

“Financial Literacy: The Need of The Hour for The Financially Illiterates Peoples in India”

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Abstract

Financial literacy involves dealing with financial knowledge, financial attitude, and financial behaviour. It is one of the key aspects of financial inclusion which promotes awareness, and decision-making skills involving the management of finance by the individual thus it promotes financial well-being among individuals. Thus, this study focuses on RBI's various initiatives in India for the promotion of financial literacy of the people in the country such as NFSI 2025-30 in place of NFSI 2019-24, NSFE 2020-25, FI-Index, CFL, etc., and notable progress made in the concerned field. There is success seen in ensuring bank branch availability near villages, basic financial education content, increase in FI-Index, theme-based financial literacy celebration, and more inclusiveness of banking services in the country.

Keywords: RBI, OECD, Financial Literacy, Financial Education.

1. Introduction

The implementation of Financial Inclusion in India aims at making accessible banking and non-banking services to the doorstep of the population which still remains distant from it. However, without Financial Literacy, the program of Financial Inclusion would fall short, hence, it is vital to incorporate Financial Literacy as one of the triads for financial stability.

Financial literacy is the mix of two words “Financial” and “Literacy”. The former implies knowledge regarding various financial products and the latter refers to the ability to read write and understand any concepts. Hence, Financial literacy in a simple way refers to the ability of any person to understand the various financial instruments and risks associated with to match their profile as per the capacity.

As per the definition by OECD (2012), “Financial literacy is defined as the combination of Financial Awareness, Knowledge, Skills, Attitude and Behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being”

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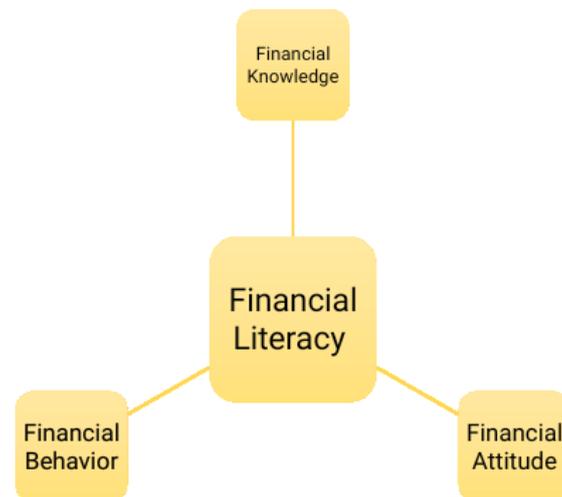


FIG: 1 - Financial literacy and its components

2. Review of Literature

(Chakraborty, 2012), to attain financial stability, the triad of financial inclusion, financial literacy, and consumer protection is now globally recognized as such. The problem concerning these areas is intertwined with each other.

(Lusardi & Messy, 2023), financial literacy is an urgent requirement yet there is notable low financial literacy existence even in developed nations. The countries with low financial literacy are the countries from the G7 and G20 groups

(Antony, Joseph, & KV, 2021), the access to banking services and their utilization plays a key role in the financial inclusion of the people. Universally the policy makers recognize the importance of financial education to promote financial inclusion. Financial education empowers people by mitigating the asymmetric information between them and financial intermediaries.

(Chaudhary & Kamboj, 2017), the consumers are confused by the clever advertising strategies levered through innovative technology which complicates the decision-making process for selecting the right financial product.

3. Objective of the study

This paper focuses on providing insight into financial literacy measures taken by RBI to promote and examine the achievement of financial literacy in India.

Research Methodology

A comprehensive study providing details about financial literacy steps taken by RBI in India and its achievement through a descriptive approach based on secondary data collected from the official websites of RBI, OECD, and NCAER.

4. Interpretations

Recent years have witnessed several innovations in the field of financial inclusion for the promotion of financial services. RBI has done tremendous work towards strengthening financial inclusion status in the country through financial service broadening as well as deepening.

1. National Strategy of Financial Inclusion (NFSI) 2019-24

The strategy laid down during this time period was to improve the condition of financial inclusion in the country. The vital achievement under this period was making sure the banking outlet was present within a 5 km radius of each village, 500 hamlets, and 99.99% of the villages that are identified. Now the new strategy is introduced for the period 2025-30.

2. The Strategy for Financial Education (NSFE): 2020-25

It is implemented by the National Centre of Financial Education (NCFE) with various stakeholder's advice. The strategy intention is the realization of the vision of financial awareness and empowerment which ultimately enables the people to shape adequate knowledge, skills, attitude, and behaviour required to utilise the money they have with them in a better way for current and future needs. Progress is monitored by the Committee of the Financial Stability and Development Council. During the period of 2020-21, NCFE developed financial literacy content on basic financial education that involves community participation for sustainable dissemination of financial literacy and also dissemination of financial literacy by the use of social media through leveraging the technology.

5 C approach of NSFE

- a) Content in the Curriculum
- b) Capacity Building
- c) Community-led Model
- d) Communication Strategy
- e) Collaboration

3. Financial Inclusion Index by RBI

Launched in August 2021, the FI- Index incorporates banking details, investments, insurance, postal, and pension. The FI-Index value ranges from 0 to 100. The value 0 represents complete financial indicators whereas the value 100 represents full financial inclusion. It is further strengthened by the introduction of Antardrishti dashboard for

financial inclusion to monitor the progress of parameters at the National, State, and District level across the nation.

The FI-Index 3 broad parameters

- a) Access
- b) Usage
- c) Quality

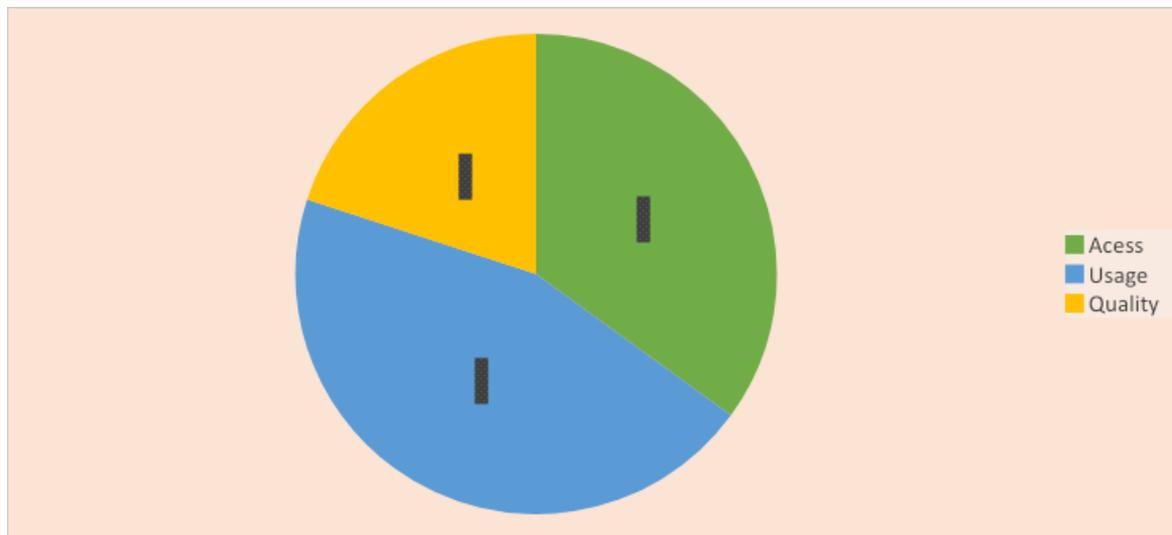


FIG: 2 - FI- Index Weightage to Parameters

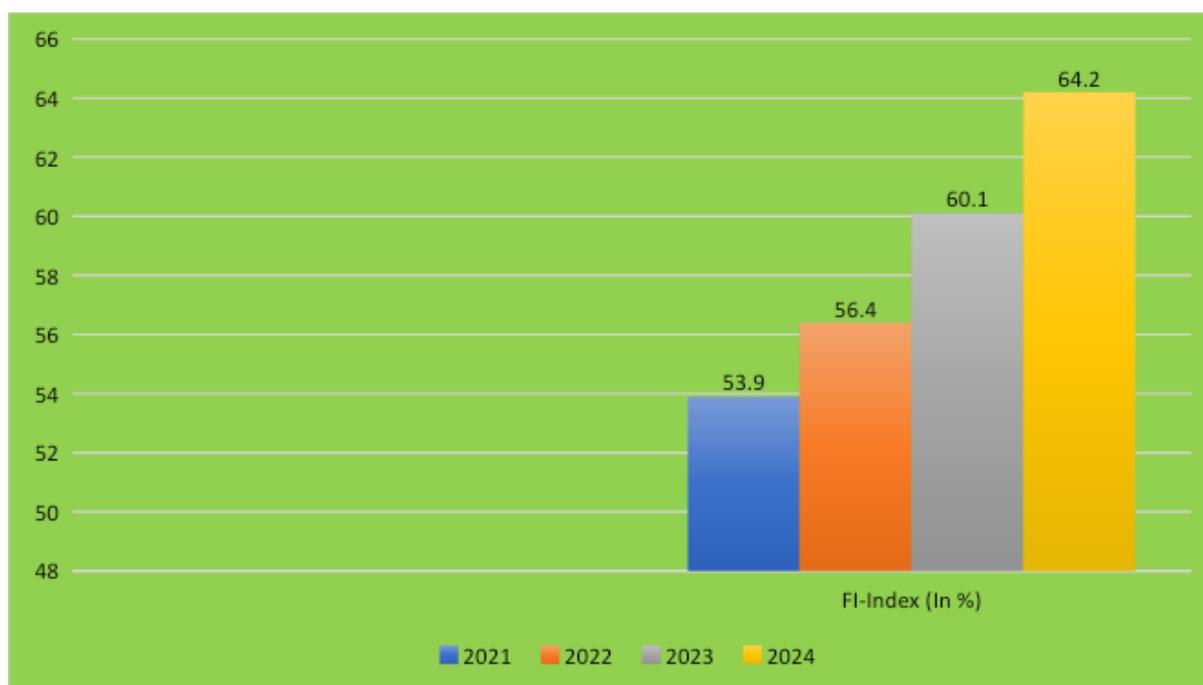


FIG: 3 – FI-Index at the Year end of March

Source; RBI Press Release

4. Financial Literacy Weeks

Since 2017, RBI has conducted Financial Literacy Week with theme-based messages. The theme of 2024 Financial Literacy Week was celebrated from 26th February to 1st March 2024 with the theme “Make a Right Star-Become Financially Smart” with several sub-themes “Saving and Power of Compounding” “Banking Essentials for Students” and “Digital and Cyber Hygiene”. The quiz on financial literacy in April 2023 witnessed the 103388 students across 51694 govt. and municipal schools from classes 8 to 10.

5. Central Bank Outreach and Public Awareness

Comes under the purview of Communication one of the 5 “C” approaches of NSFE. Introduced in 2021 to connect with the audience through RBI websites, media interface, and social media (RBI Kehta Hai) apart from a public awareness campaign. RBI Kehta Hai aims to educate the public regarding the regulation enhancing customer services.

6. Expanding the Reach of CFL project Across the Country

It is established under the common name and logo “Moneywise Centre for Financial Literacy”. The project aimed at active saving, borrowing, financial planning, goal setting, going digital, and consumer protection.

7. Financial Literacy FLC and Rural Branches

The FLC and Rural Branches held financial literacy camps for Farmers, small entrepreneurs, school children, senior citizens, and SHGs which focus on “Going Digital”.

5. Key Findings and Conclusion

financial literacy empowers people to be financially aware of the various financial products available to them, the decision taken by people about the financial product to be invested on showcases their financial skills and attitude, and last the financial behaviour aspect indicates the people's day-to-day activities that affect the consumption ultimately impacting the saving and investment ability of the people in the country. NSFI achieved the milestone in ensuring bank branches nearly 5 km from each village, and 99.99% identified 500 hamlets in hill areas. NCFE developed content for basic financial education to incorporate into the curriculum of schools and colleges, participation of 1,03,388 students across 51694 schools in financial literacy quizzes helped cultivation of financial management at a young age. The consistent upward in FI-Index from 53.9% (2021) to 64.2% (2024) represents that more people have access to and use quality financial services and launch of Antardrishti dashboard for financial inclusion by RBI to monitor the progress of parameters at National, State and District level. New NFSI (Utkarsh 2.0) for the duration 2025-30 which key areas are priority sector, lead bank schemes, credit availability framework, and expansion and deepening of digital payments ecosystem

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