

## **A Descriptive Review Study on Financial Literacy**

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## **Abstract:**

Financial literacy is the ability of individuals to use a variety of financial skills which includes the skill of budgeting, financial management, and investment. It also explores understanding the area of financial principles which includes understanding the various financial principles such as the time value of money, compound interest, managing debt, and financial planning. By gaining financial knowledge, people are more likely able to develop skills and critical thinking which can help them to make informed personal finance decisions and choices. The current study focuses on reviewing the past year's published research papers on financial literacy and presenting and incorporating multiple and varied facets of financial literacy literature available in the Indian context (Silver, 2022).

**Keywords:** Finance, Financial literacy, financial decisions

## **Introduction:**

Financial literacy is the ability to manage the various avenues related to finances effectively, it also includes managing and understanding various skills related to finances such as budgeting, financial management, personal finance, and investing. Financial investments and savings have become very popular across different fields and areas and have also become adaptive to people across all backgrounds.

Financial literacy is considered to be one of the biggest assets of a country as it is directly proportional to the economic growth of a country, the importance of digital literacy can be attributed to the development and upliftment of rural areas, ease in borrowing, ease in doing business transactions and growth of MSME.

India's financial literacy among the young and adult population has been growing due to various factors which includes advancement of technology as well as the wide media coverage. The Government of India is also making efforts to ensure that financial literacy is widely included in use in the country and to facilitate the same a host of plans, courses, workshops and policies has been planned for implementing financial literacy. Digital India move has also seen a sharp and elevated rise in.

Financial literacy refers to the usage of skills and knowledge of finance that can be effectively used to make informed decisions while managing resources and income for effective consumption and investments, simply put financial literacy enables a person to make strong and feasible financial plans while keeping in mind his incomes and expenses in order to meet his present and future needs. The OECD (Organization for Economic Cooperation and Development) defines financial literacy as, a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being (E, 2009).

(Rana, 2021) Being financially literate can thus be of tremendous advantage to individuals as it can be termed as the foundation of one's relationship with money and it would be a lifelong learning journey, the earlier one starts one could gain maximum benefit from it. People with sound knowledge of financial literacy can be less vulnerable to financial fraud also a strong base or foundation of financial literacy can help individuals assist with various life goals such as saving for education, marriage, retirement, old age, and medical aid. Key aspects of financial literacy would include managing finances, financial knowledge, understanding, and making the right financial decisions.

With the rapidly and ever-changing global scenario financial literacy is one of the most undermined skills that could prove to be detrimental to a country's future. At a macro level government has certain policies and frameworks to manage and handle finances, however the need to include financial literacy at the micro level is considered to be equally important.

Post-Covid the world felt a tremendous change and shift, as most of the people had lost jobs, and the finances were majorly hit it was then the need and importance of including financial management in daily life was considered to be equally important.

India is home to almost one-fifth of the world's population and has a literacy rate of nearly 80%, however, it is amusing and shocking to know that only 24% of people in the country are financially literate, three fourth of the population is still unaware about handling or managing finances or importance of financial management or the importance of finance in developing economy.

### **Objectives:**

- i) To comprehend and study the state of financial literacy, financial information, and awareness among the people of the country in India and to understand the advantages, and importance of being financially literate and the opportunities and challenges it presents for the population in a country.
- ii) To study the factors influencing financial literacy.
- iii) To study the financial literacy interventions by government of India.
- iv) To study measures for enhancing financial literacy among women.

**Methodology:** The study is based on Secondary data; secondary data ensures a holistic approach to the subject and provides a detailed overview of the problem study by collecting relevant data from trade journals, research papers, news articles, online journals, and various data available in the form of secondary sources.

## Review of Literature:

(Agarwalla, 2015) The employed young in urban India displayed and exhibited low and mediocre financial knowledge, poorer financial attitude, and superior financial behavior as compared to their counterparts. Focused intervention is required in males to improve their financial attitude and financial behavior of women, it was also noted that living in a joint family has a negative impact on financial literacy, these key aspects of Indian families indicate the need to involve family members in financial literacy programs in order to improve the financial decision making of families.

(Agarwal, 2015) Financial literacy enables households to make sound financial decisions, the errors in mortgage-related decisions could have significant adverse effects on the well-being of the consumer as mortgage debt is considered to be one of the largest single liabilities for most consumers.

(Roy, 2012) Financial literacy deals with information and knowledge about finance, the importance, and relevance of financial knowledge have increased tremendously in recent years with the Indian government also coming up with certain plans and policies to facilitate the same, also there have been notable changes and developments seen in the financial markets of India as well as the social, economic and demographic factors of the nation, the booming economy brings more new horizon and hopes for the economy. To bring in more substantive and developmental changes, the Reserve Bank of India has also been actively participating in bringing some substantial changes in the field of eradicating financial illiteracy in the country, a project called Project financial literacy has already been implemented, and RBI is working towards bringing an instrumental change in the same by coming up with such programs to bring developmental changes in the financial field and knowledge.

(Garg, 2018) Awareness of financial literacy was found to be considerably low amongst youth in India, the various socio-economic and demographic factors such as age, income, gender, marital status, and education were found to have an effect and influence the financial literacy level of youth and there exists an interrelationship between financial knowledge, financial attitude, and financial behavior.

(Cole, 2009) The demand for financial services were found to be relatively low in emerging markets. The possible reason termed being limited cognitive and financial literacy demand. Financial literacy is considered to be an important predictor of financial behavior in the developing world. The benefits of financial literacy were found to be great; it was also found that financial literacy programs do not affect the financial decision-making of the population and it may be secondary or tertiary demand for financial services.

**(Baluja, 2016)** Through this study, it has been thoroughly observed that although it is imperative that women should be seen as equals in taking financial decisions, the situation that is to be seen is the complete opposite, many women in India face cultural, psychological, social, financial, physical barriers which are creating possible hindrances in allowing them to become financial literate. The government is also coming up with certain initiatives and interventions in order to address the gap between financial literacy among men and women, there was a need felt to introduce more universities so that women can have access to financial literacy knowledge and skills.

**(Arora, 2016)** The article discusses the fact that a lower level of financial literacy is one of the biggest concerns of Indian women in the country since independence. This study was conducted in the state of Rajasthan, to assess the financial literacy level of women based on their financial knowledge, attitude, and their behavior related to personal finance. The results showcased displayed that even in the 21st-century financial awareness among women was still not satisfactory. It was however observed that women have performed better in terms of financial attitude and behavior as compared to financial knowledge; it was also observed that single women outperform married women in terms of financial literacy score.

**(Bharucha, 2019)** The article has concluded that females are less likely to have a high level of financial literacy in comparison to males, it was also observed that education and employment positively correlate with financial literacy.

**(Lateef, 2016)** The study was conducted to comprehend the impact of demographic and socio-economic attributes on financial literacy among the educated youth in Kerala which is also the most literate state in India. The results revealed that financial literacy was low in Kerala and it was found that gender, marital status, age, religion, education, work experience, income, and occupation had an influence on financial literacy. The study also stresses government interventions in the state of Kerala to improve financial literacy among young adults in Kerala.

**(Neha Garg, 2018)** The purpose of the paper was to analyze the level of financial literacy among youth in the world. The study revealed that the state of financial literacy across youth in the world was also found to be low, it was also observed that various socio-economic factors influenced the financial literacy level of youth. Also, it was found that there exists an interrelationship between financial knowledge, financial attitude, and financial behavior.

**(Cole, Financial Literacy, Financial Decisions, and the Demand for Financial services : Evidence from India and Indonesia, 2009)** The study showcases that financial literacy is a powerful predictor of demand for financial services. The study conducted for a population of India and Indonesia demonstrates the fact that financial literacy is an important correlate of household financial behavior and household well-being, this further affirms that financial literacy is important and that educated consumers will make better and informed choices.

**(Roy, Financial Literacy, Financial Decisions, and the Demand for, 2012)** The study discusses the place of India in the World with regard to financial literacy and there has been tremendous improvement and development seen in the financial market, demographic, and socio-economic changes, the positive change was attributed to the fact the Indian Government and the Central Bank RBI has come up with varied government interventions and the government is playing an active role in bringing in awareness about finance, in the same regard a project called Project Financial literacy has also been implemented, the survey shows that positive and rapid progress has been made in the field of financial education among the other leading nations of the world.

**(Bhattacharya, 2022)** Financial literacy is the ability to understand as well as manage financial and monetary resources in an effective manner so that in the long run it is beneficial. It is the knowledge, awareness money management, financial skills which provides people with a better avenue to ensure that they save and invest in a better way to ensure that they achieve financial stability. Financial literacy is a core life skill that could provide an assistance to everyone to manage their finances effectively, however despite its crucial importance and relevance the rank of India is relatively poorer among all the BRICS nation as per a survey which was conducted by National Center for financial education in 2019. A similar recent survey in 2022 was conducted by SEBI where it was seen that only 27 percent of India's population was considered to be financially literate. Considering the present scenario where the entire world is turning towards digitalization and there is a massive rise in entrepreneurs noticed along with frequent usage of cryptocurrency, and blockchain, which is why developing the skill and knowledge of financial literacy has become an absolute must. Thus, the ability to manage one's own finances is considered to be absolutely prudent and transformative skill. Over the past few years in able to assist the users towards financial literacy there has been host of online as well offline courses along with several apps - digital and mobile has been launched in order to facilitate the awareness and knowledge amongst users, they also provide knowledge on investment and surplus generation, however one cannot entirely rely on these apps alone, they need a strong and financial base so that a skill can be developed through concentrated form of learning.

As per a news article in India Today, RBI has developed financial literacy curriculum which would be introduced in all schools across India, the curriculum would be designed by RBI keeping in mind the importance of financial literacy. The content would be developed in consultation with all the regulators and would be offered across all state education boards.

**(Wiqar, Covid-19 and the changing face of financial literacy in India : Evidence from Delhi NCR during lockdowns, 2022)** Financial Literacy: A brief systematic literature review With strong changes in the global environment and retail financial products financial literacy has gained a lot of importance, also with the onset of COVID a lot of attention and importance has been given to finance and finance-related areas, this research article aims to understand the concept that whether or not people were able to manage their finances effectively during lockdowns, the results showcased that a good understanding of finance and finance related knowledge helped in managing financial risk in a better way and also helped in avoiding any



financial trouble. The knowledge of finance or financial management has helped individuals regulate and manage their incomes even in the most challenging and difficult situations.

**(Cole, Financial Literacy, financial decisions and the demand for financial services : Evidence from India and Indonesia, 2009)** In January 2008 the United States government set up a president's advisory council on financial literacy with upcoming programs to improve the level of financial literacy across the citizens. In the year 2008 the Indonesian government declared 2008 as the year of financial education with a fixed goal of improving access to and more usage of financial services by increasing financial literacy, similarly in India RBI has also given more importance to financial literacy by establishing financial literacy and credit counselling centers throughout the country with an aim to offer free financial education and counselling to the urban and rural population.

**(agarwalla, A Survey of Financial Literacy among students, young employees and retired in India, 2012)** This study was an attempt to understand the financial literacy level of three important demographic group i.e., young working adults, the retired and the students. The findings suggested that high financial knowledge is not much prevalent among Indians. The basic principles of money and household finance such as compound interest, impact of inflation on rates of return and prices and the role of diversification are not well understood, however there is positive financial attitude amongst Indians, also it is very important to build regulatory frameworks which can improve the delivery of financial service and financial advice to serve the more complex and challenging needs of present generation also there has been an urgent need found for government policy measures to improve financial literacy as the current generation is more likely to face greater job insecurity and income uncertainty. Greater access to information and awareness regarding finances, financial information and products could bring a transformation in the same.

**(Drishtias, 2022)** In recent times India post payment bank conducted India's first floating financial literacy camp with an initiative called Niveshak didi to promote Financial literacy with an initiative by the women and for the women in Srinagar, J&K, the whole concept is based on the ideology that rural women would feel more comfortable and at ease in sharing her queries and concerns with a female herself, the scheme has been launched by India post payments bank in collaboration with Investor education and protection fund authority under the aegis of Ministry of Corporate Affairs. The session covered diverse topics which ranged from banking and financial products to the importance of joining the mainstream financial services which also provided protection against various types of risks involved with investments and measures of fraud prevention.

## **There are diverse initiatives for financial literacy in India such as:**

**i) Pradhan Mantri Jan Dhan Yojana** is a national mission for financial inclusion, it ensures access to financial services such as banking, savings and deposits accounts, remittance, credit insurance, and pension in an affordable manner. PMJDY had laid the foundation for people-centric economic initiatives, there are ranges of initiatives such as direct benefit transfer, Covid 19, PM Kisan, increased wages under MNREGA, life and health cover insurance, the first and basic step to include all these initiatives and to provide every individual with a bank account which PMJDY has nearly completed. Following are the different initiatives.

**ii) Pradhan Mantri Jeevan Jyoti Bima Yojana** which provides for life insurance and accident insurance respectively to laborers and migrants

**iii) Pradhan Mantri Kisan Maan Dhan Yojana**, this initiative was implemented with an initiative to provide social security to all landholding small and marginal farmers

**iv) Pradhan Mantri Mudra Yojana**, is a scheme that was launched in 2015 for providing loans up to 10 lakhs to noncorporate, nonfarm, small and micro enterprises, these loans are classified as MUDRA loans under PMMY, these loans are given by commercial banks, RRBs, Small finance banks, cooperative banks, and NBFC

**(Chakrabarty, 2013)** As per the definition by OECD, financial literacy is a combination of financial awareness, knowledge, skills, attitudes, and behaviors which are necessary to make sound financial decisions and ultimately achieve the goal of financial well-being. Financial literacy is expected to impart information, awareness, and skills to users so that they are able to take informed choices and decisions. Also, it's just not about making investments and savings but also about being financially smart. Being financially literate has been one of the 21<sup>st</sup>-generation skills which is very important and crucial to learning though as a society we yet fully recognize the needs and probable of financial literacy, also financial literacy permeates

The nature of being financially illiterate would eventually permeate across all levels of society and the economic strata as well, also the nature of illiteracy would differ across all the levels of society and would eventually be reflected in the decisions and behavior of the users.

The lack of basic knowledge about financial products and services are instance of being financially illiterate, the basic lesson here would be to ensure users are able to make the maximum use of their savings in order to get better and attractive returns, the hard-earned money can be put to maximum usage either as investments or savings and it could be further channelized to different avenues of finance for garnering maximum returns, and therefore it is necessary to being financially literate at both the levels i.e as an individual as well as a society as a whole as it can impact the people's lives to prudent financial planning as well as welfare maximization.



**(Dharni, 2022)** Finance has become a crucial part of our economy for development of the society. For this purpose, a solid economic system is required not only in developing and under-developed countries but also for developing countries for maintaining growth. Through financial inclusion we will achieve equitable growth of our country. Financial inclusion means providing appropriate products and services to weaker sections at a reasonable cost. Now day's financial institutions provide complex sort of products. So it's difficult for the commoner to form choice among them. Therefore, literacy about financial products is required to form sound decisions. Financial Literacy isn't nearly markets and investing, but also savings, budgeting, financial planning, basics of banking and most significantly, about being "Financially Smart". Financial Literacy is considered important factor for promoting financial inclusion. Financial literacy is about enabling the commoner to know the varied needs and benefits of varied financial products and services provided by institutional players.

**(Hossein, 2021)** Financial Literacy (FL) is a multidimensional construct comprising of Financial Knowledge, Financial Attitude and Financial Behaviour which is at the core of financial wellbeing of an individual. Effort was made in this study to explore the level of FL of the people in the state of West Bengal, India. In addition, determination of factors affecting such FL was a special interest of the article. The study used secondary data on 3542 respondents from the Financial Inclusion Insight Programme database. Simple statistical tools, non-parametric tests and censored tobit regression model were used to attain the objectives of the study. The outcome of the study revealed prevalence of low level of FL amongst the people in the state of West Bengal. Kolkata, Howrah, Birbhum and Paschim Midnapore were found to exhibit medium level of FL in contrast to the low level of FL for all other districts. Gender, marital status, financial condition, technological aptitude and education were found to be the determinants of the FL.

**(Isha, 2015)** There are 150 million new consumers of financial services which joins global economy every year. With new and innovative products and technological advancements financial services market has become complex and more sophisticated and is changing at a fast ever pace, thus there is a dire requirement and need to develop skills, attitudes, knowledge, and understanding of consumers and avoid the possible exploitation and it equips them to take informed decision and it is exactly where the knowledge of financial literacy comes in to picture.

**(Jariwala, 2014)** This study attempts to assess the financial literacy level of retail individual investors in the state of Gujarat, India and its effect on their investment decision. The data collection instrument consisted of a performance test and questionnaire. The performance test was used to measure the financial literacy level of investors. The median percentage of correct answer of the sample was considered to frame the financial literacy level. Forty-four variables of investment decision were studied. Out of a total of 385 respondents, 39.20% of the respondents are considered investors with a higher level of financial literacy and 60.80% of respondents are considered investors with a relatively lower level of financial literacy. This

study found that financial literacy does have a statistically significant effect on the investment decision of investors.

**(prasad, 2020)** Investors differ in their decisions with respect to risk, returns and market analysis. The present study attempts to examine the influence of financial literacy on retail investors' decisions in relation to return, risk and market analysis. The study uses convenience sampling to collect data from the retail investors through stock brokerage managers. Factor analysis has been employed for understanding factors of financial literacy. Financial literacy is composed of Accounting Information; Market Information; Broad Overview; and Technical Knowledge. The factors of Investment decisions are: Return Analytics; Risk Analytics; and Market. The risk and return analytics have a stronger impact on investors' decisions than market analytics. PLS-SEM has been employed for examining the relation between financial literacy and Investment decision. The results suggest a significant positive relationship between financial literacy and investment decision

**(Pheroze, 2019)** The purpose of this study is to examine which factors actually determine the level of personal financial literacy among the youth in India's financial capital city. A total of 650 completed and returned questionnaires have been used for the purpose of this study. The data analysis uses descriptive statistics and multivariate analysis. The explanatory variables are gender, district of residence, educational level, father's educational level, employment, marital status, and parenthood. Findings of the study depict that having children is the most positively correlated (+0.327) with financial literacy. Education (+0.245) and employment (+0.140) are positively correlated with financial literacy. It is also concluded that females are less likely to have a high level of financial literacy (-0.271) compared to males.

The contribution of governments and employers in managing investments on behalf of individuals has reduced considerably in recent times. This has added to the individuals' role in managing their own finances. In the last few years researchers all over the world, have started to study and explore whether individuals are well-equipped to make financial decisions and how to bridge the knowledge gap in financial education and wellbeing. Although the focus of this research varies in terms of the concerns and the context, it is worthwhile to know that the research shows that a large percentage of the population does not have a good enough financial understanding to ensure long-term financial stability for themselves and their family. Also, the instability of the global marketplace is leading to a very high level of complexity in financial decisions. One of its main implications include rising costs of goods and services that push people to be able to make well-informed financial decisions (Lusardi & Mitchell, 2011). Given the increasing need for individuals to manage their own retirement savings and pensions, resulting mainly from the trend of switching to defined-contribution from defined-benefit pension plans, this indicates that the need for high levels of financial literacy is rising (Morgan and Trinh, 2017). Exposing the youth to all this is particularly important as they are at a vulnerable age. Evidence from around the world presents a frightening picture; and recognizing the importance of financial literacy, a growing number of countries have developed and implemented national strategies for financial education in order to improve the financial

literacy of their populations in general, often with a particular focus on younger generations (Grifoni & Messy, 2012).

Financial literacy refers to understanding finance and the capability to utilize it to make sound personal financial decision. (Hogarth and Hilgert, 2002). More specifically, it refers to the set of skills and knowledge that allow an individual to make informed and effective decisions through their understanding of finances. (Norman 2010). According to Remund (2010), financial literacy is a person's ability to understand and use financial matters. Financial ignorance carries significant costs and it is clear that billions of people are unprepared to deal with rapid changes in the financial landscape (Klapper et al.,2015). A basic knowledge of financial concepts, and the ability to apply numeracy skills in a financial context, ensures that consumers can manage their financial affairs independently and respond appropriately to news and events that may have implications for their financial well-being (Morgan and Trinh, 2017). Financial literacy is considered an important adjunct for promoting financial inclusion, financial development and ultimately financial stability (Ramakrishnan, 2011). In addition, financially savvy investors are more likely to diversify risk by spreading funds across several ventures (Abreu and Mendes, 2010). According to Mahdzan and Tabiani (2013) increasing financial literacy and capability promotes better financial decision-making, thus, enabling better planning and management of life events such as education, housing purchase, or retirement. This is particularly relevant for the India as the country has the competitive advantage of its demographic dividend which is waiting to be exploited. The study investigates the socio-demographic variables that influence the financial knowledge of the youth in India. A financially aware youth workforce would be a great asset for India. How parents handle and spend their money would have a direct bearing on the youth as the youth would by default are most likely to have expenditure patterns comparable to their family. So the extent of financial literacy of the family would have an impact on the youth from an early age. Also the youth would want to be financially literate depending on their attitude towards money and to what extent they deem it as important.

**(Yadav, 2022)** Every country's economy depends on investing, which is a component of savings. Money invests in a variety of opportunities that are available to the people, acting as the catalyst for the country's prosperity. The Indian financial market presents a variety of options for investors. Even while it is undeniably not the best or deepest market in the world, there are acceptable opportunities for the regular individual to invest his funds. Spending idle resources and getting a return on them are necessary for acquiring a given amount of money to achieve a particular life goal and set aside money for unforeseen circumstances. To cover the expense of inflation is one of the key reasons why one must invest intelligently. The rate at which the expense of living rises is known as inflation. Financial literacy is the knowledge of numerous financial concepts, such as managing personal finances, handling money, and Learning how to make a budget, keep track of your spending, pay off debt, and prepare for retirement efficiently are the key components of gaining financial literacy. These actions may also involve receiving financial professional counselling. Understanding how money works, setting and accomplishing financial objectives, and dealing with both internal and external financial issues are all part of the topic's education. The development of self-sufficiency through financial literacy enables people to achieve financial stability. People who are knowledgeable about the topic have should be able to respond to a number of inquiries

regarding purchases, including if a product is necessary, whether it is affordable, and whether it is an asset or a liability. This area shows how a person's thoughts and behaviours around money are applied to his daily life. Financial decision-making is demonstrated by one's level of financial literacy. This ability can assist someone in creating a financial road map that shows what they earn, what they spend, and what they owe. All socioeconomic levels and ages are impacted by financial illiteracy. Many people who lack financial literacy wind up being victims of excessive interest rates, fraud, predatory lending, and subprime mortgages.

**SreePriya and Gurusamy (2009)** made an effort to evaluate the saving and investing habits of the various classes of investors. To determine the mindset, factors affecting investors to save, and investor preferences for saving, a thorough analysis was conducted. With the help of this study, the issue that investors were having could be resolved and new issues might be avoided. Professors CA Yogesh P Patel and CS Charuly Patel (2003) conducted research on people's opinions on investing (private sector). The goal of this study is to examine and comprehend the differences in how individuals perceive various investment options, as well as the behavioural patterns of investors in the private sector. It also seeks to shed light on the variables funds. Namakkal Taluk (2008), India's Tamil Nadu Using the questionnaire method, V.R. Palanivelu and K.Chandrakumar (2012) conducted a study on investing choices among wages in the Namakkal district of Tamil Nadu using a sample of 100 investors. The findings reveal that 40% of respondents chose insurance, 24% of respondents' investment goals were safety, and 23% of respondents' investment goals were tax savings. 36 percent of investors make investments on a quarterly basis, while 24 percent make investments on a half-yearly basis. 100 people were surveyed, and 42 percent said they were saving for future needs, while 6 percent said they were saving for a house

Financial literacy also includes being knowledgeable about key financial concepts and principles, like time value of money, debt management, financial planning, compound interest, and managing debt. A person's financial wellbeing may suffer as a result of poor financial decisions made as a result of a lack of financial literacy. The Financial Literacy and Education Commission was subsequently established by the federal government to offer resources to those who want to learn more about financial literacy

Financial literacy is simply the understanding of personal financial management. It offers the double advantage of safeguarding against financial theft and preparing for a financially secure future. The nation's economic growth increases with the increase in the financial literacy levels of the individuals. The basic knowledge of financial terms should be introduced at the school level to increase financial literacy. If people are aware of their financial literacy from a young age, they will be able to make appropriate decisions regarding saving and investing, budgeting, pension funds, etc. As students are future citizens, financial education must begin as soon as possible in schools. Financial literacy is defined by the Organization for Economic Cooperation and Development (OECD) as "the combination of awareness, knowledge, skills, attitude, and behavior necessary to make sound financial decisions and ultimately attain individual financial well-being to enable financial literacy in India there are several Financial Educational

Programs which are organized in India. They are as follows : The Government of India has drafted a national policy to promote financial literacy. The Government and other regulatory agencies have prioritized boosting financial inclusion. By combining their efforts, the stakeholders spread Financial Literacy across different sectors of the

**National Centre for Financial Education (NCFE):** Through seminars, workshops, training programs, campaigns, and discussion forums, NCFE educates and empowers the public. Creates worksheets, etc. NCFE distributes financial literature to enhance financial literacy and awareness of financial markets and digital media.

- NCFE offers undergraduate and graduates FEPA (financial education program for adults). Money Smart School Program is voluntary (MSSP).
- NFLAT tests students' financial literacy.
- FETP impartially trains financial educators. After the NFLAT's success, instructors needed financial education training so they could teach kids.
- The NCFE created FACT (Financial Awareness and Consumer Training) to educate graduates and postgraduates. FEPA educates Indian adults on financial skills.

**Reserve Bank of India (RBI):** RBI's Financial Literacy Handbook, Financial Diaries, and 16 financial wellness posters. Media and social media help RBI reach the public. Weekly media ads contain "RBI Kehta Hai."

- Advertisements feature RBI employees and IPL/PBL players. Multi-story videos. The plot and dialogue make a bank account emotional.
- 2017 marked the RBI's public awareness campaign. India hosts the IPL, 2018 FIFA World Cup, Asian Games, Kaun Banega Crorepati, Pro Kabaddi League, and India vs. New Zealand. One Day International marketed Basic Bank Deposit Account (BSBDA). A video says BSBDA's have no minimum deposit.
- Safe Digital Banking recommends against exchanging cards and PINs online. Another Limited Liability movie tackles card fraud. "Easy Banking for Seniors" is door-to-door banking. RBI members played cricket and badminton in these adverts.

**Securities and Exchange Board of India (SEBI):** Financial Education Resource Program. SEBI instructs, appoints, and pays RPs (in districts). Five groups learn banking, insurance, and investing basics (viz., Home Makers, Self-Help groups, Executives, Middle-Income Groups, and Retired personnel). Workshops offer free books. Lesson themes include saving, investing, and borrowing. Teaching tax-saving and Ponzi-scheme avoidance.



- SEBI's financial education activities are sector-specific. SEBI-approved investor education.
- Seminars on deposits/exchanges.
- SEBI-approved trainers teach commodity classes. In addition to the activities mentioned above, SEBI has also undertaken the following:
  - SEBI's website has educational and awareness-raising content. The website lists investor and financial education programs.
  - SEBI is targeting investors through the media. Since 2012, Sebi has held awareness sessions on the Investor Complaint Process, Collective Investment Scheme - Inflated Returns, Application Supported by Blocked Amount (IPO). The warnings were printed on posters and distributed to district collectors, panchayat offices, etc. Insurance Regulatory and Development Authority (IRDA): IRDA's founding emphasized financial education. Simple messages about policyholder rights and responsibilities are delivered in English, Hindi, and 11 other Indian languages.
  - IRDA built a website to educate clients after commissioning a pan-India survey on insurance awareness. IGMS centralizes grievances and analyses data to find policyholder problems. IRDA produces seminars and quizzes. "Young Corner" contains six games on the Policyholders' website.
  - A print advertisement cautioned against scammers.
  - Students, crop insurance, and right buying jobs were published.
  - Five regional ads target fraudulent calls.

**Pension Fund Regulatory and Development Authority (PFRDA):** PFRDA created "Pension Sanchay" in 2018. PFRDA's website discusses financial literacy in retirement planning. Financial professionals and Authority officers write blogs on the website on finance, banking, and investments. In India, the PFRDA conducts subscriber awareness programs. PFRDA has hired a training provider to boost subscribers' NPS and APY expertise. PFRDA's Annuity Literacy Program educates subscribers on NPS Trust and Annuity Service Providers' annuities. National Bank for Agriculture and Rural Development (NABARD): Raises financial awareness among rural masses in Hindi, English, and local languages. Adults, farmers, schoolchildren, seniors, self-help groups (SHGs), and entrepreneurs participated in FLAPs.

- Initiatives to teach and train commercial banks, RRBs, and RCBs on financial literacy through BIRD Regional Rural Banks (RRBs) and Rural Cooperative Banks (RCBs).
- RSETIs/RUDSETIs should receive more funding for equipment.
- BC/BF training and exam fee reimbursement.

➤ NABARD asked banks to establish state-wise quarterly FIF plans for financial and digital literacy workshops. Plan for excluded blocks, FIP-based areas, and SLBC Subcommittee debate on FI and state government priorities. SLBC's FI Sub Committee reviews FIF-funded projects. Small Industries Development Bank of India (SIDBI)

SIDBI launched Samridhi for Udyami Mitra on April 2. Startups need funding and handholding from virtual assistants.

➤ "Bankability Kit for MSE Entrepreneurs" is available online. Entrepreneurs can self-evaluate, find out what bankers look for, and engage with banks.

➤ Udyami Mitra has hired CFCs and CCIs to finance MSMEs. Udyami Mitra Portal helps MSMEs financially and otherwise. 40 sectors have 325 project profiles. Seven thousand six hundred eighteen organizations assisted 50680 entrepreneurs. Counselors help businesses understand credit and find lenders.

➤ Udyam Abhilasha targets 115 districts across 28 states. 115 districts contain 20% of the country's population. 18,000 students spent 2.25 million hours at 470 venues (including about 35 percent women).

➤ SIDBI refurbished New Delhi's Hauz Khas station. This software is related to PM Mudra Yojana, CGTMSE, Social Security, and SIDBI. Games (Kaun Banega Udyami), puppet shows, movies, and information on MUDRA, CGTMSE, and Stand up India promoted financial literacy at the Kumbh Mela.

**National Payments Corporation of India (NPCI):** NPCI held 120 e-Payment Literacy sessions on Sept. 8, 2015, world Literacy Day. In 2017, workshops drew 23,930 customers and entered the Limca Book of Records.

NPCI educated PSUs and private banks on RuPay, IMPS, AePS, and USSD. The NPCI produced posters, ATM screens, web banners, SMS messages, and emailers to promote digital payment literacy and fraud awareness. The NPCI is working with Indian Railways, NGOs, OMCs, NABARD, Education Institutes, Corporate CSR, NULM, MFIs, BCs, MFIs, and FinTechs to raise digital payment literacy and awareness in India.

**Financial Literacy Education in School Curriculum:** The Central Board of Secondary Education (CBSE) and the National Payments Corporation of India (NPCI) implemented a financial literacy curriculum for Grades 7 and 8. This course intends to offer students a foundational understanding of financial concepts early in their studies. The essential financial awareness subjects covered in the textbook are IMPS, UPI, USSD, NACH, Point-of-Sale, QR Codes, and ATMs. In addition, the book explains the role of the Unique Identification Authority of India (UIDAI) and the significance of the Aadhar Enabled Payment System (Aepas) within the context of digital payment methods (AePS). The text also discusses the

RBI's pivotal role in initiating the Digital Payments movement. This interdisciplinary text emphasizes the growth of money .

### **Discussion:**

Holistically, the benefit of financial literacy is to empower individuals to make smarter decisions. More specifically, financial literacy is important for a number of reasons:

- **Financial literacy can prevent devastating mistakes.** Floating rate loans may have different interest rates each month, while traditional IRA contributions can't be withdrawn until retirement. Seemingly innocent financial decisions may have long-term implications that cost individuals money or impact life plans. Financial literacy helps individuals avoid making mistakes with their personal finances.
- **Financial literacy prepares people for emergencies.** Financial literacy topics such as saving or emergency preparedness get individuals ready for the uncertain. Though losing a job or having a major unexpected expense are always financially impactful, an individual can cushion the blow by implementing their financial literacy in advance by being ready for emergencies.
- **Financial literacy can help individual reach their goals.** By better understanding how to budget and save money, individuals can create plans that set expectations, hold them accountable to their finances, and sets a course for achieving seemingly unachievable goals. Though someone may not be able to afford a dream today, they can always make a plan to better increase their odds of making it happen.
- **Financial literacy invokes confidence.** Imagine making a life-changing decision without all the information you need to make the best decision. By being armed with the appropriate knowledge about finances, individuals can approach major life choices with greater confidence realizing they are less likely to be surprised or negatively impacted by unforeseen outcomes.

### **There could be certain strategies to Improve Financial Literacy Skills:**

Developing financial literacy to improve your personal finances involves learning and practicing a variety of skills related to budgeting, managing and paying off debts, and understanding credit and investment products.

Here are several practical strategies to consider in order to increase the financial literacy skills and knowledge.

- **Create a Budget**—Track how much money you receive each month against how much you spend in an Excel sheet, on paper, or with a budgeting app. Your budget should include income (paychecks, investments, alimony), fixed expenses (rent/mortgage payments, utilities, loan payments), discretionary spending (nonessentials such as eating out, shopping, and travel), and savings.

- **Pay Yourself First**—To build savings, this reverse budgeting strategy involves choosing a savings goal (say, a down payment for a home), deciding how much you want to contribute toward it each month, and setting that amount aside before you divvy up the rest of your expenses.
- **Pay Bills Promptly**—Stay on top of monthly bills, making sure that payments consistently arrive on time. Consider taking advantage of automatic debits from a checking account or bill-pay apps and sign up for payment reminders (by email, phone, or text).
- **Get Credit Report**—Once a year, consumers can request a free credit report from the three major credit bureaus. Review these reports and dispute any errors by informing the credit bureau of inaccuracies. Because you can get three of them, consider spacing out your requests throughout the year to monitor yourself regularly.
- **Check Credit Score**—Having a good credit score helps you obtain the best interest rates on loans and credit cards, among other benefits. Monitor your score via a free credit monitoring service (or, if you can afford to and want to add an extra layer of protection for your information, use one of the best credit monitoring services). In addition, be aware of the financial decisions that can raise or lower your score, such as credit inquiries and credit utilization ratios.
- **Manage Debt**—Use your budget to stay on top of debt by reducing spending and increasing repayment. Develop a debt-reduction plan, such as paying down the loan with the highest interest rate first. If your debt is excessive, contact lenders to renegotiate repayment, consolidate loans, or find a debt-counseling program.
- **Invest in Your Future**—If your employer offers a 401(k) retirement savings account, be sure to sign up and contribute the maximum to receive the employer match. Consider opening an individual retirement account (IRA) and creating a diversified investment portfolio of stocks, fixed income, and commodities. If necessary, seek financial advice from professional advisors to help you determine how much money you will need to retire comfortably and develop strategies to reach your goal.

## Conclusions:

The lack of financial literacy can lead to a number of pitfalls, such as accumulating unsustainable debt burdens, either through poor spending decisions or a lack of long-term preparation. This, in turn, can lead to poor credit, bankruptcy, housing or other negative consequences that is why there is tremendous importance and scope of financial literacy, currently the government is giving lot of importance and focus to the financial literacy aspect so that maximum people get awareness related to finance which can have positive and lasting effects to the economy in general, becoming financially literate can be one of the building factors towards a financial inclusive segment of people. Financial literacy is a set of processes to increase the confidence, knowledge, and skills of the wider community to manage finances

well and the government is playing a strong role to bridge the gap between the knowledge of financial literacy with the society.

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