

# An Overview of Financial Education Initiatives in India – A Descriptive Study

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## ABSTRACT

The genesis and significance of financial literacy have come into the limelight since the worldwide economic collapse. Financial literacy is expected controlling device for the unrestricted poverty and economic disparity in India. The Government and financial sector regulators have envisaged “National Strategy for Financial Education” (2020-25) through a very new “5-C” approach “Content”, “Capacity”, “Community”, “Communication” and “Collaboration” to uplift the existing reduced financial literacy rate. This paper elucidates on different initiatives grabbed by the supervisory agencies of India to excel the “financial literacy” among the individuals in the country and alongside compares financial literacy rates state wise in India and with fastest growing countries in Asia. This paper is purely based on various documents published by the regulatory bodies and reviews of research articles. The significance of this paper is advocated as policy makers and research scholars may see it as a value addition to the present literature of financial literacy.

**Keywords:** financial literacy, regulatory bodies, strategies for financial education

## I. INTRODUCTION

The genesis and significance of financial literacy have come into the limelight since the worldwide economic collapse. “Financial literacy” has occupied the driving seat to steer the betterment of every human being as far as monetary well-being is concerned. As per World Bank data 2019, India provides shelter to almost 17.86% of Total world’s population whereas 72.82% Indian adults are financially illiterate, as per “Financial Literacy Survey 2019” conducted by “National Centre for Financial Education” keeping in mind the protocol suggested by “OECD-INFE toolkit”. Hence it becomes a burning issue for the country and improvement in the current financial literacy rate is top priority for the policy maker. The Government and financial sector regulators have envisaged “National Strategy for Financial Education” (2020-25)<sup>1</sup> through a very new “5-C” approach “Content”, “Capacity”, “Community”, “Communication” and “Collaboration” to uplift the existing reduced financial literacy rate.

“Financial literacy (FL)” facilitates the capacity to realize the ways money can be used in this volatile world and the value of money which help people to take suitable judgement in terms of their financial activities. The person, who has sound financial knowledge, enjoys favourable effect of financial activities and financial planning. As per “Organization for Economic Co-operation & Development (OECD)”, “Financial literacy is a combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being (OECD, 2012)”<sup>2</sup>. “Financial education (FE)”, can be portrayed as “the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help and to take other effective actions to improve their financial well-being” “(OECD, 2005)”<sup>3</sup>.

From the above discussion it is vivid that both these phrases ‘financial education and financial literacy’ cannot be assumed as identical but very much associated conceptually. “Financial education” is the basic condition to “financial literacy”, so one must have adequate financial education to attain the target level of “financial literacy”. “Financial literacy” is simultaneously used as a platform based on which perfect financial decision can be taken for achieving the ultimate goal of financial well-being.

## II. REVIEW OF LITERATURE

**Lone, U. M., & Bhat, S. A. (2022)**<sup>4</sup> “explore the impact of financial literacy on the financial well-being of business school faculties and find the mediating role of financial self-efficacy between financial literacy and financial well-being. Data from 203 business school faculty members are examined and reveal a significantly positive influence of financial literacy on financial self-efficacy and well-being, with financial self-efficacy partially mediating the relationship”.

**Gibson, P. Sam, J. K., & Cheng, Y. (2021)**<sup>5</sup> “look into effect of the timing of financial education on short-term and long-term financial behaviour, focusing attention on the influence of financial education across multiple life stages. Imparting financial education through various channels like high school, college, work place and at home becomes very effective for long run positive financial behaviour. It advocates for those without college experience, financial education received in high school have a significant impact on financial behaviour”.

**Biswas, S. and Gupta, A. (2021)**<sup>6</sup> “assess the status of financial literacy in West Bengal and find its impact on household decision-making of 600 respondents from eight selected districts of the state. Higher income and education remain the other significant determinants of financial literacy. Financial literacy is found to significantly affect saving decision, investment decision, borrowing propensity and borrowing quality, the first three being positively and fourth being negatively influenced by financial literacy. However, on retirement planning no significant impact is observed”.

**Kumari, P. (2020)**<sup>7</sup> “Studies importance of financial literacy and various initiatives taken by government organization and financial institutions for promotion of Financial Literacy in India. It analyses of various initiatives taken by RBI, SEBI, NABARD and Government of India for various sections of society”.

**Agarwal, P. (2020)**<sup>8</sup> “makes an exploratory work by evaluating the impact of financial literacy level on investment behaviour of the respondent of Bundelkhand region of Uttar Pradesh using multinomial logistic regression analysis. Findings reveal that a significant portion lacks adequate financial skills and involvement in family money decisions, emphasizing the need for targeted financial education initiatives”.

**Calderone, M., Fiala, N., Mulaj, F., Sadhu, S. & Sarr, L. (2018)**<sup>9</sup> “assess the impact of financial literacy training among low-income households in the state of Uttar Pradesh utilizing a branchless banking program that offers doorstep access to banking through an experimental study and enriching the evidence as financial literacy programs have positive impacts on savings behaviour. The intervention yields interesting results as the total savings in the treatment group increase by 49% within a period of 1 year and the increase in savings is due in part to decreases in expenditures on temptation goods”.

**Jayaraman, J. D., & Jambunathan, S. (2018)**<sup>10</sup> “assess the financial literacy levels of 608 high school students in India and finds concerning results. The percentage correct score of basic and sophisticated financial literacy questions have been found to lag behind those in developed nations. Students studying commerce/economics represent higher financial literacy than their science-focused counterparts. Parental involvement significantly fosters financial literacy, providing strong evidence for the need of comprehensive high school financial education”.

**Bhutoria, A. & Vignoles, A. (2018)**<sup>11</sup> “execute a clustered Randomized Controlled Trial (RCT) to gather evidence by offering a relatively short financial educational program to a large sample of women from poor households in informal community settings to help the policy makers in terms of finding a suitable financial program. This educational intervention has been more effective than the costly traditional classroom style adult education. The results indicate modest yet positive treatment effects, notably an increase in personal savings, achieved at a relatively low cost per participant”.

**Sayinzoga, A., Bulte, E. H., & Lensink, R. (2016)**<sup>12</sup> “conduct a field experiment in Rwanda to examine the impact of an intensive one-week standard financial literacy training on the financial behaviour of smallholder farmers. The resultants financial behaviour in terms of increased savings, access to loans by new farmers and new business start-up are found to be very significant”.

**Henager, R., & Cude, J. B. (2016)**<sup>13</sup> “examine the relationship between financial literacy and financial behaviors among various age groups and find that both objective and subjective financial literacy variables are positively associated with long- and short-term financial behaviors”.

## III. SIGNIFICANCE OF THE STUDY

“Financial education” makes individuals very much self-reliant and they can take judicious financial decision like the utility of a budget, rational buying decision, spending decision, savings decision, investment decision, retirement planning etc. On the other hand, individuals who lack basic financial education, often becomes victims of financial frauds, fall in debt trap, bankruptcy, inadequate retirement savings, insufficient insurance coverage and take poor financial decision etc. so the significance of financial education is immense not only for the investors but also for the households. By leveraging financial education as a tool, the mission of becoming “A financially aware and empowered India” can be achieved. Hence it is very

significant to study status of literacy status of India and on the initiatives taken by the regulatory bodies of the country to uplift the present financial literacy level and it will be very meaningful to see exactly how far the initiatives are effective.

#### IV. RESEARCH OBJECTIVES

1. To look into the financial literacy status of India, its state-wise and with fastest growing countries in Asia.
2. To study the various initiatives taken by the Indian regulatory authorities for inculcating financial education in India.

#### V. RESEARCH METHODOLOGY

The present study is descriptives and qualitative in nature. It is entirely crafted on secondary data and they are accumulated from reliable secondary resources such as Global Financial Literacy Survey report, NCFE reports, Newsletters, websites of financial sector regulators and research articles etc.

#### VI. FINANCIAL LITERACY STATUS OF INDIA:

Financial Literacy Status of India compared to the fastest growing Asian countries:

It incorporates the information prescribed by the study “Financial Literacy Around the World: INSIGHTS FROM STANDARD & POOR’S GLOBAL FINANCIAL LITERACY SURVEY”<sup>14</sup>. This survey portrays substantial data in the spectrum of financial literacy consisting a very large randomly selected individuals nationally representatives of more 1,50,000 from more than 140 economies during the year 2014.

The selection fastest growing countries are based on the world development indicator in terms of annual GDP growth percentage (>6%) of 2022 (the latest available data) using World Bank data as follows: the following Asian countries are selected for better comparison; they are presented below.

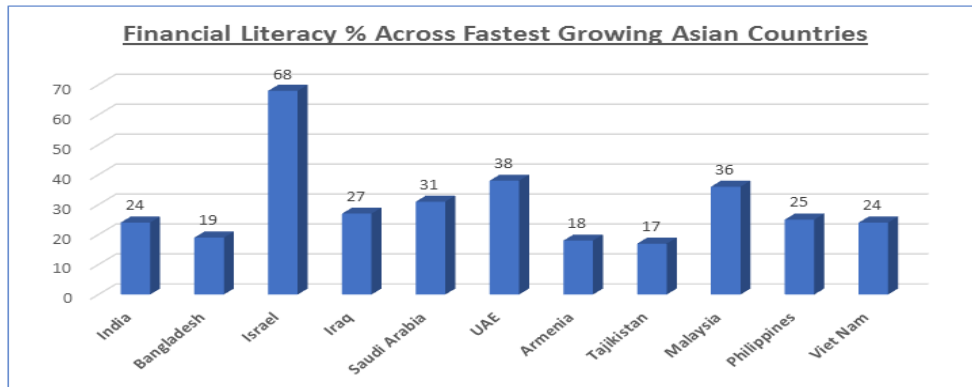
**Table 1:** Fastest Growing Countries across Asia and their Financial Literacy Level

Country Name	GDP growth (annual %)	Financial Literacy %	Region
India	7.24	24	South Asia
Bangladesh	7.10	19	South Asia
Israel	6.83	68	Middle East Asia
Iraq	7.01	27	Middle East Asia
Saudi Arabia	8.68	31	Middle East Asia
United Arab Emirates	7.85	38	Middle East Asia
Armenia	12.60	18	Central Asia
Tajikistan	8.00	17	Central Asia
Malaysia	8.65	36	East Asia
Philippines	7.57	25	East Asia
Viet Nam	8.02	24	East Asia

**Source:** Author’s own compilation using “Financial Literacy across the World: Insights from the S&P Global Fin Lit Survey” and “World Bank Data on the world development indicator”

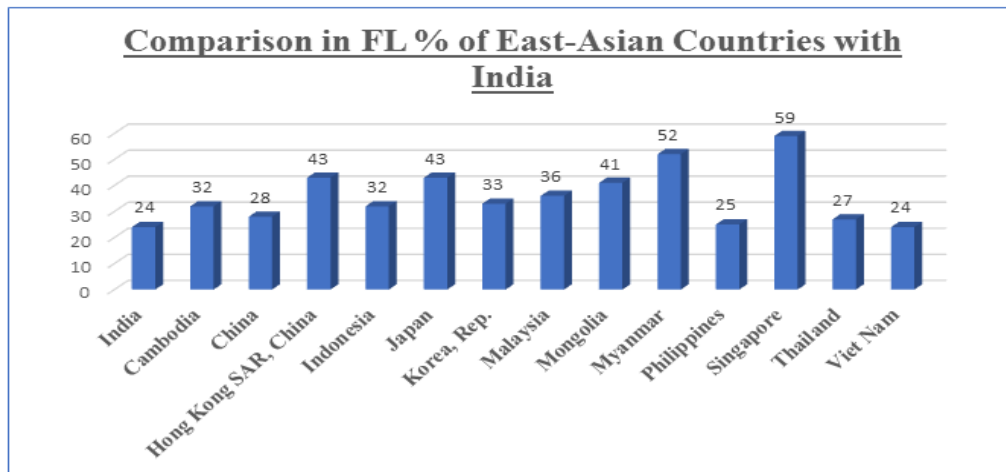
From the table no.1, it is vivid that Israel is notable with a very high score, showing strong financial education efforts. Tajikistan, Armenia and Bangladesh have very lower score, showcasing the necessity of fostering financial education initiatives. On the other hand, UAE, Malaysia, Saudi Arabia, Iraq, Philippines, Viet Nam and India represent an average to lower score, signifying a further room for improvement with better initiatives of financial education.

**Figure 1:** Fastest Growing Countries across Asia and their Financial Literacy Level



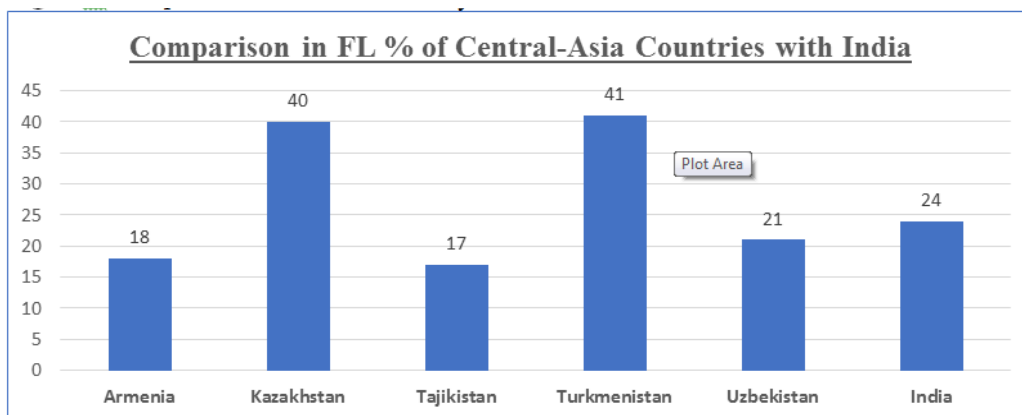
**Source:** Author’s own compilation using “Financial Literacy across the World: Insights from the S&P Global Fin Lit Survey”.

**Figure 2:** Comparison in Financial Literacy % of East-Asian Countries with India



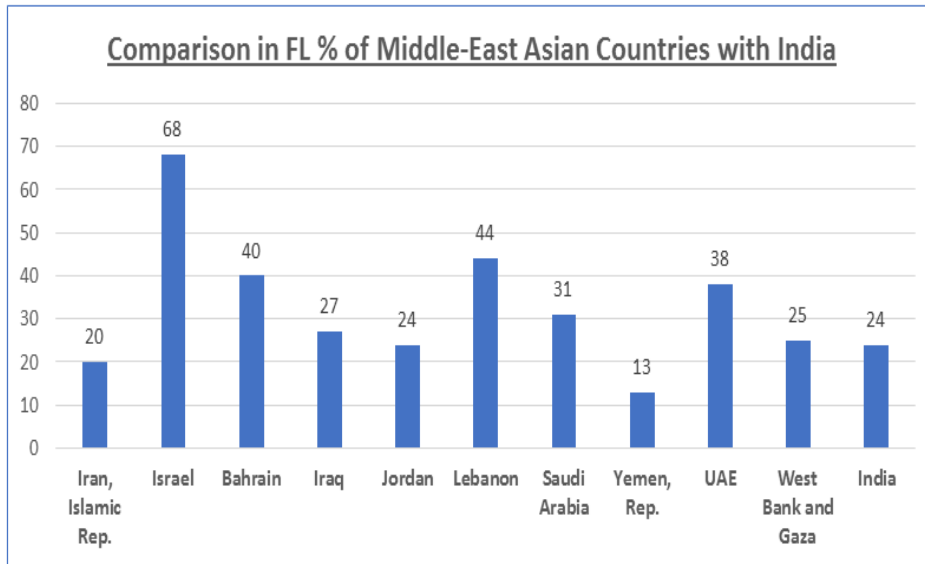
**Source:** Author’s own compilation using “Financial Literacy across the World: Insights from the S&P Global Fin Lit Survey”.

**Figure 3:** Comparison in Financial Literacy % of Central-Asia Countries with India



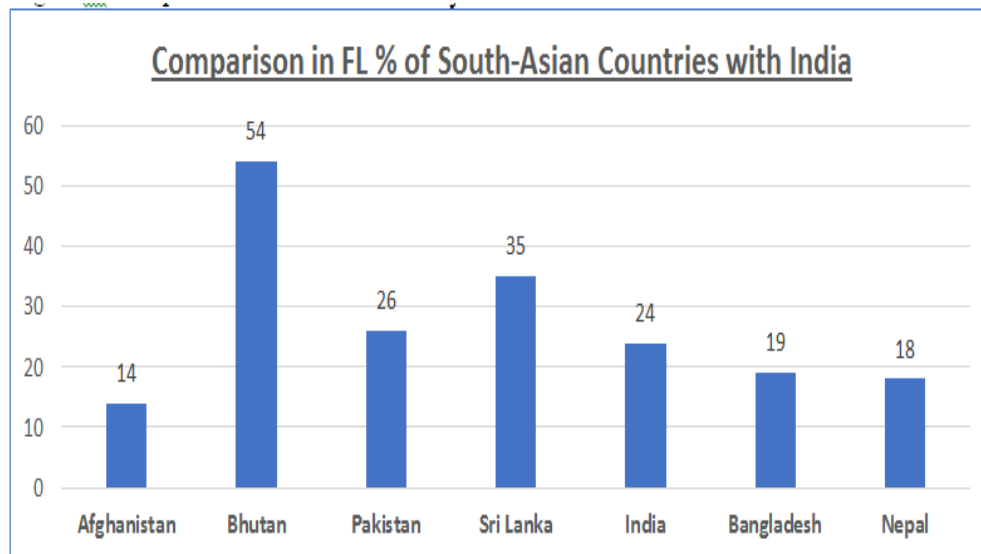
**Source:** Author’s own compilation using “Financial Literacy across the World: Insights from the S&P Global Fin Lit Survey”.

**Figure 4:** Comparison in Financial Literacy % of Middle-East Asian Countries with India



**Source:** Author’s own compilation using “Financial Literacy across the World: Insights from the S&P Global Fin Lit Survey”.

**Figure 5:** Comparison in Financial Literacy % of South- Asian Countries with India



**Source:** Author’s own compilation using “Financial Literacy across the World: Insights from the S&P Global Fin Lit Survey”.

➤ **Financial Literacy Levels in Indian States**

State level financial literacy rates have been incorporated from the “Executive Summary: Nation Centre for Financial Education, Financial literacy and Inclusion Survey 2019” 15. Following “OECD guidelines, a person is regarded financial literate if he/she has a Combined score of at least 15 out of 22 with a minimum of 3 in financial attitude out 5, 6 in financial behaviour out of 9 and 6 in financial knowledge out of 8”.

**Table 2: State-Wise Financial Literacy Level of India**

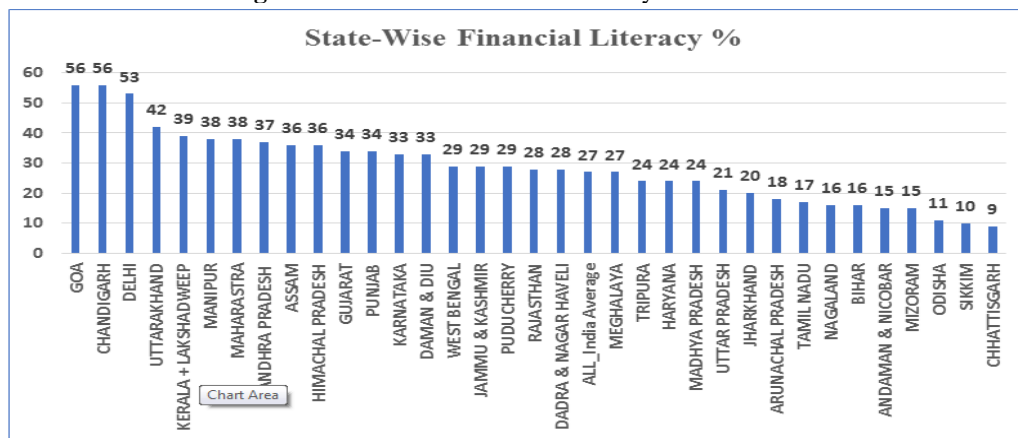
STATES	FINANCIAL LITERACY %	STATES	FINANCIAL LITERACY %
GOA	56	RAJASTHAN	28
CHANDIGARH	56	DADRA & NAGAR HAVELI	28
DELHI	53	MEGHALAYA	27
UTTARAKHAND	42	TRIPURA	24
KERALA + LAKSHADWEEP	39	HARYANA	24
MANIPUR	38	MADHYA PRADESH	24
MAHARASTRA	38	UTTAR PRADESH	21
ANDHRA PRADESH	37	JHARKHAND	20
ASSAM	36	ARUNACHAL PRADESH	18
HIMACHAL PRADESH	36	TAMIL NADU	17
GUJARAT	34	NAGALAND	16
PUNJAB	34	BIHAR	16
KARNATAKA	33	ANDAMAN & NICOBAR	15
DAMAN & DIU	33	MIZORAM	15
WEST BENGAL	29	ODISHA	11
JAMMU & KASHMIR	29	SIKKIM	10
PUDUCHERRY	29	CHHATTISGARH	9

Source: Author’s own compilation using “Executive Summary: NCFE Financial literacy and Inclusion Survey 2019”

From the table no.2, it can be said that almost 19 states and union territories are above the national average (27%) and some of them are highly promisingly states such as GOA, CHANDIGARH, DELHI where majority of people enjoy financial literacy. In contrary, CHHATTISGARH, SIKKIM, ODISHA where almost 90% adult population are living life without the primary knowledge on finance and money management skills and deprive from the key financial concepts.

Maximum states are mostly concentrating the national average level hence it propagates the countrywide requirement of effective financial education initiatives to uplift the current financial literacy level throughout of the country.

**Figure 6: State-Wise Financial Literacy Level of India**

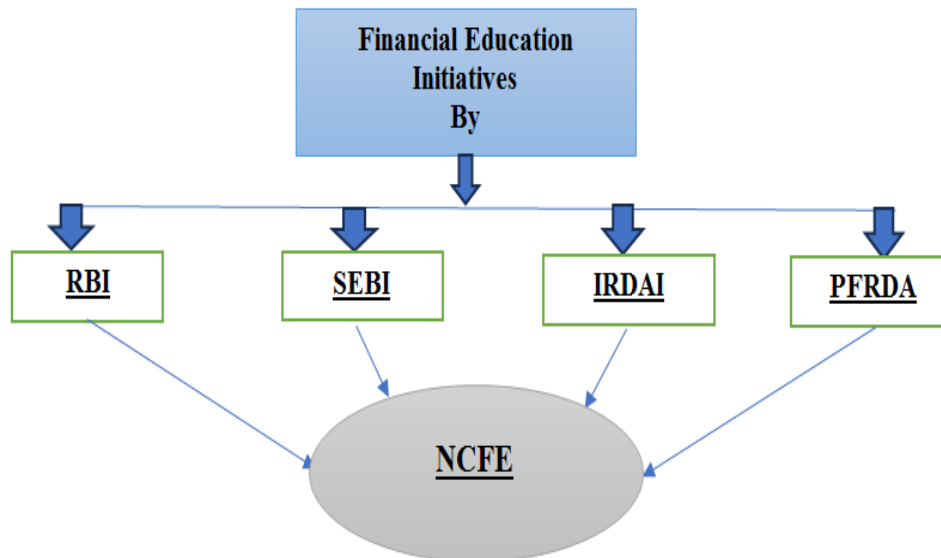


Source: Author’s own compilation using “Executive Summary: NCFE Financial literacy and Inclusion Survey 2019”

## VII. FINANCIAL LITERACY INITIATIVES IN INDIA

The present study looks mainly into the actions triggered by financial sector regulators other than the initiatives taken by the Govt. such as “Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Atal Pension Yojana, Pradhan Mantri Mudra Yojana” etc.

We have at present four financial sector regulators existing in India, they are “Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India and Pension Fund Regulatory and Development Authority”. These four regulators have jointly promoted “National Centre for Financial Education” to foster financial education across India “for all sections of the population”.



### National Centre for Financial Education

1. There are following superliner programs to stimulate “Financial Education” –
  - “**FACT (Financial Awareness and Consumer Training)**”: It is a program to disseminate financial education content to the youth based on their recent requirement for their overall financial betterment.
  - “**FETP (Financial Education Training Programme)**”: It is an endeavour to empower the school teachers with sound financial knowledge so that they become very competent to deliver the same among their school students effectively. Apart from this, at the end, these teachers will be also felicitated with the certificate and can be conferred as ‘Money Smart Teachers’.
  - “**MSSP (Money Smart School Program)**”: To engineer impartial financial education at schools for the all-round development of every student, NCFE summons all schools to wilfully inculcate financial literacy along with their existing curriculum integrating with the existing subjects for different classes covering pupils of standard 6th to 10th. CBSE has proudly outlined and published effective materials, supplementary copies and Workbooks for pupils of standard 6th to 10th. Those schools who will execute this programme will be acknowledged and categorised as “Money Smart Schools” and they will obviously enjoy the status by showcasing their certificate and badge on their official website and social platforms.
  - “**FEPA (Financial Education Programme for Adults)**”: It is another endeavour to culminate financial awareness among the adult population who are typically financially illiterate such as “Farmers, Women groups, Asha Workers, Anganwadi Workers, Self Help Groups, Employees of Organization, Skill Development Trainees etc”.
2. **National Financial Literacy Assessment Test (NFLAT)**: It has been marked as biggest “FREE annual financial literacy tests for school students”. It stimulates school pupils of standard 6th to 12th, to be empowered with utmost financial skills necessary to take rational financial decisions at every step of their life. During FY 2022-23, 42000+ Students from 440 Schools have registered for NFLAT.
3. “**E-Learning Management System (LMS)**”: It has created a full-fledged “E-Learning Management System” with 20 parts of e-content for disseminating financial education in the country. This platform will facilitate several topics related to banking, financial markets, insurance, pension, government schemes etc.

- 4. Financial Literacy Week:** NCFE observed Financial Literacy Week (FLW) 2023 from 13 to 17 February, 2023. The theme of FLW 2023 has been “Good Financial Behaviour - Your Saviour”. A National level financial literacy quiz for students of Class 6th to 12th have been conducted and cash prizes worth Rs 2,50,000 have been awarded to the winners.

## VIII. CONCLUSION

Based on present study, it can be said that India in comparison to other equivalent economical nations is much lagging behind. The regulatory bodies are trying hard to foster the financial awareness and education. Despite the contemporary trends in the “financial literacy rates” in India is gradually improving, but it is not at all satisfactory. Financial education programmes should be more impactful and promotion of National Financial Literacy Assessment Test with its value-added certification can create huge students’ enrolment as it will be an additional accolade to them. Government should take stern step to introduce financial education content in school curriculum at different phrases in line with the main subjects as examples, case studies and in various possible ways because financially educated individuals can be financially empowered investor. With continued efforts and initiatives of Government and its regulatory bodies along with active participation from schools, families and others institution, it is anticipated that financial literacy rates of India will surely enhance in the coming years.

## LIMITATION OF THE STUDY

- Financial literacy status of countries has been depicted based on “The Standard & Poor’s Global Financial Literacy Survey of 2014” only. Here “OECD/INFE 2023 International Survey of Adult Financial Literacy” could not be incorporated as India is not OECD member country.
- The present study is based on “NCFE Financial Literacy and Inclusion Survey 2019” as NCFE conducts “Financial Literacy and Inclusion Survey” after every 5 years to assess all the initiatives made by the govt. and financial regulators.
- Data of some Asian countries are not available in the Global Financial Literacy Survey report 2014.

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