

A REVIEW OF FINANCIAL LITERACY IN INDIA

N. Dixit¹ and G. Dixit²

¹R.B.Mundada College of Arts, Commerce and Science, Pune

²Maharaja Ranjit Singh College of Professional Sciences, Indore

¹drnalindixit@gmail.com

ABSTRACT

Given the wide spread poverty and economic inequality in India, financial literacy assumes great importance. Financial literacy helps an individual to learn importance of savings and appropriate investments. It is an important life skill which everyone must possess. Given the current lower financial literacy rate, Government and other regulators are making focused efforts to tackle this situation. A "5C strategy" including Content, Capacity, Community, Communication and Collaboration will likely make the effort successful. All in all, the financial literacy is poised to improve significantly with time.

Keywords: Financial literacy, savings, investments, insurance, pension

Introduction

Financial literacy alludes to abilities and knowledge with respect to finance to settle on educated decisions to oversee resources and income. Essentially, it's the ability to have a solid financial plan. Most reviews show that financial literacy is as yet poor in India. More than 66% of the populace, isn't financially educated, i.e., individuals need financial planning basics. The Standard and Poor review from 2014 tracked down that more than 76% of adults in India didn't understand financial planning basics.

Literature Review

There is ample literature available on the subject of financial literacy. Below are a few abstracts from the recent literature.

Naidu (2017), has posited that, because of quick development in Indian economy in the course of the most recent decade and extension of financial markets through liberalization, privatization and globalization have given an approach to excess of financial products in banking, investment and loan products. Low degree of financial literacy keeps people from settling on right decisions with respect to financial choices. To accomplish the goals, individual should contribute his/her savings in right investment alternatives. The target of the investigation is to consider the degree of financial literacy in India by utilizing literature review. Secondary data was gathered from different sites, journals, research papers and articles. It is tracked down that financial

literacy in India is exceptionally low and requires effort to patch level of literacy.

Garg and Singh (2018), have argued that the motivation behind this paper is to investigate the degree of financial literacy among youth world over dependent on past examinations. The investigation, especially, center at how financial and segment factors like age, sexual orientation, marital status and pay impact financial literacy level of youth and whether there is any interrelationship between financial information, financial demeanor and financial conduct. Solid undertaking of the world economies to improve the financial prosperity of their residents has added to the rising significance of financial literacy as it prepares the people to take quality financial choices to upgrade their financial prosperity. The investigation uncovers that the financial literacy level among youth is low across the most parts of the world that has become a reason for concern.

Jayaraman and Jambunathan (2018), have opined that, the Financial literacy is a significant however frequently disregarded ability that is indispensable for youngsters. This examination estimated financial literacy levels among secondary school students (N = 608) in India and discovered low degrees of execution on standard proportions of financial literacy. The rate right score on the essential financial literacy questions was 45% and on the modern financial literacy addresses the score was 44%. Financial literacy levels in India were discovered to be lower than those in created nations. Gender contrasts were found,

with females outflanking guys, in spite of discoveries in developed nations. Students who sought after the business/financial aspects stream of schooling were found to have more significant levels of financial literacy than students seeking after the science stream. Results showed that students, regardless of having undeniable degrees of numeracy, couldn't move that information to do financial calculations. Parental contribution was additionally found to impact financial literacy. Meetings with students featured the way that understanding of cultural and macroeconomic effects of financial literacy was low. These discoveries loan support for secondary school financial training which includes guardians and stresses commonsense hands-on application, cultural and macroeconomic effect, as a method for improving financial literacy.

According to Jadhav (2020), financial literacy has developing as a need area across the world as of late. Developing nation like India has need of great importance for comprehensive growth and sustainable prosperity in financial literacy as individuals of India play a significant job in the financial advancement of the country. An examination comprises in improving better and significant understanding of individual segments of the financial literacy. It is basic for people to be exceptional with the fundamental financial knowledge and attention to rehearse their financial assets in an ideal manner. Financial literacy program reach to a huge number of individuals should be re-designed and increased to help the regular inventory instruments. The examination notices the financial literacy of individuals by overview created by the National Institute of Securities Market (NISM). The examination will track down the degree of individuals about financial literacy with financial attitude, financial conduct and financial knowledge.

According to Dube and Asthana (2017), the reason for this examination is to discover the financial literacy in Uttar Pradesh in pre financial consideration situation and to make a correlation of Financial Literacy level of Uttar Pradesh with different states in the central zone. The paper gives the outline of the significant constituents of Financial Literacy and the part of Financial Literacy in Indian setting. There is still a ton of work to be done

in the space of financial literacy in Indian setting. There is low degree of financial literacy among the various sections of the populace in India as apparent from various investigations. There is a need of genuine arrangement measures to be taken to fortify the financial literacy level both at fundamental and advance stage with the goal that an individual can all the more wisely save and invest in various avenues accessible on the market.

National Strategy for Financial Education

Fortifying Financial Inclusion in the nation has been one of the significant strategic plans of both the Government of India and the four Financial Sector Regulators (viz. RBI, SEBI, IRDAI and PFRDA). Financial literacy upholds the quest for financial inclusion by engaging the clients to settle on informed decisions prompting their financial well-being (RBI, 2021).

Ensuing to fulfillment of the time of the primary National Strategy for Financial Education (NSFE: 2013-2018), an audit of the advancement made was attempted and keeping in mind the different improvements that have occurred in the course of the most recent 5 years, eminently the Pradhan Mantri Jan Dhan Yojana (PMJDY), the National Center for Financial Education (NCFE) in coordination with the four Financial Sector Regulators and other pertinent partners has prepared the revised NSFE (2020-2025).

Below are the strategic objectives for this policy:

1. Inculcate financial literacy basics among various sections of society to make it an important life skill
2. Encourage savings
3. Promote participation in financial markets
4. Develop credit discipline and encourage taking credit from financial institutions as per requirement
5. Increase usage of digital financial services
6. Manage risks with appropriate insurance product
7. Plan for retirement using pension products
8. Knowledge about rights and duties

5C approach to achieve strategic objectives:

1. Content (Curriculum for schools, universities and preparing foundations),

2. Developing Capacity among the intermediaries engaged with offering financial types of assistance,
3. Utilizing on the constructive outcome of Community led model for financial literacy
4. Suitable Communication Strategy, and
5. Improving Collaboration among different stakeholders

Conclusion

Given the wide spread inequality in India, knowledge about financial literacy assumes

great importance. Financial literacy helps an individual to make informed choices regarding savings and investments. It is an important life skill which every Indian must possess. However, currently the level of financial literacy is very low. Government and other regulators have chalked out a policy which will help them spread financial literacy in the country. Various regulators and other financial intermediaries need to improve collaboration in order to succeed in their mission.

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