



FINANCIAL LITERACY AND FINANCIALLY EDUCATION IN INDIA

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ABSTRACT

The financial climate has become increasingly complex, making it difficult for consumers to make informed financial decisions. This lack of knowledge can compromise market tasks and monopoly practices. In many countries, governments are concerned about the lack of financial education among their citizens. Younger generations are particularly affected by this issue. Research on financial education in the US shows that while most adults recognize the importance of understanding financial matters, genuine financial information is often lacking. Family studies on financial behavior in countries like the US, New Zealand, Ireland, the US, and the Netherlands show that families often struggle with managing their finances well. This study aims to explore factors influencing financial literacy among individuals and analyze the challenges in financial literacy in India. The study found that demographic, socio-economic, financial knowledge, and participation factors significantly influence financial literacy in India. Challenges faced in financial literacy include lack of financial knowledge, overconfidence, lack of frameworks and regulations, lack of life-cycle planning, and a lack of government initiatives.

Keywords: - Financial Literacy, Monetary Education, Financial Behavior,

INTRODUCTION

Today, one might say that the construction of the monetary climate has become hazardously mind boggling for the buyers over a limited capacity to focus time (Boshara et. al. 2010). According to a more extensive viewpoint, when buyers are inadequate with regards to information on monetary ideas and can't pursue sound monetary choices which is generally fundamental for their monetary prosperity, market tasks and cutthroat practices are compromised (Braunstein, 2002). In numerous nations legislatures are progressively worried about monetary lack of education of their residents. Today, every nation is battling for monetary flourishing and it is particularly hard for youngsters who have never figured out how to spending plan, plan to accomplish monetary security or be involved monetarily enough (Kelly, 2002). As of late, worry for the degrees of monetary education in the public eye in general has developed impressively and is supposed to develop much more significant later on (Fox et al., 2005). Presently, in cutting edge monetary business sectors, shoppers are

confronting the test to separate the accessible monetary items and administrations from one another (Greenspan, 2005). Scientists have attempted a few ongoing investigations of monetary education in the US. For example, an overview directed for the Public Board on Monetary Instruction by Harris Intelligent (Public Gathering on Monetary Training, 2005) showed that essentially all USA grown-ups accept that understanding financial matters is significant yet genuine monetary information was seen as sharply lacking for both secondary school understudies and working-age grown-ups. Huge family studies on monetary ability and cash the board in, for instance, the Assembled Realm, New Zealand, Ireland, the US, and the Netherlands feature critical heterogeneity in monetary way of behaving and show that the normal family doesn't oversee family funds well (Atkinson, McKay, Kempson, and Collard, 2006; OECD, 2005; Van Rooij, Antonides, and de Groot, 2008). One specific inadequacy is that families will more often than not be limited while going with monetary choices and might be badly ready for retirement. This involves worry for policymakers as, throughout recent many years, people and families have been progressively expected to assume a sense of ownership with their own retirement security. Truth be told, numerous US representatives have next to no reserve funds nearly retirement (Lusardi, 2003, 2004; Lusardi and Mitchell, 2007). As per Mandell, (2008) the admittance to credit has become simpler, the market is liberated, subsequently, the need of monetary proficiency is more than ever in this fast development of promoting monetary items. An exploratory concentrate by Clercq et al., (2009) has uncovered that students and, surprisingly, contracted bookkeepers have limits in monetary proficiency, thus a global instrument was utilized to gauge monetary education and it presumed that age, orientation, language, race and pay level in all actuality do affect the degree of monetary education. At the point when individuals have less monetary ability, they are less ready to retain any monetary emergency, similar to those occurred in the earlier years. Monetarily proficient financial backers are more ongoing to the securities exchange changes and can deal with gambles (Jappelli, 2010). Elevated degree of monetary proficiency adds to the individual monetary prosperity (Almenberg and Save-Soderbergh, 2011). The OECD detailed that poorly educated monetary choices happened because of lower level of monetary proficiency (PISA/OECD, 2012). Strategy producers are presently taking into the thought monetary training as a healing practice for the complex monetary choices throughout recent years in western nations (Fernandes, Lynch and Netemeyer, 2013). Indian culture has family customs and practices common with regards to monetary proficiency that are similarly significant as different variables like age, orientation, training level and so forth. Trivedi and Trivedi (2014) called monetary proficiency as a fundamental and furthermore one of the most important issues of right now.

Initiatives of Government towards Financial Inclusion and Financial Literacy

The need of channelizing reserve funds from families into ventures and accordingly capital arrangement has been presently perceived by the public authority of India that should be visible in its developing endeavors. Assuming that the families in an economy are knowledgeable and informed, they will activate their reserve funds into ventures which thus guarantee pay age for families, yet in addition individual and cultural monetary prosperity (Mathivanan and Mohanaranjani, 2013). To resolve the issues of monetary incorporation, the Public authority of India comprised a "Council on Monetary Consideration" under the Chairmanship of Dr. C. Rangarajan. In India, however monetary consideration and Monetary Proficiency have turned into an issue of overall concern, important similarly in economies of the immature, creating and created countries. Building a comprehensive monetary area has earned developing worldwide respect bringing to the front the requirement for improvement systems that touch all lives rather than a limited handful (Porkodi and Aravazhi, 2013).

OBJECTIVES OF THE STUDY

- To explore major factors that influence Financial Literacy among individuals.
- To analyse the various challenges in financial literacy of India.

MATERIALS AND METHODS

The study technique emphasizes the need of creating high-quality items at reasonable rates in the face of global competition. This may be accomplished by instilling a quality-conscious organizational culture and increasing productivity. Proper staff induction is critical to reaching this goal. The study design employs descriptive, ex post facto, and statistical approaches that emphasize objectivity and data collecting in two forms: primary and secondary data. The study relies on secondary data from books, journals, and financial websites, while primary data is gathered from real product or service customers. Secondary data is obtained from public or unpublished sources and has previously undergone statistical analysis. The study included a random sample of 100 people.

RESULTS AND DISCUSSION

TABLE 1. FACTORS INFLUENCING FINANCIAL LITERACY

S. No.	Factors	Sub-Factors	Respondents	Percentage	Total
1	Demographic factors	Age	2	2%	14%
		Income	6	6%	
		Gender	3	3%	
		Education	3	3%	
2	Socio-economic factors	Consumption	4	4%	12%
		Spending	8	8%	
3	Concepts of Financial knowledge	Credit and Debit Cards	14	14%	59%
		Bank Accounts	3	3%	
		Opportunity costs	11	11%	
		Interest rates	14	14%	
		Debt Management	8	8%	
		Compound Interest & Budgets	9	9%	
4	Financial participation	Online Banking	11	11%	15%
		Unawareness	4	4%	
	Total		100	100%	

Table 1 reveals about the factors influencing financial literacy in which majorly four factors were influencing financial literacy i.e., demographic factors, socio-economic factors, concepts of financial knowledge and financial participation. Factor focusing on concepts of financial knowledge has maximum number of respondents i.e., 59% followed by financial participation has 15% respondents, demographic factors have 14% respondents and socio-economic factors has 12% respondents.

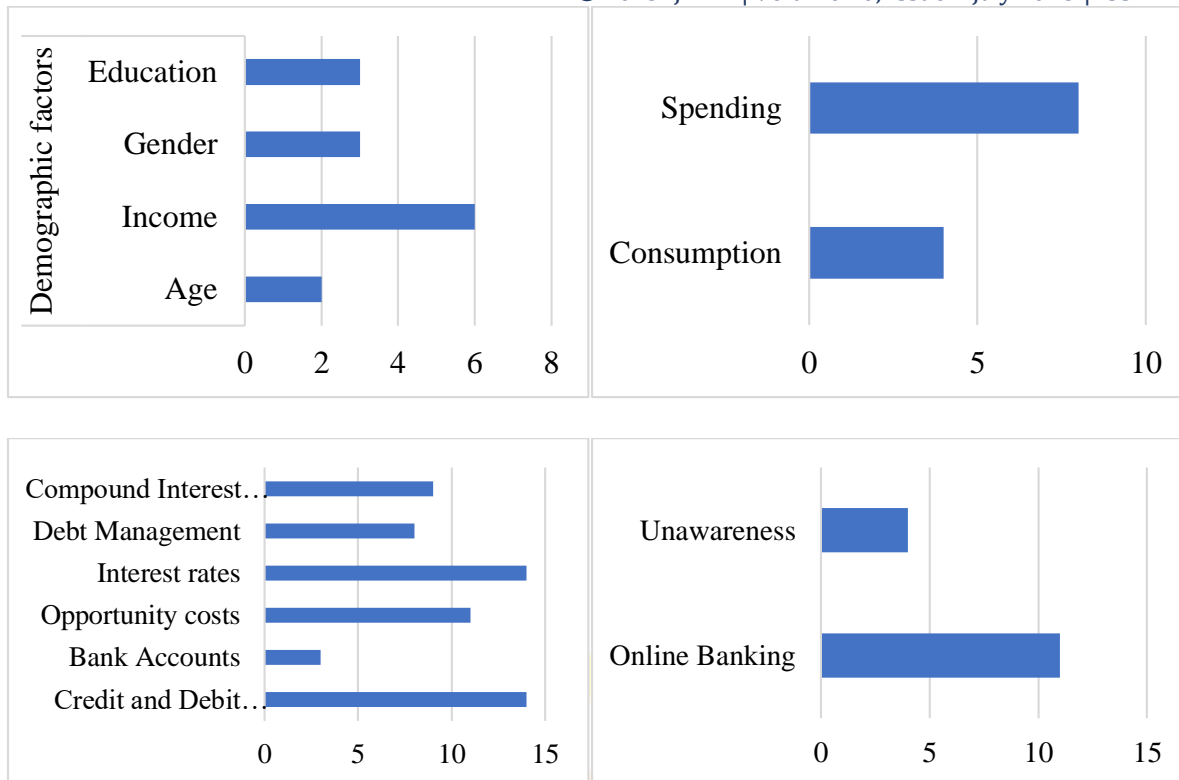
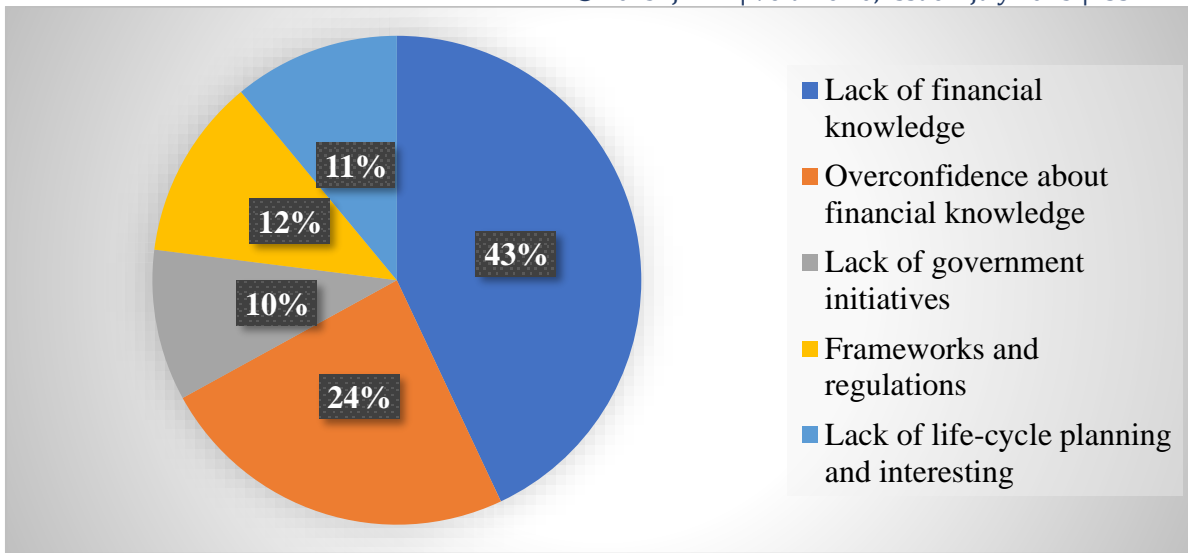


TABLE 2 CHALLENGES IN FINANCIAL LITERACY OF INDIA

S. No.	Misconceptions	No. of Responses	Percentage
1	Lack of financial knowledge	43	43%
2	Overconfidence about financial knowledge	24	24%
3	Lack of government initiatives	10	10%
4	Frameworks and regulations	12	12%
5	Lack of life-cycle planning and interesting	11	11%
	Total	100	100%

Table 2 indicates about the challenges faced in financial literacy of india in which 43% challenges were due to lack of financial knowledge followed by 24% were due to overconfidence about financial knowledge, 12% were due to frameworks and regulations, 11% were due to lack of life-cycle planning & interesting and 10% were due to lack of government initiatives.



CONCLUSION

Financial system plays an important role in the growth and development of a nation. Financial services are becoming freely accessible, but, increasingly complex financial services market offers the consumers myriad of products with intricate features and services, which leave many people ill equipped to cope up with the sophisticated financial needs. Creating financial literacy can play a critical role in equipping the consumers with the information, fundamental knowledge, and skills to evaluate their options and enables them to understand the implications of alternative financial decisions. The study reveals that demographic, socio-economic, financial knowledge, and participation factors significantly influence financial literacy in India. The concept of financial knowledge has the highest number of respondents (59%), followed by financial participation (15%), demographic factors (14%), and socio-economic factors 12%. Challenges faced in financial literacy include 43% lack of financial knowledge, 24% overconfidence, 12% frameworks and regulations, 11% lack of life-cycle planning, and 10% lack of government initiatives.

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