

FINANCIAL LITERACY: NEED OF THE HOUR

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ABSTRACT

Financial literacy is the ability to use skills and knowledge to take effective and informed money management decisions. For a country like India, this plays a bigger role as it is considered an important adjunct to promotion of financial inclusion and ultimately financial stability. Financial literacy is a key to improve knowledge of financial world. The present study is contextual in nature which states different dimensions of financial literacy, its need and importance in today's dynamic scenario. The government is taking initiatives for making people more financially literate, yet there persists gaps in what actually is and what ought to be. The study throws light on the emerging need of financial awareness among the people of India.

Keywords: Ability, Awareness, Financial, Government, Initiatives

1. INTRODUCTION

Financial literacy is one of the main confronts that are being faced by the countries across the globe. It provides the base for financial inclusion in the economy and is of utmost importance for economic growth of the country. In today's world which has a market with complicated products, the need for financial literacy becomes predictable. Country like India which has high young population, the government is in a position to increase the level of financial literacy. The government and other private institutions have taken ladder through financial education program. Financial literacy goes beyond the provision of financial information and advice. It is the ability to know, monitor, and efficiently use financial sources to enhance the welfare and economic refuge of an individual, his family, and his business. The OECD defines financial literacy as –“A combination of awareness, acquaintance, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being.” [1]

As the concern about financial literacy has increased so too many financial literacy programs and program providers are providing comprehensive information on savings, credit etc. Financial education is a key tool to reach this multidimensional goal. Financial capability, on the other hand, is about the context; it engages the financial services sector in its responsibility to offer the right products to its various target markets. [2]

The purpose of this paper is to analyze the importance of financial literacy and ways to improve the knowledge of financial world by highlighting the factors and to discuss the initiatives taken by the government to spread financial literacy in India.

2. IMPORTANCE OF FINANCIAL LITERACY

Financial literacy has assumed greater importance in the recent years, as financial markets have become increasingly complex and the common man finds it very difficult to make informed decisions. Both developed and developing countries, therefore, are focusing on programs for financial literacy/education. In India, the need for financial literacy is even greater considering the low levels of literacy and the large section of the population, which still remains out of the formal financial set-up. The need and importance of Financial Literacy in India can be explained as follows [3]:

2.1 To avoid misleading by agents

Gaining financial wisdom would help in personal development. It also helps in understanding financial advisor's explanation or some agents advice and deciding whether to buy a particular product or not.

2.2 Get online help

There is a sea of information in the online world and it can be a good place to brush up on a few terms. Once you know what information you want, a simple search should be enough to attain plenty of information around it. The internet has become a great place for learning and coupled with videos, it can be a great teacher.

2.3 Newspaper, magazines and seminars

By merely reading a business newspaper or a magazine, a person can pick up a lot. If you make it a habit and diligently read publications that cover financial news, you can pick up a lot. This is particularly true in the areas of personal finance where newspapers and magazines play a very important role through their extensive coverage, tips and tricks and advise.

2.4 Increase in the Life Expectancy, Changes in Pension Agreement and Transfer of Risk

The improvement in healthcare services has increased life expectancy in India, resulting in a longer time spent in retirement. The result is a greater need of financial planning, expanded insurance and provision of expanded healthcare related expenses for unpredictable eventualities.

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2.5 Technological Changes and Market Innovations

The development in technology has transformed the functioning of the markets making transactions speedier. Financial literacy will empower the consumers and employees to take correct decisions and also understand and predict market situations.

2.6 To increase the pace of overall development of nation

The financial literacy lessons help in the development of the individuals. More the financially literate people in the country, more is the level of investment and more the development of the nation. This would in turn help the nation in avoiding economic meltdown.

3. FINANCIAL INITIATIVES TAKEN BY GOVERNMENTAL AGENCIES IN INDIA

There are numerous steps and initiatives that government of India has undertaken to boost the financial literacy in India so as to ensure economic growth and development. Some of the major initiatives are as follows [4]:

3.1 The Reserve Bank of India has undertaken a project titled “*Project Financial Literacy*” and the main motive behind this is to share the information regarding the basic banking concepts to various target groups, including school and college students, women, rural and urban poor and senior citizens. Moreover, it also arranges visits of school and college students to RBI. The community finance learning initiatives (CFLIs) were also commenced with a view to encourage fundamental financial literacy.

3.2 The Insurance Regulatory and Development Authority has also taken various initiatives in the area of financial literacy. Awareness programmes have been conducted to convey simple messages about the rights and duties of policyholders, channels available for dispute redressal, disseminated through television and radio as well as print media in sustained campaigns in English, Hindi and 11 other Indian languages.

3.3 The Securities Exchange Board of India has gone aboard for financial education programmes through a nationwide campaign. To impart financial education to school and college students, working executives, middle income group, home makers, retired personnel, self help groups, etc., SEBI has empanelled Resource Persons throughout India who are trained on various aspects of finance and equipped with the knowledge of financial markets.

3.4 The decision to demonetise Rs 1,000 and Rs 500 notes will soon be part of the syllabus for CBSE students. The National Council of Educational Research and Training (NCERT) is mulling including demonetisation and its aftermath as well as the move towards Goods and Service Tax (GST) in textbooks.[5]

3.5 Pension Fund Regulatory and Development Authority The Pension Fund Regulatory and Development Authority (PFRDA) has developed Frequently Asked Questions on the pension related issues on its official website.

4. WAYS TO BOOST THE LEVEL OF FINANCIAL LITERACY [6]

4.1 Get expert help

A good second step in getting financially literate would be to get professional help. Once you have got some preliminary knowledge on the subject you seek information, greater in-depth insights can be provided by professionals who deal with the matter. Some basic knowledge also helps in asking the right question and gauging if the professional help has been of any help to people.

4.2 Financial tools/apps

Financial tools and apps are relatively new, but can be a great resource. One needs to feed in some basic information and automated algorithms do the rest for you. There are great online tools that help you calculate your EMI, taxes that you would need to pay, documents you need to fill among others. Apps that reside on your phone takes it one step further and in fact can help you in your transaction.

5. CONCLUSION

In conclusion, financial literacy is the ultimate pillar of a strong financial system. Financial literacy and financial education should be on the agendas of educators, businesses, government agencies, policy makers, NGOs and the issues should be dealt with policy reforms at the national level. Thus, it is important to achieve highest possible financial literacy in the country as its benefits are not restricted to an individual or family, but to the society and the macro economy as a whole.

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