



## A Survey of the Literature Providing an Insight into Financial Literacy in India.

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### ABSTRACT-

Any nation's ability to thrive economically and flourish hinges on having a robust financial system. Any nation's sound financial system is a direct effect of its citizens' financial stability. The foundational element in the development of any person's financial security is financial literacy. The Indian government has implemented a number of initiatives to increase financial inclusion and financial literacy among its populace. This paper elucidates the different initiatives implemented by India's regulatory organizations to enhance financial inclusion and financial literacy among individuals, while also highlighting the significance of financial literacy in the nation. The research publications, press articles, papers from different regulatory agencies, books, and other sources are all reviewed in this work.

**Key words:** Financial inclusion, financial literacy, and Regulatory bodies.

### INTRODUCTION-

A cohesive financial system is essential for the economic growth and development of any nation. It consists of a variety of financial institutions, markets, instruments, and services that facilitate the creation of capital and act as a conduit for the conversion of savings into investments. India has been a "saving" nation for ages, making both traditional and non-conventional financial and in-kind investments. This saving, nevertheless, might not be done formally. It might have been in the "Hundis" (piggy bank) in the home. Gold and land have always been the most popular investment avenue for the people of our nation. A contributing factor to the preference for gold and land investments over other financial instruments may be the lack of financial literacy and financial exclusion. Nonetheless, the Indian government has been making a deliberate effort to promote financial inclusion through an unofficial approach since 1950. From 2005 onward, however, a true momentum began to build, with the RBI providing guidance and direction and NABARD and commercial banks supporting the financial literacy initiative. Both financial inclusion and financial knowledge are critical to any nation's economic growth. The key to the success of the government's attempts to promote financial inclusion in the nation is financial literacy. Rajat Gandhi correctly stated, "No matter how many banks you open and how many boots on the ground, if a person does not know about the financial options that are open to him, policies, schemes, and Financial Instruments will mean little," in an article on financial inclusion published in Economic Times. It is crucial that an individual learns how to search for anything before considering the advantages it may offer.

### OBJECTIVES-

1. To provide an insight towards concept of financial literacy and its importance.
2. To summarize various initiatives taken by RBI and SEBI for the improvement of financial literacy.

### RESEARCH METHODOLOGY:

This study is completely based on secondary data. An extensive study is done on previous research articles, newspapers, reports, journals, books and official websites of regulatory bodies.

### CONCEPTS OF FINANCIAL LITERACY-

According to Meera Santoshi (2016), a nation's financial stability is influenced by two factors: financial inclusion and financial literacy. People who are financially savvy are more inclined to investigate and take advantage of the products and services that banks offer. This quickens the process of financial inclusion by enabling everyone to use basic banking services instead of depending on the traditional money market system, which includes borrowing

money from money lenders. The incapacity to handle personal finances and lack of information about financial concerns not only hurt a household, but also the economy as a whole. Financial inclusion can be accelerated via financial literacy. "A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing" is how the OECD INFE defines financial literacy. Financial literacy offers the dual advantages of guarding against fraud and making plans for a stable financial future, as noted by Swetha Kumari. Consumer protection, financial inclusion, and financial literacy are the three pillars of financial stability. Financial literacy and financial inclusion are correlated. Financial inclusion declines as financial knowledge rises. Knowing the distinction between financial literacy and financial inclusion is crucial. While financial literacy is more concerned with quality, financial inclusion is more concerned with volume or quantity. While financial inclusion focuses on increasing the number of accounts to make common banking facilities easily accessible to everyone, financial literacy focuses on increasing knowledge about financial products and issues so that people can:  Manage personal finances effectively;  Understand how to use and manage money and minimize financial risk. Determine the advantages and services provided by the bank and refuse to do business with the moneylender. Discover the long-term gain from saving.

Financial inclusion operates from the supply side, offering the financial market and services, while financial literacy stimulates the demand side by educating individuals about what they may demand.

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## COMPONENTS OF FINANCIAL LITERACY:

Financial literacy has three components:

- I. Personal financial management.
- II. Information about various financial services, product and its source.
- III. Operational knowledge.

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## NEED FOR FINANCIAL LITERACY

**Knowledge and expertise:** As financial products become more sophisticated and ried, An average individual finds it quite challenging to make an informed judgment. Financial literacy gives the average person the knowledge, abilities, and confidence to oversee financial services and products, giving him greater authority over his or her financial security, both now and in the future.

**Freedom from exploitation:** Financial literacy works to shield people and society against moneylenders' outrageous interest rates and predatory lending practices.

**Preventing over-indebtedness:** Financial literacy will assist in preventing over-indebtedness, enhance service quality, and encourage prudent financial choices.

**Fostering entrepreneurship:** Raising consumer knowledge of financial goods will benefit small Entrepreneurs that are well-educated and possess a keen sense of business are able to better navigate the dynamics of the market and conduct business.

**Positive knock-on effects:** The economy may experience multiplier benefits as a result of financial education. A well-informed household would save regularly, which would then lead to investments in the appropriate avenues and increased revenue generation. The wellbeing of society will rise as a result of people's financial security.

**Lessening the burden on social programs:** Someone who understands finances would be better able to evaluate their own needs and save money in sensible plans. It creates a more resilient economy and lessens the burden on social programs and pension systems.

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## SOME OF THE CASES OF FINANCIAL SCHEME IN INDIA.

### 1. Pradhan Mantri Jan Dhan Yojana (PMJDY):

**Background:** Launched in 2014, PMJDY is a flagship financial inclusion scheme of the Indian government aimed at ensuring access to financial services, such as banking and deposit accounts, credit, insurance, and pension, for all households in the country.

**Financial Literacy Impact:** The PMJDY initiative not only promoted financial inclusion but also played a role in enhancing financial literacy. Through the scheme, individuals in rural and urban areas were educated about the benefits of having a bank account, how to use it effectively, and the importance of saving.

### 2. Swabhimaan Campaign:

**Background:** Launched by the Ministry of Finance and the Indian Banks' Association, the Swabhimaan campaign aimed to promote financial literacy and awareness, particularly in rural and semi-urban areas.

*Financial Literacy Impact:* The campaign involved organizing camps and workshops to educate people about various financial products, digital banking, and government-backed financial schemes. It helped in demystifying banking processes, encouraging people to use formal banking channels, and fostering a savings culture.

### **3. ICICI Foundation's Financial Literacy Initiative:**

*Background:* The ICICI Foundation for Inclusive Growth has been involved in various financial literacy initiatives. One such program focused on educating rural and low-income urban households about financial planning, budgeting, and the benefits of formal financial services.

*Financial Literacy Impact:* Through this initiative, individuals were provided with practical knowledge to manage their finances, understand the importance of credit responsibly, and make informed investment decisions. The program aimed at empowering participants to navigate the financial landscape more effectively.

### **4. Kotak Mahindra Bank's Money Watch Program:**

*Background:* Kotak Mahindra Bank initiated the Money Watch program to promote financial literacy among school children.

*Financial Literacy Impact:* The program aimed at instilling financial discipline and awareness from a young age. It covered topics such as savings, budgeting, and the basics of banking. By targeting school children, the initiative aimed to create a foundation for better financial decision-making in the future.

These case studies highlight various approaches taken by government bodies, financial institutions, and foundations to enhance financial literacy in different segments of the population. For the latest and most detailed insights, it's recommended to refer to recent reports, academic studies, or official publications from relevant organizations.

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## **CONCLUSION-**

In conclusion, the landscape of financial literacy in India reflects a dynamic and evolving scenario, marked by both progress and challenges. Various stakeholders, including the government, financial institutions, non-governmental organizations, and foundations, have undertaken initiatives to enhance financial awareness and inclusion across the diverse population of the country. Here are key takeaways:

**1. Government Initiatives:** Government-led programs, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) and Swabhimaan, have played pivotal roles in promoting financial inclusion and literacy. These initiatives not only aimed to provide access to financial services but also worked towards educating individuals about the benefits of formal banking.

**2. Banking and Digital Literacy:** Efforts to improve financial literacy often intertwine with banking and digital literacy. As the country advances in adopting digital financial services, there has been a concerted effort to educate the population about the use of online banking, digital payments, and the associated security measures.

**3. Role of Financial Institutions:** Financial institutions, both public and private, have actively contributed to financial literacy through targeted programs. Initiatives by banks, such as ICICI Foundation's Financial Literacy Initiative and Kotak Mahindra Bank's Money Watch Program, have focused on educating different segments of the population, including rural households and school children.

**4. Challenges:** Despite progress, challenges persist. Linguistic diversity, varying education levels, and the need for tailored programs for different demographic groups remain hurdles in achieving widespread financial literacy. Ongoing efforts are required to address these challenges comprehensively.

**5. Digital Transformation:** The digital revolution in financial services has the potential to revolutionize financial literacy. However, it also brings the challenge of ensuring that individuals understand and adapt to these changes responsibly.

**6. Future Outlook:** The journey toward improving financial literacy is ongoing, and the future outlook is promising. Continued collaboration between the government, financial institutions, and non-profit organizations is essential. The integration of technology, innovative educational methods, and targeted interventions can contribute to a more financially literate and empowered Indian population. In summary, the pursuit of financial literacy in India is a multifaceted endeavor that goes beyond just access to financial services. It encompasses education, empowerment, and the cultivation of a financially aware citizenry. The ongoing commitment of stakeholders and the adaptability to emerging financial trends will shape the trajectory of financial literacy in India in the years to come.

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