (weighted 20%): To determine basic understanding of the various risks associated with investment, different investment products and skills required.

A Financial Literacy Index Score for each market was calculated out of the weighted sum of the three components. The survey demonstrates the importance of work-life experience in acquiring financial literacy for women. It also highlights the need for targeted financial literacy education to close the gap
between the current level of financial literacy and the level it 'should' be at. The survey showed that the level of financial literacy varied across the markets in Asia/Pacific. There is a close correlation between financial knowledge and planning: women who exhibited higher levels of financial literacy were more likely to be proactive in planning for their future. The gender gap scores for the Financial Literacy Index shows how women's financial literacy skills fared against men. Within Africa, Nigerian women had the highest overall Financial Literacy Index score.

Benjamin Roberts and Jarè Struwig\(^{15}\) (2011) in the study ‘Financial Literacy in South Africa: Results of an OECD/INFE pilot study’ prepared for the Financial Services Board, go deep into the financial literacy of South Africans and produced some interesting, yet frightening, statistics about financial planning in South Africa. Although 64% of the respondents who participated in the study directly play some part in the managing of a household budget, 49% said they were unable to live within their means while 30% have encountered financial difficulty. Unsurprisingly, only 32% use some kind of saving system and only 2% invest in trusts, stocks, shares, livestock or property as a form of saving. Alarmingly, many were found lacking in knowledge of financial matters.

The primary objective of the FSB study, the first of its kind in South Africa, was to gather baseline information around financial literacy in South Africa. This in order to assist the FSB to fulfil its vision of helping all South Africans achieve sound financial management and to provide the relevant financial information to facilitate this for consumers. The broader objectives were to
determine levels of financial literacy in order to benchmark these levels against those of other countries. This in turn will help form public policy relating to low financial segments and assist in developing strategies to improve financial literacy. 3112 South Africans participated in the survey. These were individuals aged 16 and over and specifically comprised those living in households, hostels and other structures - a sample representation of the country’s population.

Another study was conducted in South Africa by *Fin Mark Trust*\(^6\) (2004) with the objective to undertake a scoping study of financial literacy programmes in the light of recommendations for implementation of the Financial Sector Charter for improving financial literacy in South Africa. The study concluded that despite multiple financial literacy initiatives, South Africans remain by and large underserved by programmes offering financial education. This is particularly the case in low income and rural communities. There are some exceptional financial education programmes funded, developed and implemented by the private sector. However, many financial institutions have very limited activities or none at all in the domain of financial education and have a long way to go towards meeting the commitments of the Financial Sector Charter on consumer education. Those that do, generally focus on current or potential clients, and as such do not reach the very poor, unemployed and rural communities. Programmes are also mostly supply driven, and impact assessment is almost non-existent. The study suggests that much remains to be done by current and potential providers of financial education in South Africa and in particular by the financial sector to make South Africa a financially literate nation.
Study by Gouws and Shuttlewort¹⁷ (2009) ‘Financial literacy: an interface between financial information and decision-makers in organisations’ tries to define financial literacy and the authors state that individual’s decisions and subsequent actions flow from the understanding of surroundings in which they operate. In order to facilitate economic and financial sustainability, individuals need the cognitive ability to understand financial information in the context of these surroundings. The intellectual construct inferred from this encompassing and complex process is financial literacy. They argue that the term ‘financial literacy’ consists of the words ‘financial’ and ‘literacy’, both of which are used to represent a myriad of issues that can easily lose their relevance when used together. This article addresses the interface (or gap) between information (matter) and decision-making (mind). The dualism of financial literacy, matter and mind, is explored by means of a literature review and an empirical survey. Awareness of financial literacy from the interface perspective promotes a deeper understanding of the concept.

3.4 Studies in American Region

One of the earliest studies on financial literacy in the US was a national survey conducted by Cutler N E¹⁸ (1997) ‘The False Alarms and Blaring Sirens of Financial Literacy: Middle-Agers’ Knowledge of Retirement Income, Health Finance and Long-Term Care’. The author concluded that the American public was not well informed about financial matters, in particular, insurance, social security and health care. Mandell¹⁹ (1997), Huddleston²⁰ (1999), Williams Harold²¹ (1999), NCEE²² (2005) and the Jump$Start Coalition²³ (2010)
investigated financial literacy levels among US high school students and concluded that they demonstrated a lack of both personal financial skills and knowledge. Studies have also shown that university students in the US have inadequate knowledge on personal finance.

*Chen and Volpe*\(^{24}\) (1998) conducted a financial literacy survey ‘*An Analysis of Personal Financial Literacy among College Students*’ involving 924 college students from thirteen colleges in US and found that the overall mean percentage of correct scores was just 52.87 percent. The survey examined literacy across four main areas and investigated the relationship between literacy and the student characteristics.

Another study was done by *Chen and Volpe*\(^{25}\) (2006) ‘*Financial Literacy, Education, and Services in the Workplace*’, by conducting surveys among 212 company human resource and benefits administrators in regard to (i) the importance of various personal finance topics; (ii) the level of knowledge possessed by employees; (iii) impact of inadequate personal finance knowledge on productivity; (iv) use of a financial literacy test to screen new hires; and (v) the most effective approach to improve employees’ financial literacy in the workplace. Participants ranked the surveyed personal finance topics as being important, and they believed that employees do not have adequate knowledge about those topics. Although many did not answer the question about whether financial illiteracy leads to a decline in productivity, more than 55 percent of those who answered the question believed that financial illiteracy leads to decline in workplace productivity. Few participants recommend that a screening
test of financial literacy should be used for hiring purposes. The authors point out that Financial Literacy = Productive Employees.


The study ‘Analysis of the importance of personal finance topics and the level of knowledge possessed by working adults’ by Chen Volpe and Sheen 27 (2006) identified the important questions in personal financial literacy and the deficiencies in employees’ knowledge in those areas. Survey respondents at 212 U.S. companies consider retirement planning and personal finance basics as two important topics where there are deficiencies in employees’ knowledge. They also observed deficiencies in other areas such as investments and estate planning. In contrast, employees are relatively well informed about company benefits. The results suggest that educational programs should focus on improving employees’ knowledge in areas where deficiencies exist.

Jennifer Turnham 28 (2010) conducted a study ‘Attitudes to Savings and Financial Education Among Low-Income Populations’ to explore how community-based organizations might encourage better financial practices,
including higher savings rates, among low-income and vulnerable populations. The focus groups gathered information on saving motives, practices, and attitudes as well as opinions about the timing, content, and form of financial education efforts. Findings suggest that educating low-income and vulnerable population about financial concepts is important. However, efforts focused on behavioural changes, particularly strengthening discipline around savings and spending, may be more effective for promoting long-term financial well-being.

The Research report by Jerry Buckland 29 (2011) ‘Money Management on a Shoestring: A Critical Literature Review of Financial Literacy & Low-income People’ examines evidence from the academic and policy literature about the financial literacy of low-income people in Canada. The purpose of the study was to provide a critical review of evidence about low-income people’s financial literacy measurement, the programs used to promote their financial literacy, the information uncovered about the programs by evaluations and to provide recommendations about how policies might be more supportive for building low-income people’s financial literacy. The paper gives some concepts useful for the study of financial literacy, and then presents findings related to the measurement of financial literacy.

The Research paper prepared for The Task Force on Financial literacy in Canada by Morris Altman 30 (2011) ‘Behavioural Economics Perspectives: Implications for Policy and Financial Literacy’ summarises and highlights different approaches to behavioural economics. The focus of this comparative analysis is to examine the implications of different approaches in behavioural economics in
financial literacy. The author points out those human behaviour theories that can effectively be applied in financial literacy. The Simon approach argues that intelligent people can make decisions that appear irrational from the perspective of conventional economic wisdom. However, these decisions are typically the right ones for the individuals making them and are often based on how the brain is wired as well as on the decision-making environment these individuals face. Errors in decision making can be made if rationality is bounded—that is, if the quality of information used is poor or the information is framed in a misleading fashion. Also, the decision-making environment might be such that individuals don’t have the right incentives to make ideal choices. Finally, individuals may not have the knowledge base to make ideal choices in finance-related matters. Therefore, financial decision making can be improved by providing decision makers with better quality information presented in a non-complex fashion, an institutional environment conducive to good decisions, and financial education that will facilitate making the best use of the information at hand within a specific decision-making environment.

Another Research paper prepared for The Task Force on Financial literacy in Canada by Gary Rabbior (2011), ‘Case Studies of International Financial Education Initiatives’, presents five case studies of international financial education initiatives for the public school system. It looks at the U.S., the U.K., Ireland, Australia and New Zealand whose efforts are demonstrating leadership in the financial education field. Research has found that people make less thoughtful decisions or are unable to make any decision at all when they are
overwhelmed by choice. This applies to many areas of financial life such as
choosing a financial institution, a credit card, a mutual fund, and so on. As a
result, schools are placing an increased focus on effective decision-making
skills. Financial education can play a part in alleviating economic disparity and
helping citizens understand how government programs work. It can also make
people less financially dependent on government support and reduce the cost of
social programs. Financial education can also lead to a better understanding of
financial products and services offered by financial institutions and prepare
citizens for financial decision making. It can help alleviate the potential for
accumulating too much debt and it can also help young people spot and avoid
potential scams and fraudulent schemes.

3.5 Studies in European region

‘Survey of Financial Literacy Schemes in EU 27’ by Marco Habschick \textsuperscript{32}
(2007), presents an exhaustive survey of financial literacy schemes in all 27
European Union member countries. The study clearly shows that financial
literacy is a growing priority, both for the EU governments, financial institutions
and market players. The key findings indicate that distribution of financial
literacy schemes varies greatly throughout the EU nations. Most schemes were
found in UK, Germany and Austria. Netherlands and France are advanced as
well but underrepresented in the survey. The most active Member State in
Eastern Europe is Poland. The main target groups in financial literacy
programmes are children and young adults.
The working paper by Susan Rutledge33 (2010) ‘Consumer Protection and Financial Literacy: Lessons from Nine Country Studies’ states that the turmoil in financial markets worldwide has emphasised the need for adequate consumer protection and financial literacy for long-term stability of the financial sector. The Paper summarises key lessons from reviews of consumer protection and financial literacy in nine middle-income countries of Europe and Central Asia-Azerbaijan, Bulgaria, Croatia, Czech Republic, Latvia, Lithuania, Romania, the Russian Federation and Slovakia. All the country assessments used a systematic common approach, based on a set of Good Practices for Consumer Protection and Financial Literacy developed by the World Bank's Europe and Central Asia Region. The objective of the Working Paper is to contribute to the international dialogue on strengthening financial consumer protection and financial literacy in emerging markets. The Author states that a financial consumer protection regime should meet three objectives. First, consumers should receive accurate, simple, comparable information of a financial service or product, before and after buying it. Second, consumers should have access to expedient, inexpensive and efficient mechanisms for dispute resolution with financial institutions. Third, consumers should be able to receive financial education when and how they want it. A common challenge among the nine countries surveyed is the need of an adequate institutional structure for financial consumer protection.

Hubert Fromlet 34 (2007) in his study ‘Financial Literacy and its Benefits on a Household, Corporate and Macroeconomic Level’ states that research on financial literacy so far hardly has dealt with the corporate and the
macroeconomic level. One conclusion of this paper is that there are various macroeconomic benefits from improved financial literacy. This paper pleads for much more research in financial literacy, particularly in the context of emerging developing economies.

Schagen and Lines (1996) conducted a financial literacy survey of the general population in UK, ‘Financial Literacy in Adult Life’, but with a particular focus on four groups: young people in work or training, students in higher education living away from home, single parents and families living in subsidised housing. The survey results indicated that most participants were confident in their financial dealings. The notable exceptions were single parents and students, which is particularly significant in the light of the rising debt levels of University Students in the UK.

The Adult Financial Literacy Advisory Group (AdFLAG) (2000) in UK undertook a study ‘How to promote better access to financial education to young people and adults’. The study concluded that the need for financial literacy would continue to grow because individuals were expected to become more self-reliant. Added to this were the difficulties arising from changing work patterns, an ageing population selected and less government involvement and increasingly complex financial products. AdFLAG recommended that short term financial literacy education should be built around school education, employment, housing, financial services and communication, with particular focus on needy population sectors such as older people, young people, sole parents, ethnic minorities, people with disabilities and people living in social housing.
Richard Disney and John Gathergood\textsuperscript{37} while conducting a study on ‘Financial Literacy and Indebtedness: New Evidence for UK Consumers’ utilise questions concerning individual debt literacy, examine the association between consumer credit and individual financial literacy. The authors examined the relationship between individual responses to debt literacy questions and household net worth, consumer credit use and over-indebtedness and found that financially illiterate households have lower net worth, use higher cost credit and are more likely to report credit arrears or difficulty in paying their debts.

3.6 Studies in Asia and Australia

In Russia, the 2008 financial crisis has generated interest in understanding better how to promote more responsible and prudent individual saving and borrowing behaviour. The ability of consumers to make informed financial decisions is critical to developing sound personal finance, which can contribute to increased saving rates, more efficient allocation of financial resources, and greater financial stability.

In the Research Study ‘Financial Literacy and the Financial Crisis: Evidence from Russia’ by Leora F. Klapper, Annamaria Lusardi and Georgios A. Panos,\textsuperscript{38} (2012), the authors study both the financial consequences and the real consequences of lower financial literacy. For instance, even though consumer borrowing is increasing very rapidly in Russia, only 41\% of respondents know about the working of interest compounding and only 46\% can answer a simple question about inflation. The authors find that financial literacy is significantly related to participation in financial markets and negatively related to the use of
informal sources of borrowing. Individuals with higher financial literacy are also significantly more likely to report greater unspent income and levels of spending.

In the 30th CIRET Conference, New York, October 2010, Olga Kuzina\textsuperscript{39} from The State University, Higher School of Economics, Moscow, presented a paper on “The Level of Financial Literacy of Russians: Before and During the Crisis of 2008-2009.” The main goal of the paper was to address the issues of defining and measuring the concept of ‘financial literacy’ in all-Russian surveys as well as to reveal the changes in the level of financial literacy of Russians during the period 2008-2009 of the financial crisis. The main finding of these surveys is that the level of financial literacy of Russians is low. During the crisis it started growing but only in terms of self-estimation and perception. People think that they are more financially literate than the previous years.

The study by Yunus Nek Kamal,\textsuperscript{40} (2010), ‘Economic Literacy amongst the Secondary School Teachers in Perak, Malaysia’, reveals relationship between economics education exposure, saving, expenditure, investment and economic literacy among teachers in secondary schools in Perak, Malaysia. The theoretical framework was designed based on the literature and hence five hypotheses for the study were formulated. The result of the analyses showed that there was significant relationship between economics education and its predictors.

Australia conducted four National financial literacy surveys in 2003, 2005, 2008 and 2011. In 2003 survey, financial literacy was classified into four main sections: mathematical literacy, financial understanding, financial
competency and financial responsibility. All surveys found that Australians are generally financially literate. However, certain categories of people face challenges. Money management and certain financial products are not well understood. Financial literacy was found to have a strong association with age, gender, education and socio-economic status. Those sub-groups gaining financial literacy scores below the mean of 83.1 included: People aged 18-24, People aged 70 and over and Women, Women aged over 70 years and People who did not study. The 2011 survey focussed on behaviours indicative of a person's financial literacy, and links between those behaviours and a person's demographic characteristics and identified groups with lower levels of financial literacy were much the same as in previous surveys and included People who are relatively young (under 25 years), People with no formal post-secondary education, People with relatively low levels of income and assets (e.g. those whose main source of income is a Government benefit or allowance; and females.

The first Australian financial literacy survey among Youth, ‘Financial literacy among Australian university students’, was conducted by Beal and Delpachitra (2003) on first-year students from the University of Southern Queensland across five faculties and tested five main skill areas: basic concepts, markets and instruments of the financial markets, planning, analysis and decision making, and insurance. Analysis of the full model showed that students with higher financial literacy scores were male students, with greater work experience, having higher income and has a lower aggregate risk preference. The
researchers reached the overall conclusion that university students were neither skilled, nor knowledgeable in financial matters and that it would tend to impact negatively on their future lives through incompetent financial management.

Australia’s first national survey on financial literacy was conducted on behalf of the ANZ Bank by Ray Morgan Research (2003) ‘ANZ Survey of Adult Financial Literacy in Australia’. There were two components to the study: a telephone survey of 3548 adults and an in-depth survey of 202 adults which included a self completion component and an interview. The researchers decided that knowledge should only be tested against an individual’s needs and circumstances and hence not all respondents were asked all of the questions. The ANZ survey attempted to measure knowledge and understanding, behaviour, attitudes, perceptions and awareness rather than simply measuring skills. In addition, the chosen sample was highly representative of the Australian population. Ten levels of financial literacy were combined to form financial literacy quintiles and the results were presented in terms of correlations, averages and percentages. The findings indicated that whereas Australians overall were financially literate, there were certain groups with particular challenges. Those groups were identified as those with a lower level of education, not working or in unskilled work, with lower incomes, with lower savings levels, single people and people at both extremes of the age profile.

The Commonwealth Bank Foundation’s study (2004) ‘Australians and Financial Literacy’ was conducted to investigate the strength of any link between financial literacy and its outcome for individuals and the Australian
economy. This study was done in three phases: a national telephone survey of 5000 Australians, and analysis of the macroeconomic effects of improving financial literacy. The results of the survey showed that the unemployed had poor financial literacy skills. Also among this group were younger people, males, students, people with lower levels of education, people with lower income and people who have never worked in paid employment. Participants with these demographic characteristics made up the 10 percent of respondents with the lowest financial literacy scores. Results of the survey also showed that people in older age groups displayed lower financial literacy, suggesting that financial literacy is not merely a function of age or experience. The results also indicated that the higher an individual’s financial literacy, the lower the probability that they were unemployed. In addition, lower financial literacy was found to have an impact on an individual’s health including a higher incidence of persistent sleeplessness and a higher desire to smoke. In terms of debt management, lower financial literacy scores were significantly related to respondents being unable to pay their mobile phone, utility and credit cards bills. The survey also revealed that 85 percent of respondents primarily learn about managing their finances through ‘trial and error’ experiences. The second phase of the study revealed that improvements in financial literacy can result in lifestyle gains for individuals of all ages, across the whole community.

In March 2011, Australia Securities and Investments Commission (ASIC)\textsuperscript{44} published its ‘National Financial Literacy Strategy’ for the development and delivery of initiatives to improve the financial literacy of all
Australians and enhance their financial wellbeing. It is a framework for many agencies and organisations working in partnership. This National Strategy to improve financial literacy is founded upon the 7 core principles:-

i. Inclusiveness—reaching all Australians, particularly those most in need and future generations of consumers and investors;

ii. Engagement—helping all Australians appreciate the importance of financial literacy and that small things done regularly make a real difference;

iii. Diversity—delivering learning that recognises the different ways people learn and allows all Australians to participate;

iv. Knowledge and empowerment—giving all Australians access to information, tools and ongoing support systems;

v. Improving outcomes—recognising that information alone is not always enough and using additional mechanisms to achieve better outcomes;

vi. Partnerships—mapping and building on existing foundations to fill gaps and ensure all sectors and agencies work co-operatively; and

vii. Measurement—evaluating work to know what is and is not effective, and learning from and sharing this evaluation.

_Hussein A. Hassan_ (2009) in his research study ‘Financial literacy and investment decisions of UAE investors’, states that financial literacy of UAE investors is well below the needed level. The study analyses the relationship between the financial literacy and the influence of the factors that affect the investment decisions. The study found that a significant difference in the level of
financial literacy was found between the respondents according to their gender. Women were found to have lower level of financial literacy than men.

3.7 Studies in India

Importance of financial literacy in Indian context is evident from the speech delivered by Sri Pranabkumar Mukerjee, Hon’ble Minister for Finance, Govt of India at the RBI-OECD Workshop on Financial Literacy, Bengaluru, on March 22-23, 2010. According to Sri Pranabkumar Mukerjee “Financial literacy and education plays a crucial role in financial inclusion. Inclusive growth and sustainable prosperity is also being increasingly recognised and acknowledged globally. Research and existing literature in financial literacy have thus typically associated with an individuals’ knowledge of economics and finance with their financial decisions related to savings, spending, borrowing, retirement planning, or portfolio choice. It has been said, particularly in the context of the developed economies, that while the young do not save enough and do not fully understand the need for investments for future, many of the elderly tend to feel the pinch of poverty. Today, financial competence has become more often more complex choices and, while the policies need to enable access, the responsibility for saving and investing for the future primarily lies with the individuals. Viewed in this background, financial education and literacy assumes urgency in any given scenario. No wonder policymakers all over are increasingly taking note of this and directing their efforts to address it”

In recent years, there is considerable interest among scholars in examining the financial flows of the poor in India. Ruthven, O. and Kumar, S. (2002),
Institute for Development Policy and Management, University of Manchester conducted a study, ‘Money Matters: Uncovering the Financial Life of the Poor in North India’ about the financial behaviours of 49 carefully selected urban and rural households over a 12-month period. Half of the sample lived in Delhi slums and half in two villages in Koraon, Allahabad District, Uttar Pradesh. Interviews occurred every fortnight so that ‘financial diaries’ could be constructed of all the formal and informal financial services that were used. This methodology permitted deep insights into the financial lives of these people and uncovered complex behaviours that surveys do not hear about. The study found that all households, however poor, had money which they needed to manage and actively sought out financial services to do this. The quest for service was also for future needs and the households had different goals ranging from rare survival to becoming wealthy people. They needed access to loans to overcome anticipated needs. The respondents used a wide array of devices to get credit. The average household uses eight different devices and engaged in 22 deals during the year. All the urban and 86% of rural households borrowed from friends, relatives and neighbours.

The study by Elizabeth Bell and Robert I. Lerman of Urban Institute, Washington in 2005 ‘Can Financial Literacy Enhance Asset Building’ focuses on regions recognized as backward and presents the results of a pilot study conducted in Alsigarh village in Rajasthan. The objective of the study was twofold; first, to understand the financial flows of the poor with the help of an empirical analysis and second, to understand the finer nuances of savings habits
and credit behaviours. The study substantiates that asset-building strategies for low- and moderate-income families typically rely on strengthening incentives to save and invest. Families often need help to make informed and appropriate decisions, especially in today’s complex financial market place. Even when incentives are strong, many families spend beyond their means, too few save enough for contingencies. One reason is that many low- and moderate-income families lack the basic knowledge to save and invest wisely, build wealth, and avoid excessive debt. Another reason is the lack of institutional arrangements that make enrolment in savings programs the starting point or default option, encouraging sound financial decisions. Low-income families are especially vulnerable to misinformation.

In the research paper ‘Financial Counselling, Financial Literacy, and Household Decision Making’ Sumit Agarwal (2010) reviews the literature on financial counselling, financial literacy, and consumer decision making and look at a financial counselling/planning program in India where consumers revealed their risk appetite, future financial goals, and current assets and liabilities. The results from India suggest that a vast majority of the respondents appear to be financially literate – they answer the numeracy, inflation, and diversification questions correctly. The Indian financial literacy level is the same as in Netherlands but 20% higher compared to the USA. Indians use about 38% of monthly income to cover monthly expenses – they save or invest 62% of their salary on average. However, most consumers are ill prepared to meet their goals based on their asset, liabilities and risk profiles. The survey of the literature
suggests that financial counselling is an important tool in educating consumers in their decision making.

_Sriram and Smita Parhi_ (2006) Indian Institute of Management, Ahmedabad conducted a ‘study on the financial status of the rural poor in Udaipur District in Rajasthan State’. The objectives of the study were to understand the financial flows of the rural poor and to have an insight into their financial status. Data was collected from 36 households classified as Below Poverty Line. The findings indicate that the overall level of indebtedness of the poor is not alarming as they have sufficient assets. The poor borrow from various sources to meet their needs. The most striking finding was that the poor resort to borrow from local money lenders even for asset purchase while they keep away their savings in earthen pots. Both these indicate the failure of the financial institutions in using a market opportunity. Most of the borrowings are from relatives and friends.

_ING Group_ (2011) conducted an international survey ‘ING International Financial Literacy and Consumer Resourcefulness Study’ consisting of 5000 respondents among 10 countries in Europe, US, Asia and Latin America. The study found that majority of Indian consumers show better financial management skills and is more confident of facing any financial impediments in future, as against citizens of nine other countries. Indians are the second best among the nations and have a basic financial literacy level, of 55 per cent, just behind the Japanese. The survey was carried out among 5,000 consumers across ten major nations, including India, the USA, Mexico, The Netherlands, Romania, Poland, Belgium, Spain, Korea and Japan. Financial literacy is found
to be affected by age, income and educational level of the individuals. High-income respondents had high financial literacy than lower income people. The survey revealed the following:

- Indians turned out to be the second out of 10 leading nations in the world to have a basic financial literacy level (55%), just behind Japan.
- 84% of Indians prefer buying life insurance products as compared to 54% globally.
- 87% of Indian households have an emergency fund compared to 33% globally.
- Indians borrow money only in case they have to buy a house (50 per cent) or a car (43 per cent).
- Indians do tend to get lost in sourcing good advice to become better at money.
- The more people are financially literate, the more they experience feelings of happiness,
- Overall, the survey revealed that Asians are by far the most financially literate and also eager to learn more. They actively follow their budgets and develop habits of acquiring knowledge before taking financial decisions.
- 89% of respondents — from 10 different countries — want to do a better job managing their money; 94% of Americans want to do a better job.
- A majority of Indian consumers have not only shown better skills in managing their household financial budget but are also confident of facing
any financial impediments in future as compared to citizens of nine other countries.

Study by Minakshi Ramji\textsuperscript{52} (2009) ‘100% Financial Inclusion in Gulbarga: Access and usage’ in Gulbarga District for Centre for Micro Finance, reveals that well-developed financial system brings poor people into the mainstream of the economy and allows them to contribute more actively to their personal economic development. The study finds that the number of households with bank accounts doubled over the duration of the financial inclusion drive. However, 36\% of the sample remained excluded from any kind of formal or semi-formal savings accounts. Further, bank accounts have been opened typically to receive government assistance, mostly under the Mahatma National Rural Employment Guarantee Programme (MNREGP). Usage and awareness of the accounts remain low. Savings in Self-Help Groups remains the most popular form of savings in a formal/semi-formal place. The authors concludes that while government programmes like MNREGP have the potential to include large number of low-income households, access to accounts does not often lead to usage. More needs to be done in the realm of financial literacy and marketing so that the bank accounts are optimally used.

Pallavi Seth, G.N. Patel and K.K. Krishnan\textsuperscript{53} (2010) conducted a study entitled ‘Financial Literacy & Investment Decisions of Indian Investors, A Case of Delhi & NCR’ to assess the level of financial literacy among people residing in Delhi and National Capital Region (NCR) who invest in different financial instruments, like Post Office Savings Scheme, Mutual Funds, Life Insurance,
Stock market etc. The study analyses the relationship between financial literacy and other factors like age, income and education. The study also tries to find out the financial instruments which are considered to be the most reliable and the source of information which is mostly used by the individuals while taking investment decisions. The study indicated that the financial literacy of investors in Delhi and NCR was different for different financial instruments. Around 96% of respondents have savings account in the banks, but the mere acquaintance with banks is not adequate, as only around 30% had knowledge about National Savings Certificate & Public Provident Fund. While 98% of the investors knew about Life Insurance, only about 45% preferred Life Insurance as the most effective financial instrument, which would be helpful at the time of contingencies. Around 92% of the investors knew about mutual funds but only 24% preferred them. Financial literacy is found to be affected by age, income and educational level of the individuals. High-income respondents had high financial literacy than lower income people. The study also revealed that people consider Life Insurance as the most effective financial instrument followed by Fixed Deposits in banks. It has also been found that most of the people relied on telecast in the T.V channels or advertisements put out in the newspapers and magazines to learn about financial products followed by “advice” from friends. But, while investing in share market, around 21% people relied on brokers.

The study ‘Micro Finance and Empowerment of Scheduled Caste Women: An Impact Study of SHGs in Uttar Pradesh and Uttarakhal’ conducted by BL Centre for Development Research and Action sponsored by Planning Commission of
India (2007) reveals that accessibility to institutional credit to rural women is very limited and there is sex bias in extending the credit to them. However, women from the non-farm sector have better access to banks than the women working in the farm sector. Male members have greater influence on accessibility to credit utilization and its repayment.

UNDP –NABARD Report (2011) observes that the spirit of Financial Literacy or Financial Inclusion is to achieve inclusive development, to provide better access to financial products or services, to reduce risk, to enhance livelihood for the poor and ultimately towards inclusive growth. The NABARD-UNDP initiatives are focused on Financial Literacy, Innovative Processes, Knowledge Sharing and Capacity Building. The mission of the initiative is to enhance the financial literacy of the poor and vulnerable sections of the community through structured Financial Literacy Programs (FLPs) with stated roles and responsibilities for all the key stakeholders associated with Financial Literacy/ or Financial Inclusion with the goal of total financial inclusion of all sections of the society including poor and vulnerable on a sustainable inclusion by March 2015. The strategy adopted is to get informed the stakeholders of Financial Literacy on the strengths of institutional network up to field level, work on a mission mode in a cohesive and concerted manner with defined roles, responsibilities and expectations; on a sustainable model under defined leadership and direction; with focus on the target group and in a conducive environment; to strengthen the design and delivery of Financial Literacy with
initial focus on attracting attention through increased awareness of the target population and on need-based pilots; structured project management approach including periodic review/monitoring/follow-up and assessment of impact/outcome; integrate Financial literacy into Financial Inclusion and other key initiatives of Governments and development agencies/regulators including those under NRLM and MGNREGS etc.

Jonathan Morduch and Stuart Rutherford\textsuperscript{56} (2003) conducted a study on microfinance in India. The study found that poor households face many constraints in trying to save, invest, and protect their livelihoods. They take financial intermediation seriously and devote considerable effort to finding workable solutions. Most of the solutions are found in the informal sector, which, so far, offers low-income households convenience and flexibility unmatched by formal intermediaries. The microfinance movement is striving to match the convenience and flexibility of the informal sector, while adding reliability and the promise of continuity, and in some countries it is already doing this on a significant scale. Getting to this point – reaching poor people on a massive scale with popular products on a continuous basis – has involved rethinking basic assumptions along the way. One by one, the keywords of the 1980s and 1990s – women, groups, graduation, micro businesses, and credit – are giving way to those of the new century – convenience, reliability, continuity, and a flexible range of services.

Chandra Bihari\textsuperscript{57} (2003), in his study ‘Consumer awareness at the bottom of the pyramid: A study with reference to the banking industry in India’ states that
the financial sector in India has of late evolved in multifarious dimensions affecting the lives of the various strata of the society. With more focus on inclusive growth in the sector, the need for financial literacy was never highlighted so much in the past as it is now. RBI, the regulator of the banking sector in the country, has spearheaded the financial literacy campaign which has also been taken up by other players, particularly the banks. In this connection the study aims to map the present practices adopted by various banks in the area of spreading financial literacy, as part of inclusive growth, particularly of those in the lower income group. In the process, the gaps from desired practices (as per the directives of Reserve Bank of India) as well as gaps prevailing in global standards and practices are measured leading to the possible steps that can be taken to bridge the gap.

CMF Working Paper by Ignacio Mas of the Gates Foundation (2010), ‘How can we increase savings among the poor’, discusses the role of technology and regulation in increasing savings among the poor and also examines the current status of savings among the poor. The paper is an essential reading for anyone interested in micro savings or financial access in the developing world. Building on recent research in development, Mas explains how formal savings mechanisms help poor families mitigate risk and increase productive household investment. He describes the drawbacks of the numerous informal savings mechanisms which poor families currently use in order to meet their financial needs. Mas goes a step further by enumerating key policy changes that would make it easier for the poor to access formal savings mechanisms.
In the article by S N Sharma and L P Padhy (2011) ‘Financial Inclusion: A Strategic Mantra for Sustainable Business Model for Banks’ the authors opine that inclusion aims at 'connecting people' with the banking system and not just opening accounts. The success of financial inclusion depends much on the extent of financial literacy. Banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of "bottom of the pyramid" group, treating it both as a business opportunity as well as corporate social responsibility.

Shachi Prakash (2012) in the article ‘Retail Banking Strategy: Criticality of Financial Literacy and Credit Counselling in Indian Context’ opines that the importance of financial education and credit counselling needs no emphasis in a country like India, it is rather surprising that the initiatives of banks in this respect such as financial literacy and credit counselling centres have remained only "initiatives" even after a considerable time. He points out that it is high time banks realize the importance of financial education and credit counselling, particularly in the context of increasing defaults, financial inclusion, and sustainable and inclusive growth. What is important to be realized by banks is that they are the beneficiaries of financial education and credit counselling. It is time banks act and strengthen financial literacy and credit counselling centers.

Savita Shankar (2011) in her research thesis ‘An Analysis of the Role of Microfinance in Promoting Financial Inclusion in India’, defines financial inclusion as ongoing access to a range of financial services in an affordable and convenient manner. As low income groups are often among those lacking such
access, microfinance programmes providing financial services to them have emerged as a public policy instrument to promote financial inclusion. This thesis evaluates the contribution of microfinance programs in promotion of financial inclusion in India. The research framework and research questions in the thesis were informed by the relevant literature, particularly relating to microfinance, financial inclusion and their links with broader development goals. The research questions relate to how the two major microfinance models in India, the Self Help group Bank Linkage Program (the SBLP) and the Micro Finance Institution (MFI) model, address barriers to financial inclusion, and facilitate expected outcomes. To sustain financial inclusion, group microfinance members should graduate to individual financial services. The thesis also explores the environment in which such graduation could take place. The research at the grass root level led to understanding of the following: factors influencing microfinance penetration; requirement for improving availability of financial services other than microcredit; need for creating a sector wide credit bureau; benefits of unique identification numbers for residents to facilitate development of credit histories for microfinance members; and the importance of a systematic approach to graduation of group members to individual financial services. The findings from provider and member level research included barriers to microfinance membership; the requirement for a wider range of financial services particularly savings services; and the need for enhanced financial literacy and financial management skills among members.

Navin Bhatia and Arnav Chatterjee (2010) conducted a study entitled
‘Financial Inclusion in the Slums of Mumbai’. According to the authors, although financial inclusion – the delivery of banking services at an affordable cost to the vast sections of disadvantaged and low-income groups – has become the buzzword in financial circles, it has still a long way to go. The findings of the study provide valuable insights and bust certain myths regarding financial inclusion, particularly among the urban slum-dwellers. Consequently they have important policy implications. First, only one-third of the respondents had a savings bank account. Significantly, none of the respondents had an account with any private sector bank. This poor percentage in the heart of the financial capital of the nation and in areas surrounded by bank branches speaks of the poor state of financial inclusion. It highlights the pressing need to step up efforts towards including the excluded. The role of private banks in this area needs to be examined. Second, among those who did not have a bank account, only 8% had ever tried opening a bank account but were unsuccessful. The remaining had never approached a bank. Third, out of the respondents who did not have a bank account, only one-fifth were saving privately. These are the persons who could be tapped by banks and brought within the fold of the formal financial institutions. The vast number of the remaining (four-fifths) respondents had either no savings or the desire to save. For this group, the tool of financial literacy could be used to introduce them to the virtues of savings and benefits of being linked to the formal financial system. It is significant that those under this category far outnumbered those who were saving privately. Hence, the thrust for efforts towards financial literacy needs to be stronger. Fourth, only two
respondents (less than 2%) had loan accounts with the banks, while 10% of the respondents had taken loans from other sources. Bank loans were perceived to be difficult to get and required collateral. Therefore, the need for banks to design and market appropriate products for this clientele becomes imperative. Fifth, the study found the mobile penetration at 38% of the respondents marginally higher than the banking penetration.

3.8 Studies in Kerala

No studies have yet been conducted in Kerala to measure the financial literacy of any category of people. Some academic researches were carried out to study the impact of Neighbourhood Groups, Self Help Groups and Kudumbashree Projects in Kerala.

In a study by Suran & Narayana64 (2009) ‘The Deluge of debt: Understanding the financial needs of the poor households’ among coastal settlements in Kerala, it is found that 50% of poor household in the socially excluded hamlet are not yet connected with the formal institutionalized system for their financial needs. The poor frequently borrow small amount of money from money lenders, friends and relatives even though 46% of the households have access to Self Help Groups or bank linkages. The paper suggests the need for a relook at the design of a financial product that banks offer to the underserved.

Ruby J A65 (2007) in the Doctoral Thesis ‘Microfinance and women empowerment – A case study of Kudumbashree Project in Kerala’, the sample districts chosen were Alapuzha and Kottayam Districts. The survey found that Kudumbashree Project in Kerala through Self Help Groups have been successful
in promoting banking habits among the poor people. All the sample respondents in the study acquired banking habit after joining NHG. Kudumbashree has been succeeded to great extent in developing the habit of thrift among the members and enabling them in availing loans from NHGs. The author empirically proved that Kudumbashree projects in Kerala have been instrumental in the economic, political, social, cultural, personal and familial empowerment of members through micro financing. NHGs also enhanced the saving habits of its members. A study on Kudumbashree project in Kerala by *Jacob John* (2009) proved that KDMS programme has helped in the development of various skills such as maintenance of accounts, exposure to banking operations, communication skills, public relations, leadership qualities and entrepreneurial activities among women in Kerala. Poor women who had very limited role in decision making and inadequate freedom of expression have started a new way of life by acquiring skills and enjoying freedom of expression and decision making. The study also found that significant share of credit needs of poor women is met from their own pooled savings and linking the NHGs to the banks is an efficient way of channelising micro credit to the poor.

### 3.9 Conclusion

The academic research in the area of financial literacy is relatively new and therefore slim. The review of available literature reveals that even though some studies are conducted about financial literacy in America, Europe, Australia and other Asia-Pacific countries, no systematic attempt is made to study the financial literacy of economically marginalised people in Kerala. All studies
assert that there is a functional relationship between the level of financial literacy, and the low income people. In the context of inclusive growth, financial literacy is more relevant as improved financial knowledge will lead to positive financial behaviour which is the essence of financial inclusion. In this context, the present study would be a pioneering venture in the area of financial literacy in Kerala.
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