CHAPTER- II

FINANCIAL LITERACY IN INDIA: CURRENT STATUS AND INITIATIVES

Hon’ble President and prior Union Finance Minister, Mr. Pranab Mukherjee during RBI- OECD Workshop on Delivering Financial Literacy (2010) stated that, “Financial literacy, and education, plays a crucial role in financial inclusion, inclusive growth and sustainable prosperity”.

Mahajan and Laskar (2009) explained the labourers (agricultural, skilled and semi-skilled) in India are financially excluded. Over 40% of them earn but can’t save. Several other studies in India found that basic principles of money and household finance are not well understood by the population. Agarwalla et. al. (2012) found less than one-fourth respondents financially knowledgeable in his study on young employees and retired in India. Joshi (2013) considered financial literacy important in a country like India where more than one fourth portion of population is not educated; hence they do not have proper understanding and access to formal financial set up and lacks financial planning. RBI is taking additional measures to provide access to population, probable entrepreneurs as their one of the primary agenda (Ravikumar, 2013). Pooja, (2014) also reported similar findings that stated India’s low rankings in financial literacy amongst Asian-Pacific countries an initiatives by RBI and other financial bodies to increase financial literacy. Trivedi & Trivedi, (2014) signified financial literacy as an effective tool for financial inclusion as it makes people aware about financial products and markets. Kumari & Viz, (2014) observed that majority of Indians are not using modern financial products. Indian economy is well regulated but if the individuals are not informed and financially literate, wealth creation for all and economic development is not possible.

2.1 Global positions of Economies in terms of Financial Literacy:

Retirement saving adequacy was found less in US, and little is known about why people fail to plan for retirement, and whether planning and information costs might affect retirement saving patterns. To better understand
these issues, Lusardi & Mitchell devised a module for the Health and Retirement Study (2004) on planning and financial literacy which evaluated how they collected information and took the decisions to save and finally whether they are financially literate or not (Lusardi & Mitchell, 2005).

Much of this attention is motivated by a compelling body of evidence based on household surveys in some developed countries that exhibits a strong relationship between financial literacy of individuals and household well-being. Households with minimum or minor levels of financial literacy tend not to plan for retirement in USA (Lusardi and Mitchell, 2007), borrow at higher interest rates (Lusardi and Tufano, 2008; Stango and Zinman, 2009), acquire fewer assets (Lusardi and Mitchell, 2007), and participate less in the formal financial system relative to their more financially literate counterparts (van Rooji, Lusardi, and Alessi, 2007; Hogarth and O'Donnell, 1999). Based on these findings, financial literacy programs introduced low cost intervention to improve financial decision making, saving habits etc. Rooij et. al. (2008) in their study in Netherlands, found that the people don’t’ know about inflation and compounding interest rate etc. They also found that wordings of survey questions make the measurement of financial literacy very sensitive.

Levels of financial literacy in Developing countries were reported low (Max New York Life Survey, 2008). More than half of labourers surveyed in India borrow from moneylenders at high rates of interest and store cash at home. This pattern of behaviour indicates their worst financial situation. In Zambia and six other African countries, only 29 percent of adults have a bank account and 50 percent use no financial products at all (DFID, 2008) two-thirds are not familiar with basic financial products and services like ATMs and debit cards etc. (Godfrey, 2008). Josseph (2012) mentioned in his study that in South Africa nearly 60 percent of the people are not familiar with the concept of interest.

Many US households’ particularly older ones do not plan for their retirement, and there is a considerable population that seems to save very little for retirement. And the position of older women is of great concern as they are more vulnerable to old-age poverty due to their long existence or survival (Lusardi & Mitchell, 2008). In addition, women are less financially literate and also less likely to plan for retirement.
It can be said that the developed nations like US, UK New Zealand, Australia etc sensed the need of financial literacy much earlier than the rest of the world. US government established a President’s Advisory Council on Financial Literacy in 2008 to improve financial literacy and financial inclusion throughout the economy. Year 2008 was declared ‘the year of financial education’ by the Indonesian government.

Koenen and Lusardi (2011) found that those living in East Germany, less educated and women lack financial understanding and awareness. In particular, those with low education and low income in East Germany had little financial literacy compared to their West German counterparts. Interestingly, they found no gender disparity in financial knowledge in the East. In order to investigate the nexus of causality between financial literacy and retirement planning, IV strategy was developed by making use of regional variation in the financial knowledge of peers. A positive impact of financial knowledge was also found on retirement planning.

Bumcrot, Lin and Lusardi (2011) revealed wide variation in financial literacy across United States (US) measured through financial literacy index constructed by them. Most of the variation was due to differences in the demographic make-up of the states; however, only few states had either higher or lower levels of financial literacy than explained by demographics alone. In addition, significant relationship between financial literacy of a state and that state’s poverty level was found.

Study of Sabri et. al. (2011) in Malaysia reported that students could answer less than half of the questions correctly. Students of Chinese ethnicity, who live on college campuses, and who attend private colleges are less likely to be financially literate.

In his study Kharchenko (2011) used data from the national survey Financial Literacy and Awareness in Ukraine, conducted by Financial Sector Development Project (FINREP) and USAID in 2010. The empirical results on determinants revealed that the major factors influencing financial literacy in Ukraine are gender, level of education, occupation, region and wealth. Age and area of residence have not been found significant in explaining financial literacy.
Australian Securities and Investments Commission (ASIC) revised the pattern of national and international research on financial literacy, and advocated international best practices in financial education and the modern changes in technology that had an impact on the everyday lives of Australians. Like Australia, New Zealand has a National Strategy for Financial Literacy, launched in 2008, with the objective of having financially literate population in New Zealand. Advisory Group reports progress in relation to the Strategy, to the Minister of Finance, stakeholders and the public half-yearly (Stangl & Matthews, 2012).

In India, the Reserve Bank of India (2007) took an initiative to offer free financial education and counselling to urban and rural populations by establishing Financial Literacy and Credit Counselling Centres throughout the country (Cole, Sampson & Zia, 2009).

2.1.1 The Organisation for Economic Cooperation & development (OECD) Survey (2012 & 2018)

International Network on Financial Education (INFE) and OECD designed a survey instrument to evaluate the financial literacy of population from different backgrounds in several countries. The instrument covered major dimensions viz., behaviour and attitudes relating to short and long term financial budgeting, money management, financial knowledge and financial product choice and decisions (Atkinson & Messy, 2012). In a survey of 14 countries, 8 countries population attained a high knowledge score against a high behaviour score; pointing in terms of financial knowledge that level of financial literacy in these countries is higher than financial behaviour. Contrarily, in the rest 6 countries (Germany, Norway, South Africa, Malaysia, BVI and Peru) level of financial literacy are higher in terms of behaviour and due to more positive behaviours as compared to knowledge which is exceptionally low. Women also have low scores for financial behaviour than men in several countries (Albania, Armenia, South Africa and BVI). There is a noticeable fluctuation in financial literacy due to age and income. In most countries, middle age is related with high financial literacy level, whilst the group of old and young age respondents exhibit low level of financial literacy. Regression results also confirm positive relationship between
income and financial literacy level. It is found that higher income individuals (respondents) tend to achieve more scores than their lower income peers.

2.1.2 VISA Global Financial Literacy Barometer (2012)

Visa (a global payments technology company) conducted the 2012 Global Financial Literacy Barometer survey between February and April of 2012 with 25,500 participants in 28 markets. In India, 923 participants between the ages of 18 and 64 were surveyed through face-to-face interviews. 65% Indians lack financial literacy according to this report. India emerged 23rd in the overall ranking and is just ahead of Morocco, South Africa and Vietnam. Indian women (34 percent) were found more non-savers than men (29 percent). Indian families do not frequently talk to their children about money management issues. On average, Indian respondents discuss budgeting, savings and responsible spending with their children just 10 days per year compared with the global average of 19 days per year (Joshi, 2013).

2.2.3 Programme for International Student Assessment (PISA) 2012

Results: Students and Money

The results provided by PISA assessment on periodic intervals are significant tool that can be used to formulate education policies. The results from the PISA assessment in the continuation periodic assessments, which was conducted in the 64 countries and economies with comparable data in 2012, 40 economies improved their average performance in at least one subject than in previous PISA rounds. China was found leading, while countries like Brazil, Mexico, Tunisia and Turkey improved from their previous performances. PISA 2012 results also showed wide differences between countries in mathematics performance. The difference in mathematics performances within countries was reported over 300 points. The difference between the highest and lowest average scores among countries were around 75 score points. The differences were found between boys and girls where boys performed better in all countries except Italy where both were found equally competent.

The study of Arellano, Cámara and Tuesta (2014) analysed impact of self confidence on financial abilities of young people in Spain, by using data from the
PISA Financial Literacy (2012) report and found that higher self-confidence score leads to higher score in financial literacy tests.

**A Financial Knowledge and Behaviour Survey (2013)** was conducted by a market research company *Colmar Brunton*, supported by ANZ bank. The survey showed that financial behaviour and knowledge of adults change over time. It was considered to be influenced by various factors namely country's economic conditions, financial education efforts, public awareness campaigns conducted by organisation, issues raised and information passed on by the news media and the work of the financial services sector (*Menzies, 2013*).

**2.1.4 The Standard & Poor’s Ratings Services Financial Literacy Global Survey 2014 (S & P Fin-Lit Global Survey)**

Worldwide, only 1-in-3 adults are financially literate. Not only is financial illiteracy widespread, but there are big variations among countries and groups (*Klapper, Lusardi & Oudheusden, 2014*). Global credit rating agency Standard & Poor's delivered sufficiently large and global data of several countries supported by INFE and OECD, FLAT world project and others. The major findings indicated that only one third of adult population was identified as financially literate. That denotes that about 3.5 billion adults from different countries do not have understanding of basic financial concepts. The understanding of financial concepts was found high in countries of Northern Europe (*Dnamrk, Germany, Netherlands Sweden etc.*), in European Union, average financial literacy rate was 65%. On the other hand, south Asian countries were found with the lowest literacy rates ranging from 24% to 42% only.

**2.1.5. Financial Literacy Index report by Master-card (2014):** The study reported that among 16 countries, India ranked 12th place which is only better than the previous rankings, still, it’s not satisfactory. Indian consumers are also being progressive about the basic money management like, their ability to budget, managing credit, Savings for purchasing a costly item and tracking their expenses. But the present status is not so good in comparison to other developed nations.
2.1.6. OECD Survey for Financial Literacy in G-20 Countries (2018): The Organisation for Economic Co-operation and Development conducted an International Survey for the year 2018 in order to measure financial literacy across economies in the continuation of its periodic efforts. It collected National Survey data from G20 Countries (21 economies) comprising score (Maximum 21 Points) of Financial Behaviour (9 Points) Financial Attitudes (5 points) and Financial Knowledge (7 points). The average score for overall economies came to 14 points and only 3 countries namely, France (14.9), Canada (14.6) and China (14.1) could score more than the average. India, Argentina, Italy and Saudi Arabia scored below 12.

2.2 Status of Financial Literacy in Indian perspective

National Centre for Financial Education Report (2015) revealed that only 20% Indian adults are financially literate. The report categorised the data in five different zones according to the geography. West zone of India scored highest 27% of financial literacy of respondents, whereas in south zone it was 25%. The lowest score was reported for the central zone i.e. 14% only (chart-1).

![Figure 2.1: Percentage of Adult Financial Literacy by NCFE report (2015)](chart)

Kalavathi (2009) showed that salaried households in Coimbatore city have great awareness towards, investment in shares/debentures/bonds, bank saving and provision for children's education. In addition, it is also found that high awareness of financial literacy among salaried households in turn help them in planning or designing effective and efficient saving/investment schemes. In his study, Sethupathi (2011) has mentioned that financial knowledge of Indian rural households in Tamil Nadu is very much confined to equity investment;
bank saving; insurance policy; and investment in gold or in land/building, due to safety of the principal reasons. The study also revealed that minimum deposit accounts (no-frill accounts) are most popular. Jariwala and Sha (2011) in their empirical research work explain significance of financial literacy, the need to create or develop it at micro and macro levels and the risk associated with financial illiteracy. Agarwalla et al (2012) revealed that financial behaviour of Indians (young working adults, retired and students) is positive. According to Bindhu (2013) the score of Indians, are similar to the sample taken by the OECD in context of financial behaviour. Among retail investors in India, financial preferences and behaviour are determined by the level of financial literacy (Mathivanan & Mohanaranjani, 2013).

Many of the reports evaluating the financial literacy level in India found that the financial literacy in India is not good. As per VISA (2012) survey report of 28 countries India was at the 23rd position. A number of researchers also have tried to identify the investment behaviour of retail investors and households in India and abroad with the help of OECD approach. Geetha & Ramesh (2011) studied the Indian’s behaviour about investment preferences. The study found that people were not aware about all the investment options available to them and they lack knowledge about securities. Samudra and Burghate (2012) studied the investment behaviour of the middle class households in Nagpur. Bank deposits were found to be the most popular investment avenue followed by insurance, PPF, Post office savings deposits. Return from the investment was found most influencing factors on decision to invest in a particular instrument. Chaturvedi and Khare (2012) found demographic variables like age, education, occupation and income level of the individual affects their investment behaviour. Respondents were found less aware towards corporate securities, mutual funds, equity shares and preference shares. They also identified that the factors occupation, education and income level affects the awareness level of investors towards various investment avenues. Sood and Medury (2012) analysed the investment preferences of working adults in Delhi, Gurgaon and Noida. The results of their study showed that investment preferences are not affected by age, gender, income, marital status and employment status. The results of the study of Bashir et al (2013) suggested that among salaried individuals in Gujrat,
females are more risk averse than males whereas young and educated people are attracted more towards new risky investment opportunities. **Bhushan and Medury (2013)** analysed the gender differences in investment behaviour of employees working in various universities of Himachal Pradesh, India. They found that employees working in various universities of Himachal Pradesh invest in almost all investment avenues available to them. There is an overall inclination of investing in safe investment instruments. Gender differences in investment preferences are significant for health insurance, fixed deposits and market investments.

### 2.3 Household Savings and Investment Pattern of India

With the help of data available, it can be analysed that from the year 1990 to 2000, a major part of Indian households’ savings were invested in financial assets rather than Physical assets. From the year 2000 to 2007, household savings were conveyed to Physical assets while in the year 2007-08, more investments were made in financial assets. This shows that retails/small investors participated in stock markets when their valuations are at peak. The markets eventually crashed in 2008. From 2008 to 2014, physical savings are preferred to financial savings (**Reddy, 2015**). More households have to be brought into the financial system. **Bitner et. al., (2000)** suggested to aim channelizing savings of the households into financial markets. Now a days, Indian banks can be seen adopting latest technologies to meet the challenges of speed, efficiency and changing customer demands and provide value added services to their customers like internet banking and facility of ATMs. Under the Business Facilitator (BF) model, banks are now utilizing the network of intermediaries such as the NGOs, post offices for banking services and creating awareness and educating about the financial products, collecting and processing information of probable borrowers, disbursement of banking products and financial services to rural households, etc. It helps in obtaining information on purchasing financial products. Table below gives us details about various investment avenues under which households’ savings have been invested.
Table 2.1: Change in Financial Assets of the Household Sector over the years

<table>
<thead>
<tr>
<th>Year</th>
<th>Currency</th>
<th>Bank Deposits</th>
<th>Non-Banking Deposits</th>
<th>Life Insurance Funds</th>
<th>Provident &amp; Pension Funds</th>
<th>Claims on Government</th>
<th>Shares &amp; Debentures</th>
<th>Units of UTI</th>
<th>Trade Debt (Net)</th>
<th>Changes in Financial Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>369.77</td>
<td>1750.45</td>
<td>0.83</td>
<td>679.86</td>
<td>557.94</td>
<td>1064.20</td>
<td>81.13</td>
<td>-31.46</td>
<td>-1.07</td>
<td>4471.65</td>
</tr>
<tr>
<td>2005-06</td>
<td>521.51</td>
<td>2667.16</td>
<td>5.22</td>
<td>834.94</td>
<td>619.50</td>
<td>871.68</td>
<td>338.57</td>
<td>-4.44</td>
<td>-2.22</td>
<td>5841.92</td>
</tr>
<tr>
<td>2006-07</td>
<td>671.94</td>
<td>4292.82</td>
<td>45.84</td>
<td>1148.51</td>
<td>725.03</td>
<td>191.98</td>
<td>508.47</td>
<td>-3.10</td>
<td>65.23</td>
<td>7646.71</td>
</tr>
<tr>
<td>2007-08</td>
<td>812.78</td>
<td>3890.08</td>
<td>12.86</td>
<td>1698.48</td>
<td>715.44</td>
<td>-283.27</td>
<td>743.08</td>
<td>-3.24</td>
<td>137.65</td>
<td>7723.85</td>
</tr>
<tr>
<td>2008-09</td>
<td>921.88</td>
<td>4178.33</td>
<td>147.42</td>
<td>1528.61</td>
<td>733.98</td>
<td>-275.51</td>
<td>-23.33</td>
<td>-27.37</td>
<td>84.88</td>
<td>7268.89</td>
</tr>
<tr>
<td>2009-10</td>
<td>969.40</td>
<td>3981.41</td>
<td>185.16</td>
<td>2598.21</td>
<td>1298.49</td>
<td>-434.75</td>
<td>448.41</td>
<td>0.00</td>
<td>-17.84</td>
<td>9897.98</td>
</tr>
<tr>
<td>2010-11</td>
<td>1371.31</td>
<td>5482.99</td>
<td>50.99</td>
<td>2101.02</td>
<td>1411.39</td>
<td>295.45</td>
<td>17.29</td>
<td>0.00</td>
<td>68.23</td>
<td>10798.67</td>
</tr>
<tr>
<td>2011-12</td>
<td>1062.42</td>
<td>5259.70</td>
<td>100.21</td>
<td>1956.73</td>
<td>956.92</td>
<td>-219.01</td>
<td>173.36</td>
<td>0.00</td>
<td>45.09</td>
<td>9335.43</td>
</tr>
<tr>
<td>2012-13</td>
<td>1,115.21</td>
<td>5,750.80</td>
<td>172.66</td>
<td>1,820.97</td>
<td>1,240.20</td>
<td>-71.23</td>
<td>437.90</td>
<td>0.00</td>
<td>31.83</td>
<td>10,244.52</td>
</tr>
<tr>
<td>2013-14</td>
<td>1,019.19</td>
<td>7,741.76</td>
<td>305.67</td>
<td>2,052.22</td>
<td>1,362.23</td>
<td>76.58</td>
<td>323.53</td>
<td>0.00</td>
<td>48.38</td>
<td>12,792.54</td>
</tr>
<tr>
<td>2014-15</td>
<td>1,317.11</td>
<td>5,792.95</td>
<td>274.36</td>
<td>2,347.16</td>
<td>2,008.35</td>
<td>-5.96</td>
<td>570.73</td>
<td>0.00</td>
<td>41.77</td>
<td>12,356.22</td>
</tr>
</tbody>
</table>


Note: (i) Life Insurance Funds includes Central or State Government employees’ insurance funds and postal insurance funds. (ii) Shares and debentures include investment in shares and debentures of credit/ non credit societies, public sector bonds and mutual funds (other than specified undertaking of the UTI).

India is truly a bright spot among emerging markets. It is also the fastest-growing economy in BRICS now and has exited the pejorative club of ‘Fragile Five’ (CRISIL, 2015). The ongoing disinflation is freeing up real incomes, and interest rates—especially on small savings—turned positive in real terms. The significant improvement in corporate profitability, essentially on account of saving on input costs and more recently on sales growth, is expected to boost corporate saving and translate into investment spending going forward (RBI, 2016). Record inflows of foreign direct investment and the surge of initial public offerings after a four-year lull seem to be providing lead indications of this tipping point. The total amount of Financial Savings made by households was Rs 8,194 billion in 2014. This is an increase of 18% when compared to financial savings of 2013. The total amount of savings in Physical Assets was at Rs 12,123 billion, a decrease of around 5% when compared to previous year’s data. It is very clear that households’ savings are routed to investments in physical assets but the gap between financial savings and Physical assets is slowly shrinking, which is a very good sign for Indian Economy (Reddy, 2015).
2.4. Initiatives of Government towards Financial Inclusion and Financial Literacy:

The need of channelizing savings from households into investments and subsequently capital formation has been now recognised by the Government of India that can be seen in its growing efforts. If the households in an economy are well educated and informed, they will mobilize their savings into investments which in turn not only ensure income generation for families, but also individual and societal financial well-being (Mathivanan & Mohanaranjani, 2013).

In order to address the issues of financial inclusion, the Government of India constituted a “Committee on Financial Inclusion” under the Chairmanship of Dr. C. Rangarajan. Not only in India, but financial inclusion & Financial Literacy have become an issue of worldwide concern, relevant equally in economies of the underdeveloped, developing and developed nations. Building an inclusive financial sector has gained growing global recognition bringing to the fore the need for development strategies that touch all lives instead of a select few (Porkodi & Aravazhi, 2013).

2.5. Initiatives of Reserve Bank of India towards Financial Literacy Education:

The Reserve Bank of India has made tremendous efforts towards the procurement of overall financial education proficiency. It has been taking steps towards financial inclusion and financial literacy by establishing coordination with government of India. The guidelines issued by this apex institution have been ensuring a generous pace to the challenge of financial exclusion. The other public and private banks, NGOs, BCs, SHGs etc. have been guided time to time for the great purpose. Followings are some of major initiatives of RBI taken:

i. Reserve Bank of India, has involved ensuring access to at least one zero minimum-balance "no frills" savings bank account to every household. At least one district in each state has been brought under the purview of this drive with public sector banks in the region taking the lead to open at least one bank account per family in the district.

ii. Hyderabad office of the Reserve Bank has formulated a multi-modal (informative display through posters, brochures, multi-media presentations, video films,
demonstrations, computer games), multi-lingual (English, Hindi, Telugu and Urdu) and customised interactive strategies (like stalls in exhibitions, visits to schools, colleges, villages, meeting with bankers, traders, farmers, SHGs, tour of the Reserve Bank) for spreading financial literacy among the common persons in general and school children, college students, farmers, women and villagers in particular (Reserve Bank of India Annual Report 2006-07).

iii. Chennai Office has brought out two comic books titled 'Currency Matters' and 'Bank Matters' in English and Hindi as part of the Bank's financial education efforts. New Delhi Office brought out a comic book on basic banking, titled 'Raju and the Money Tree'. The comic book was brought out in English and Hindi (Reserve Bank of India Newsletters).

iv. Bangalore Office has released, under its FIN-LIT project, a series of four comic books, in English and Kannada, dealing with (i) introduction to basic banking, (ii) deposits, (iii) SHGs loans especially agricultural loans and other livelihood loans like Govt. Sponsored schemes, etc. and (iv) other lifestyle enhancing loans like housing loans, vehicle loans, etc. and other products like ATM cards debit, credit cards. A short film, based on the frames of the books, with voice over in Kannada has also been released (RBI, Bangalore).

v. RBI’s Financial Literacy Project was launched in 2007 and has been anchored three times. It was aimed at educating the common people with the role and functions of RBI and how it is relevant to the common person. The project was about explaining the Customers’ rights, Grievance redressal, Banking Ombudsman Scheme etc.

vi. Reserve Bank of India announced its National Strategy for promoting Financial Education throughout the country on 16th July 2012 with an objective of making consumers aware about different types of financial products and services and to change their attitudes so that the knowledge can be converted into a sound financial behaviour.

vii. The convenor banks of the State/Union Territory Level Bankers’ Committees were advised in May 2007 to set up, on a pilot basis, a financial literacy-cum-counselling centre in any one district in the State/Union Territory, coming under their jurisdiction. Further, on the basis of the experience gained, the Lead Banks concerned were advised to set up such centres in other districts (Das, 2007).
viii. The Reserve Bank introduced a Financial Literacy Guide in which all banks were suggested to use as standard guidelines to spread conceptual knowledge of financial products and services. A financial diary was attached along with the guide to keep the records of transactions (Chakrabarty, 2013).

ix. RBI is now taking the insertion of separate chapters dedicated to financial literacy in the CBSE/NCERT course curriculum.

x. Executives of RBI are now visiting the remote villages to understand the real situation and provide information about how RBI works (Kumari & viz, 2014).

xi. Several banks have opened Financial Literacy Centres (FLCs) for increasing financial literacy, to avail counselling facilities for customers of banks on the basis of RBI advisories. There were 575 FLCs in the country in the financial year 2011-12 (Kumari & viz, 2014) which was increased to 942 in financial year 2013-14 and has reached to 1181 in financial year 2014-15 (RBI, 2015), 1384 in financial year 2015-16 (RBI, 2016) and 1395 in Financial year 2017-18 (RBI, 2018).

xii. Awareness programmes like Films, skits, road shows; Participation in exhibitions/stalls on financial education; Financial Education camps in remote places through Outreach visits; Essay/Quiz competitions by organising Visits to RBI by school children; opening Financial Counselling & Literacy Centres; by spreading Talks on Radio/Television.

2.6 Initiatives of Security Exchange Board of India towards Financial Literacy Education

SEBI initiated financial education campaign nationwide to target various segments viz. students, working individuals, middle or low income group, households, retired, SHGs etc. it included many resource persons in its panel to give training and knowledge about many financial aspects and markets. More than 2,60,000 participants have already been benefitted through more than 3,500 workshops.

SEBI has organised Investor education programs, Regional seminars through various stakeholders viz. Stock Exchanges, Depositories, and Association of Merchant Bankers and Mutual Funds etc. SEBI launched a website, set up a helpline (toll free) and published study materials in English and other local
languages in order to meet the need of information and grievance redressal of the investors across the country. SEBI encouraged students in schools and colleges to visit SEBI and know about its operations *(National Strategy for Financial Education, 2012).*

Stock Exchange Board of India offers several programs to the youths regarding the knowledge in stock markets which covers the complete knowledge of different products. SEBI is conducting a financial awareness test for school level student. Recently awareness program has been promoted through television and radio encouraging the general public to invest in stock market *(Maheswari, 2015).*

### 2.7 Initiatives of State Bank of India towards Financial Literacy Education

According to Thorat, *(2007)*, banking industry has marked a significant growth in India during the past few years in the area of profitability, financial viability and competitiveness, still, some concerns are there which banks have not been able to include for vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. SBI is today using this technology in our smart cards which work in conjunction with a mobile or a hand held connectivity device which works on Near Field Communication Technology (NFC). Transactions are possible both in online and off line mode. It also permits the real time updating of balances in the card. By issuing a smart card to the rural customer, the cost of the transaction is reduced because we are dispensing with paper based transactions and shifting the actual operation of transacting on the account away from the branch to Customer Service Point / Provider (CSP) at the outlet in the location of the rural customer. SBI is running pilots at several places like Aizwal (Mizoram), Medak and Warangal (Andhra Pradesh), Pithoragarh (Uttarakhand) and West Garo Hills (Meghalaya). Andhra Pradesh has been identified by our bank for carrying out disbursements under National Rural Employment Guarantee Programme (NREGP) and other rural development schemes through SBI Tiny Card accounts in Warangal and Medak districts. The scheme is also being extended to areas like Chamoli and Pauri in Uttrakhand and Titabar in North East *(Ramkumar, 2007).*
2.8 Initiatives of other Financial Institutions, NGOs and SHGs towards Financial Literacy Education

The SHG-Bank Linkage Programme launched by NABARD in 1992 continues to be the predominant Micro-Finance (MF) model in the country. It represents the union of the banking system comprising the public and private sector commercial banks, Regional Rural banks (RRB), and Co-operative Banks with several organizations in the formal and semiformal sectors to facilitate the provision of financial services to a large number of poor clients. It is a proven method of financial inclusion, providing un-banked rural clientele with access to formal financial services from the existing banking infrastructure. The uniqueness of the SHG Bank Linkage programme lies in the fact that it is not mere delivery of financial services but has an inherent design for promoting financial literacy. As the financial literacy increases, the financial inclusion gets more sustainability and stability in terms of being inclusive on a long haul. With more than 2.3 million SHGs reaching more than 30 million poor households the first small but significant step has been taken in financial inclusion & financial literacy (Porkodi & Aravazhi, 2013).

Under the SHG-Bank Linkage Programme, started by commercial & cooperative banks with RRBs, as on March 31, 2009, 61,21,147 SHGs held savings bank accounts with total savings of Rs 5,545.62 crore as against 50,09,794 SHGs with savings of Rs 3,785.39 crore as on March 31, 2008. Thus more than 8.06 crore poor households were associated with banking agencies under the SHG-Bank Linkage Programme (Christabell & Vimal, 2012).

In the recent years after RBI has initiated and given directions with guidelines, financial literacy has picked up pace and is now being imparted not only by the afore mentioned banks, but also by various other independent organizations like funding agencies, NGOs etc., because it is now being seen as empowering the vulnerable poor and enhancing their income through informed decision making in financial matters. Several International aid agencies such as UNDP, Funding agencies, NGOs, and MFIs have joined hands in extending finance literacy programmes. Organisations such as Unituslabs have joined hands with Ujjivan, a Microfinance institution to create “Sankalp” and “Diksha”. While
organisations like ‘MYRADA’, ‘APMAS’ and ‘MicroSave’ are already doing pioneering work in this regard reputed NGOs like ‘Hand in Hand’ have also taken up financial literacy programme as part of their SHG development programme. Institutions like the Managalore based “Jnana Jyothi Financial Literacy and Credit Counselling Trust” jointly sponsored by Vijaya Bank and Syndicate Bank, the Ahmedabad based “Indian School of Microfinance for Women” (ISMW), DHAN Foundation, ‘Nidan’ from Delhi, People’s Education and Development Organisation (PEDO) from Dungarpur, Rajasthan, Alwar, Rajasthan, Centre for Community Economics and Development Consultants Society (CECOEDECON) from Jaipur, in addition to many other institutions and organisations across the country whose names are not mentioned here, are all working towards the financial literacy of the excluded. While all citizens are to be included, presently focus is more towards women and the poor (Pamarthy, 2012).

**Initiatives of IRDA on Financial Education**

Insurance Regulatory and Development Authority promoted financial education programmes by TV, radio, print media for spreading words about the consumers’ and investors’ protection, system of dispute redressal, rights and obligations of a policyholder etc in English, Hindi and other regional 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 out through 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 indicative of areas of concern to the insurance policyholder.

**PFRDA Initiatives on Financial Education**

Pension Fund Regulatory & Development Authority has been actively engaged in providing the pension services to the deprived communities. It structured frequently asked questions (FAQs) about pension and other related
topics on its website. PFRDA’s initiatives have become more broad-based with direct mass publicity on NPS – both as 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 vernacular languages and in line with socio-economic sensibilities.

**Initiatives taken by Commercial Banks**

Commercial banks are increasingly realizing that they are missing out on large segment of financially illiterate and excluded segment of prospective customers (Birla, 2016). 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 Counselling Centres and Rural Self Employment Training Institutes on financial literacy. The objective of these centres is to advise people on gaining access to the financial system including banks, creating awareness among the public about financial management, counselling 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 counselling centres even train farmers/women groups to enable them to start their own income generating activities to earn a reasonable livelihood. Even top management of commercial banks is undertaking Outreach visits to villages with a view to spread financial literacy (Raihanath & Pavithran, 2014).

Similarly, many Stock Exchanges, Merchant Banking Houses and Mutual Fund companies have organised seminars, issued guidelines, published materials and campaigns in print media. Insurance companies too, carry out campaigns and other educational activities for generic education in insurance. It will be necessary to collate all the material developed by these institutions and classify it in the light of the approach outlined in this strategy paper. The cleaned material suitably augmented should form the kernel of knowledge base envisaged in the strategy.
Union bank of India and Dena bank established 198 village knowledge centres to convey knowledge to farmers. These centres also offer necessary infrastructure, internet connection and library facility. Union bank of India pioneered “Union Mitra Scheme” for imparting financial education and debt counselling services to rural population free of cost. Dena bank initiated “Dena Bhoomiheen Kisan Credit Card” for renter farmers, share croppers and landless labourers. RRBs have been advised to allocate at least 25 percent of the total number of branches proposed to be opened during a year in unbanked rural areas and private sector banks also to ensure that at least 25% of their total branches are in semi-urban and rural centres on an ongoing basis (Rajput & Oberoi, ND).

2.9 Summary of the Chapter

This chapter focuses on studying the current scenario about financial literacy level in India with the help of empirical evidences found in literature and different national and international level reports. The chapter also compares the financial literacy in India to the other economies and finds that developing nations are facing more problems like low financial understanding in population whereas the developed nations realised this need a lot earlier and took necessary steps in order to ensure financial well-being. In India, the government and RBI along with the other regulatory, commercial (public and private) and non-government organisations have been taking major initiatives towards the financial literacy whose ultimate objective is to ensure financial well-being. The steps taken so far are many in number but according to the size of population and majority of rural households in the country this target still looks to be difficult to achieve. Financial illiteracy is now one of the major concerns in India and the economy is trying its best to eradicate it.