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FINANCIAL INCLUSION THROUGH FINANCIAL EDUCATION

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Abstract: *Financial Inclusion is an ongoing agenda in India. Several measures have been undertaken to include the underprivileged in the growth process. In emerging economies like India, financial inclusion is a question of both access to financial products and knowledge about their fairness and transparency. Hence financial literacy is an important component of the financial inclusion process. This paper goes beyond a mere emphasis on the imperative need for financial literacy. It examines what precisely has been done so far and the proactive steps required for the quick implementation of various programmes to promote financial inclusion in the future. It examines both global and Indian initiatives and components of financial education leading to financial literacy. It analyses the process of imparting financial education in India with special emphasis on the role of banks and FLCs.The paper also focuses on the initiatives taken by various financial institutions like RBI, SEBI, IRDA, etc. Finally, it offers innovative suggestions as to how Post Offices, regulated intermediaries like brokers, SHGs, MFIs etc can be harnessed to propagate financial literacy. In conclusion, it states that financial education is a prerequisite for financial inclusion which would lead us towards our goal of inclusive growth and financial stability.*

Keywords: *financial education , inclusion ,measures, stability.*

Outlining its vision for 'faster and more inclusive growth', the Eleventh Plan noted that the economy accelerated in the Tenth Plan period (2002-03 to 2006-07) to a record average growth of 7.6 percent. It emphasized the fact that during the last 4 years of the Tenth Plan, average GDP growth was 8.6% making India one of the fastest growing economies in the world. The saving and investment rates also increased and the industrial sector responded well to face competition in the global economy. Foreign investors were keen to invest in the Indian economy. But a major weakness in the economy was that growth was not perceived as being sufficiently inclusive for many groups. Hence 'inclusive growth' became the mantra for accelerated growth since then.

Inclusive growth as the literal meaning of the two words refers to both the pace and the pattern of the economic growth. The literature on the subject draws fine distinction between direct income redistribution or shared growth and inclusive growth. The inclusive growth approach takes a longer term perspective as the focus is on productive employment rather than on direct income

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redistribution, as a means of increasing incomes for excluded groups. Inclusive growth is, therefore, supposed to be inherently sustainable as distinct from income distribution schemes which can in the short run reduce the disparities, between the poorest and the rest, which may have arisen on account of policies intended to jumpstart growth. While income distribution schemes can allow people to benefit from economic growth in the short run, inclusive growth allows people to "contribute to and benefit from economic growth".

The 'inclusive growth' as a strategy of economic development received attention owing to a rising concern that the benefits of economic growth have not been equitably shared. Growth is inclusive when it creates economic opportunities along with ensuring equal access to them. Apart from addressing the issue of inequality, the inclusive growth may also make the poverty reduction efforts more effective by explicitly creating productive economic opportunities for the poor and vulnerable sections of the society. The inclusive growth by encompassing the hitherto excluded population can bring in several other benefits as well to the economy. The concept "Inclusion" should be seen as a process of including the excluded as agents whose participation is essential in the very design of the development process, and not simply as welfare targets of development programmes (Planning Commission, 2007).

The Indian economy, though achieved a high growth momentum during 2003-04 to 2007-08, could not bring down unemployment and poverty to tolerable levels. Further, a vast majority of the population remained outside the ambit of basic health and education facilities during this high growth phase. In recent decades, economic and social inequalities have increased alongside high growth rates which have exacerbated regional inequalities. Over 25% of Indians continue to live in abject poverty. As a result, Inclusive growth has become a national policy objective of the Union Government. The 11th five-year plan (2007 – 2012) envisions inclusive growth as a key objective. The Plan document notes that the economic growth has failed to be sufficiently inclusive particularly after the mid-1990s. It has identified agriculture, infrastructure, health care and education as critical areas for achieving higher inclusive growth. Thus, the Eleventh Plan Document tries to restructure the policies in order to make the growth faster, broad-based and inclusive by reducing the fragmentation of the society. Huge investments in agriculture, education and health, and rural infrastructure were the key elements of the inclusive growth strategy as envisaged. Broadly, the policies aim at increasing the income and employment opportunities on the one hand and on the other; it tries to finance programmes which are capable of making the growth more inclusive.

Inclusive Growth : Role of Financial Sector

There are supply side and demand side factors driving Inclusive Growth. Banks and other financial services players largely are expected to mitigate the supply side processes that prevent poor and disadvantaged social groups from gaining access to the financial system. Access to financial products is constrained by several factors which include: lack of awareness about the financial products, unaffordable products, high transaction costs, and products which are not convenient, inflexible, not customized and of low quality. Financial Inclusion promotes thrift and develops culture of saving and also enables efficient payment mechanism strengthening the resource base of the financial institution which benefits the economy as resources become available for efficient payment mechanism and allocation. The empirical evidence shows that countries with large proportion of population excluded from the formal financial system also show higher poverty ratios and higher inequality. If we are talking of financial stability, economic stability and inclusive growth with stability, it is not possible without achieving Financial Inclusion. Thus financial inclusion is no longer a policy choice but is a policy compulsion today. And banking is a key driver for inclusive growth. However, one must bear in mind that apart from the supply side factors, demand side factors, such as lower income and /or asset holdings also have a significant bearing on inclusive growth. Owing to difficulties in accessing formal sources of credit, poor individuals and small and macro enterprises usually rely on their personal savings or internal sources to invest in health, education, housing, and entrepreneurial activities to make use of growth opportunities.

The role of the financial sector in the financial inclusion efforts in India, date back to early 60s when the focus was on channelizing of credit to the neglected sectors of the economy and weaker sections of the population. Starting with 1990s the focus shifted to strengthening financial institutions as part of financial sector reforms. The merits of financial sector reform need to be seen through the prism of what finance could do to harness the growth potential with stability, and financial inclusion represents a critical component of the policy process that intends to make the financial system serve the needs of the real economy. The 1990s also saw introduction of Self-Help Group Bank Linkage Programme and launch of Kisan credit cards in the country. The present phase of pursuing financial inclusion as a declared policy objective started in 2005. It is possible to think of universal financial inclusion due to the following reasons:

- the focus on inclusive growth which has become the mantra of the times;
- the Information and Communication Technology required by the formal financial sector for penetrating widespread unbanked areas in a cost effective way is now available;
- the realization that the " Poor is Bankable". FMCG companies, telecom companies and other retailers are all concentrating on the untapped rural markets for growth. Formal financial sector players also have realized that vast untapped excluded areas have growth opportunities not only

for low cost deposits/funds but also for other products such as micro-credit, micro-insurance, and micro-pension etc.

Definition: Financial Inclusion

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. The Governor of RBI has announced that we need to achieve financial inclusion through the mainstream financial institutions whether by mobile or card.

Objectives

The objectives of all financial inclusion efforts is to take banking services to everybody to meet their entire savings, credit and remittance needs initially, and needs for all other financial products and services subsequently. It is initially focused on villages with population above 2000 but the banks need to plan to cover villages with population below 2000 in an integrated manner over a period of next 3 to 5 years. The objective is also to provide banking services to entire population residing in Urban and Metro Centers.

A lot has been done in the area of financial inclusion by RBI and banks.Some of them areas follows:

I. **Opening of No-Frills accounts:** In November 2005, a new concept of basic banking 'no-frills' account with 'nil' or very low minimum balance was introduced to make such accounts accessible to vast sections of the population. In 2012 the nomenclature was changed to Basic Savings Bank Deposit Accounts (BSBDAs) for all individuals with zero minimum balance and facility of ATM card/ Debit card, there is no charge on deposits and up to four withdrawals in a month are allowed. To summarize, every person has the right to open a basic account Banks have been advised to provide small overdrafts in such accounts to meet emergency credit requirement in hassle free manner.

II. **Engaging Business Correspondents**: In January 2006, the Reserve Bank permitted banks to engage Business Facilitators (BFs) and Business Correspondents (BCs) as intermediaries for providing financial and banking services. The BC Model allows banks to provide door step delivery of services especially to do 'cash in - cash out' transactions, thus addressing the 'last mile' problem. The list of eligible individuals/entities who can be engaged as BCs is being widened from time to time we have adopted a test and learn approach to this process. In September 2010, RBI has allowed for profit organisations excluding NBFCs to operate as BCs. Banks can now leverage on the penetrative network of mobile companies. Mobile network companies have joined hands with banks to make available banking services to India's unbanked population. The agents of mobile companies work as Customer Service Providers (CSPs) and provide BC services, thus expanding the outreach of banks.

III. Use of Technology- Recognising that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas, in a viable manner, commercial banks were advised to implement CBS so as to enable them to make effective use of ICT, to provide door step banking services through Business Correspondents Model wherein the accounts can be operated by even illiterate customers by using biometrics, thus, ensuring the security of transactions and enhancing confidence in the banking system. RRBs, due to their proximity to rural areas, have the inherent strength to scale financial inclusion, they have been have been roped in by bringing them on the CBS platform. A robust payment system is an essential adjunct of Financial Inclusion this is an extremely important area.

IV. Relaxation of KYC norms: The strict KYC norms inhibited linkage of common people with the Banking System. Know Your Customer (KYC) requirements for opening bank accounts were relaxed for small accounts in August 2005, thereby simplifying procedure. To facilitate easy opening of accounts especially for small customers, Know Your Customer (KYC) guidelines have been simplified to such an extent that small accounts can be opened without any documentation by just giving a self certification in the presence of bank officials. Further, in order to leverage on the initiative of UIDAI, use of 'Aadhaar', the unique identification number being issued to all citizens of India,has been allowed to be used as one of the eligible document for meeting the KYC requirement for opening a bank account.

V. Simplified branch authorisation: To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in Tier 3 to Tier 6 centres with population of less than 50,000 under general permission, subject to reporting. In the second quarter review of Monetary policy Branch authorisation has been relaxed to the extent that banks do not require prior permission to open branches even in tier I centres, subject to reporting.

VI. Opening of branches in unbanked rural centres: To further step up the opening of branches in rural areas, banks have been mandated to open at least 25 per cent of the branches in unbanked rural centres. To help facilitate achieving this mandate, banks have been advised to open to open small intermediary brick and mortar structures between the base branch and the unbanked villages. The idea is to create an eco-system for ensuring efficient delivery of services, efficiency in cash management, redressal of customer grievances and closer supervision of BC operations. To further encourage the banks to pursue this mandate, banks have been advised to consider prioritizing the opening of branches in unbanked rural centres over a three year cycle co-terminus with their FIPs. This is expected to facilitate quicker branch expansion in unbanked rural centres.

VII. **Roadmap for providing Banking Services in unbanked villages with population more than 2000:** With financial inclusion gaining increasing recognition as a business opportunity and with all banks geared to increase presence, RBI adopted a phase-wise approach to provide banking services in all unbanked villages in the country.

VIII. **Direct Benefit Transfer** -The introduction of direct benefit transfer validating identity through Aadhaar will facilitate delivery of social welfare benefits by direct credit to the bank accounts of beneficiaries. Government proposes to route all social security payments through the banking network using the Aadhaar based platform. In order to ensure smooth roll out of the Government's Direct Benefit Transfer (DBT) initiative, banks have been advised to open accounts of all eligible individuals in camp mode with the support of local Government authorities, seed the existing and new accounts with Aadhaar numbers and put in place an effective mechanism to monitor and review the progress in implementation of DBT.

IX. **Financial Literacy** - Financial Literacy is an important adjunct for promoting financial inclusion.Through Financial literacy and education, the banks disseminate information on the general banking concepts to diverse target groups, including school and college students, women, rural and urban poor, pensioners and senior citizens to enable them to make informed financial decisions. To ensure that the initiatives on the supply side are supported by initiatives on the demand side, there are 800 financial literacy centres set up by banks. In addition to this the infrastructure created at the state level, comprising of State Level Bankers Committee (SLBC) at the Apex which is ably supported by the Lead District Managers (LDMs) at the District level have been leveraged. RBI has designed a mass scale Financial Literacy Program with an objective to integrate the financially excluded population with low level of income and low literacy level with the formal financial system. Financial Literacy Centres organize Outdoor Literacy camps which are spread over a period of three months and delivered in three phases wherein along with creating awareness, accounts are also opened in the Literacy camps The program has been received well on the ground as an integrated approach of financial inclusion through creating awareness and providing access simultaneously.

X. **Financial Inclusion Plan of banks .B**anks are encouraged to adopt a structured and planned approach to financial inclusion with commitment at the highest levels, through preparation of Board approved Financial Inclusion Plans (FIPs). The first phase of FIPs was implemented over the period 2010-2013. The Reserve Bank has used the FIPs to gauge the performance of banks under their FI initiatives. In this direction RBI has put in place a structured and comprehensive monitoring mechanism for evaluating banks' performance vis-à-vis their targets. To ensure support of the Top Management of the Bank to the Financial Inclusion process and to ensure accountability of the senior functionaries of the bank, one on one annual review meetings, chaired by Deputy Governor, Dr Chakrabarty are held with CMDs/CEOs of banks. A snapshot of the progress made by banks under the 3 year Financial Inclusion Plan (April 10 - March 13) for key parameters during the three year period indicates that banking outlets increased to nearly 2,68,000 banking as on March 13 as against 67,694 banking outlets in villages in March 2010. 7400 rural branches have been opened during this period of 3 years. Nearly 109 million Basic Savings Bank Deposit Accounts (BSBDAs have been added taking the total no of BSBDA to 182 million. Share of ICT based accounts have increased substantially - Percentage of ICT accounts to total BSBDAs has increased from 25% in March 10 to 45% in March 13. About 4904 lakh transactions have been carried out in ICT based accounts through BCs during the three year period.

XI. **Robust Institutional Mechanism** - Over the years one of our major achievements and strength has been the creation of a robust institutional mechanism which supports the roll out of banking services across the country. The Financial Stability and Development Council (FSDC) has been set up which is headed by the Finance Minister. There is a Sub-Group of the FSDC headed by the Governor, RBI and within that a Technical Group, headed by Deputy Governor, Dr K.C.Chakrabarty, exclusively mandated to address issues related to financial inclusion and financial literacy. In order to gauge the performance of banks and to continuously review the various models adopted under Financial Inclusion. RBI has constituted a Financial Inclusion Advisory Committee (FIAC), headed by a Deputy Governor.

A lot of work has been done on studying the extent of financial inclusion and the way forward. A study was conducted by the authors on the extent of financial inclusion in Gujarat.

Field Data Analysis

In order to study Financial Inclusion, it is important to know empirically the extent of inclusion, the number of people included theirgender, socio economic status etc to draw meaningful conclusions.

Hence a field survey was conducted to gather information on the same.

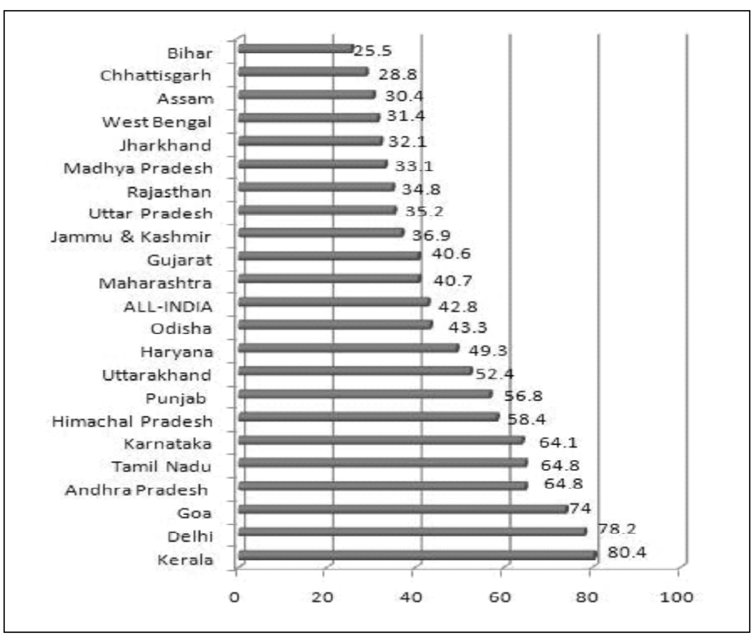
In order to have an idea of existing state of affairs as far as financial inclusion is concerned, the CRISIL Inclusix was taken into account.

A top consulting firm, CRISIL, has developed a financial inclusion index, called Inclusix – a concept it worked out in alliance with the Ministry of Finance, Government of India, to find out how deep is financial penetration among larger sections of population was considered. It has revealed that Gujarat lies midway among all the states in the area of FI.The index Titled "**CrisilInclusix**: An Index to Measure India's Progress on Financial Inclusion", is based on the three critical parameters of banking services, viz. branch penetration, deposit penetration, and credit penetration. This index also has the support of the well-known US rating agency, Standard & Poor.

Dated January 2014, the report – which bases the financial inclusion rankings of all the 35 Indian states and 638 districts on the basis of the data provided by the Reserve Bank of India (RBI) – has found that Gujarat occupies the 19th position among the Staes.The state's Inclusix score in 2012 was found to be 40.6 on a scale of 100 — which is 2.2 points below the national average of 42.8. The table below gives the indices of the states in FI. We find that Gujarat lies midway in the ranking. Hence it was decided to study the FI in Gujarat and see what could be done to take it to the number one position where Kerala is now.

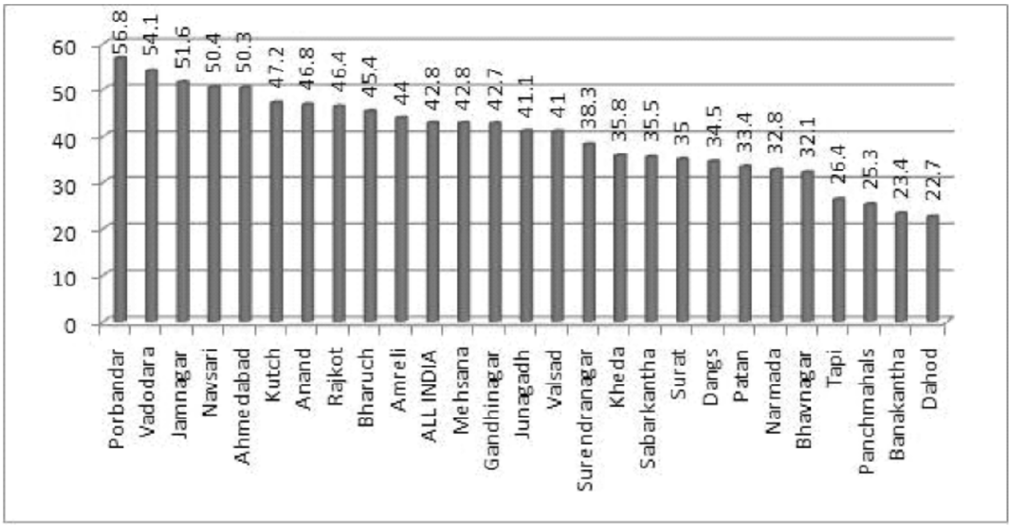
Financial Inclusion –Ranking of States.

Chart - 1



The table below shows the performance of districts in Gujarat.

Chart - 2



It was decided to study three districts viz Vadodara (High FI), Junagadh (Medium FI) and Dahod (Least FI). Vadodara with an index of 54.1 in near the top in Financial inclusion in the state while Dahod with 22.7 is the lowest. Junagadhwithan index of 41.1 was chosen as it lay in the middle.

Methodology of study.A sample of 639 households was studied as shown in the table below.A questionnaire was framed both in English and Gujarati and was distributed to banks in the region. Gram sabhas were held and the authors interviewed the members. Door to door visits were also carried out. Having a bank account was taken to be an indicator of Financial Inclusion. We found that Vadodara had the highest number of financially included families followed by Junagadh and Dahod.

Table 1
Financially Included and Financially Excluded Households

District	*Total Respondents (Number)*	*Financially Included Number*	*Financially Included Per Cent*	*Financially Excluded Number*	*Financially Excluded Per Cent*
Vadodara	215	148	68.84	67	31.16
Junagadh	211	99	46.92	112	53.08
Dahod	213	79	37.09	134	62.91

While analysing the data,the awareness and access to financial information was alsostudied. The table below shows the access to and availability of financial resources.

Table 2
Access to and Availability of Financial Services

	Vadodara		*Junagadh*		*Dahod*		*Total*	
Financial Products/Services	*No*	*%*	*No*	*%*	*No*	*%*	*No*	*%*
Savings Accounts	112	45.9	58	23.77	74	30.33	244	38.18
Loans	65	34.78	19	10.16	103	55.08	187	29.26
Kisan Credit Card	53	34.19	15	9.68	87	56.12	155	24.26
debit/Credit cards	3	60	1	20	1	20	5	0.78
Health insurance	1	100	0		0	0	1	0.16
Life Insurance	55	34.16	49	30.43	57	35.4	161	25.2
General Insurance	19	19.19	22	22.22	58	58.59	99	15.49
Credit counselling	50	26.74	41	21.93	96	51.34	187	29.26
No access to any	0		0	0	0	0	0	0

The table below shows the extent of awareness of financial services.

Table 3
Awareness of Availability of Financial Services

	Vadodara		*Junagadh*		*Dahod*		*Total*	
Financial Products/Services	*No*	*%*	*No*	*%*	*No*	*%*	*No*	*%*
Existence of bank branch	91	30.13	117	38.74	94	31.12	302	47.26
Awareness of saving facility	93	23.85	122	31.28	175	44.88	390	61.02
Awareness of loan facility	65	34.76	19	10.16	103	55.08	187	29.26
Awareness of insurance	56	30.43	71	38.59	57	30.98	184	28.79
Awareness of mutual funds	0	0	0	0	0	0	0	0
Awareness of other banking facilities	0		0	0	0	0	0	
Not aware (any one)	0	0	0	0	0	0	0	0

As regards financial services, the position was no better. While 38.2% had savings accounts and 29.3% had availed of loans from banks, only a very insignificant percentage was aware of health and life insurance facilities. Despite the existence of Credit Counselling centres, not many availed of its services.

The respondents had come to be aware of the facilities through familymembers, advertisements and bank employees.

In this scenario, it is evident that the primary task is to strengthen the process of imparting financial literacy or financial education. The people should be aware of the facilities available to them and how it can be used. Financial education refers to the process of introducing people to the knowledge, skills, and attitudes required for responsible earning, spending, saving, borrowing, and investing. (Cohen and C. Nelson, (2011)). OECD defines Financial Education 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".*

Thus, 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. People achieve financial literacy through a process of financial education.

The **need** for financial education is universal and is felt in the developed and the developing countries alike. In the developed countries, complexities of financial products, and the growing importance of individual retirement planning make it imperative that financial education be provided to all. In the developing countries also, the increasing participation of a growing number of consumers in newly developing financial markets necessitate the provision of financial education.

The **benefits** of financial education are manifold. It empowers the common man and thus reduces the burden of protecting the people from the elements of market failure, attributable toinformation asymmetries. Financial education can make a difference not only in the quality of life that individuals can afford, but also the integrity and quality of markets. It can provide individuals with basic tools for budgeting, help them to acquire the discipline to save and thus, ensure that they can enjoy a dignified life after retirement. Financially educated consumers, in turn, can benefit the economy by encouraging genuine competition, forcing the service providers to innovate and improve their levels of efficiency. It also frees the people from exploitation, brings about a behavioral change, ensures deeper participation in financial markets, promotes entrepreneurship and helps in acquiring knowledge and skill. Above all it results in inclusive growth through financial inclusion.

The key **components of financial education** should therefore comprise efforts to make the people understandthe **key financial products** like bank accounts, insurance, retirement savings plans and securities market investments like stocks, bonds and mutual funds. B**asic financial concepts** like compound interest, present and future value of money, annuity, investment return, risk, protection and diversification should also be explained. **Skill and confidence building** should be undertakento make the masses aware of financial risks and opportunities to benefit from them**.**Making **good financial choices** about saving**,** spending, insurance, investingandmanagingdebt should also be stressed upon.

Global practices in a bid to impart financial education are abundant. In the **UK,** the Financial Services Authority has launched the biggest ever campaign to improve the financial skills and financial education of the population. In the **USA**, the Financial Literacy and Education Commission were established and its website redesigned to promote financial education. In **Australia**, the Financial Literacy Foundation was set up in 2005 to produce a National Curriculum Framework for school children**. Malaysia** introduced a Financial Sector Master Plan, in 2001, which includes a 10-year consumer education program. The Monetary Authority of **Singapore,** in collaboration with the government agencies launched a national financial education programme (Money SENSE) to enhance financial literacy and self-reliance of consumers. Above all, the **OECD** has been taking a pro-active initiative in generating awareness about financial education. It has recently released a major international study on financial education titled 'Improving Financial Literacy' encompassing practical guidelines on good practices in financial education and awareness.

Evidence has shown that financial education has achieved its objective, such as generating increased consumer awareness or a changed behaviour as can be seen in USA where there is s increase in workers participation in retirement savings plans and fewer delinquencies.

Initiatives in India

Before the reforms of 1990s, the Indian Financial System catered to planned development and customers had little choice in financial instruments and so exposure to risk was limited. However with globalisation, the economic and financial landscape in India is changing. The financial system has witnessed modernisation and it has leveraged on advances in technology which have changed the way business is done.

The social scene too has changed. Longevity has increased which has made the elderly rethink and replan their expenditure and investment portfolios. Consumers are faced with increasingly multifaceted choices and options in the management of their personal finances and exposed to a gamut of risks. In this complex financial landscape, it becomes important for consumers to have improved access to information.

Financial education assumes importance in this **changed financial environment and** can play a critical role by equipping consumers with the knowledge required to choose from a myriad of financial products and providers.

Financial education is also an integral component of **customer protection**. Despite concerted efforts, the current state of transparency coupled with the difficulty of consumers in identifying and understanding the fine print from the huge mass of information, leads to an information asymmetry between the financial intermediary and the customer. Financial education may help to prevent vulnerable consumers from falling prey to financially disquieting credit arrangements.

However, there are certain **issues** that would need to be addressed upfront in the **Indian context.** a) The regional profile in our country is diversified, with people across different regions being typically conversant in their vernacular languages b) There exists a wide divergence in literacy levels across States. Thus, for instance, in several States and union territories, the literacy rates in 2001 were well above the national average of 65.4 per cent; in contrast, there were also regions where literacy levels have remained perennially low. 3) In addition, in several states women's literacy is sharply lower as traditionally women have not been encouraged to study. 4) There is also a perceptible variation in the penetration of banking across regions. These have to be kept in mind while framing a policy for the whole country.

Possible Approaches

The process of imparting Financial Education can be classified into three parts— institutional mechanisms, delivery mechanisms and decentralisation of efforts.

Institutional Mechanism

As regards the institutional mechanism, there is near consensus on the fact that any attempt at expanding the outreach of financial education needs to start at the **grass-roots**. (a) The various aspects of financial education should be built into the school syllabus. C.B.S.E plans to do this. In addition, universities and business schools have an important role in training financial specialists who are able to provide the public with high quality advice on financial matters. (b) Another channel for imparting financial education could be the **workplace** where it can reach most of the working adults. It would, therefore, be a potent mechanism for providing information about a number of financial services such as retirement schemes and insurance. (c) The role of **financial institutions** in providing financial education, not only to the clients but also to their own staff, needs to be better defined and further promoted. (d) More information is needed at both international and national levels on good programmes and practices and on the ways to promote access to financial services by harnessing the role of non-government organisations **(NGOs**).

International organisations are well-positioned to coordinate international surveys and studies on the various aspects of financial education and to evaluate the comparative efficiency of various financial education programmes. Several governments and central banks are also actively involved in the provision of financial education about consumer credit, investment, and other financial issues. Exchange of experiences amongst central banks would thus be productive.

Delivery Mechanisms

The delivery mechanisms for imparting financial education can be manifold. However, the content and delivery of financial education should correspond to the needs of specific sub-groups of consumers that is, the young or elderly, less or better educated, well- or ill-informed

(a) Presentations, lectures, conferences, symposia, training courses and seminars can be actively utilised for this purpose.

(b) Publications in diverse forms, including books, brochures, magazines, booklets/pamphlets, direct mail documents, can also be useful in this regard.

(c) Leveraging information technology through concerted media campaigns using all possible avenues of mass communication can be expected to impart greater efficacy to the process.

The enormous power of the electronic media viz the television and internet needs to be exploited. Other methods include advisory services from institutions, including the fast growing telecommunication services.

DECENTRALISATION OF EFFORTS

The role to be played by **banks** is of paramount importance if the efforts to promote literacy are to meet with success. In this regard, the work that can and needs to be done by the **Financial Literacy Centers (FLCs)** offers tremendous scope. Based on the recommendations of working groups set up for this purpose, the RBI has asked banks to set up FLCs in every district where they are the lead banks. These centers create awareness about financial products and provide counseling facilities for bank customers. There are 575 FLCs in the country as on September 2012. The centers also give information about Rural Self Employment Training Institutes (RSETIs or RUDSETIs). RSETIs are a government initiative whereby the state government provides land and the central government provides a sum of Rs. One Crore per RSETI for setting up a full fledged residential training institute. This institute imparts technical and other skills to the local youth through programs relating to agriculture, product and process planning. The activities covered are dairy farming, bee keeping, dress designing, agarbatti making, Beautician course, TV repair photography etc. These centre around making the unskilled employable or be self employed. RSETI trained youth are offered financial education by the FLC regarding bank loans repayment etc.The FLC works in tandem with the RSETI so that the trainees get the maximum benefit of both and many families are brought under financial inclusion.

Financial literacy is not for the rural masses alone. In India, we have a huge middle class which though literate is often confused regarding investment avenues because of lack of knowledge about capital markets, Mutual Funds etc.High net worth individuals too require specialised financial knowledge to make better use of international financial markets and products.

The **Financial Planning Standards Board of India**, a professional standards setting body is making proactive efforts to regulate personal financial practioners. Likewise the RBI, SEBI, IRDA, the PFRDA have joined in the mission to promote financial literacy. **The Banking Code and Standards Board of India** has been entrusted with the task of **ensuring** that the banks formulate and adhere to their own comprehensive code of conduct for minimum standards of banking services which customers can legitimately expect.

The **Banking Ombudsman** scheme has also been instituted for making customers aware of their rights and for providing them a grievance redressal system which is swift and effective.

SUGGESTIONS

Despite these efforts, the task ahead is enormous especially when one sees the inadequacy of 80,000 odd bank branches to cover 5 lakh villages .Banks have been asked to set up Banking correspondents and Banking Facilitators in all unbanked areas to supplement their branch network. If the **BCs and BFs** are imparted proper training, they can be **effective ambassadors** for financial education.

A huge role can also be played by **post offices** which offer similar products and services which banking and insurance companies do ,by propagating financial education through friendly postmen who can distribute literature and pamphlets at doorsteps. They can also provide basic knowledge about simple financial products in the local language.

The government's flagship program for achievement of **elementary education** through its SarvaShikshanAbhiyan promises to make India literate. It is suggested that basic financial literacy is also imparted to children in the age group of 10 to 14 in schools. This will educate our future citizens financially too.

The government is taking steps to increase **Adult Literacy**. Financial Education should form an integral part of adult education programs.

Various government ministries have undertaken **social marketing programs** such as polio and small pox eradication. These campaigns can serve as models for spreading financial education. One can make use of dedicated websites, newspapers, books, magazines etc. Even social networking sites like Facebook and Twitter can be made use of for this purpose.

SEBI's model of imparting financial education should be scaled up exponentially. Literacy courses can be conducted for the poor **through rural branches** too.

Self Help groups and Microfinance institutions have helped in speeding up dissemination of financial education to its members. The scale and spread of such programs have to be increased.

A **multilingual helpline** where the customer/investor/client can get assistance and support can be set up. This would help and guide the potential investors.

The role of NGOs and voluntary organisations cannot be overemphasised. The **Teach IndiaProgram** of Times of India is a nationwide movement of college graduates and professionals working towards eliminating educational inequality in India. If bankers team up with Teach India professionals, it will give a tremendous boost to the cause of promoting Financial Education.

The government's recent initiative of **Direct Fund Transfer** replacing cash payments in all its subsidy schemes will necessitate the opening of savings accounts. This is a prerequisite for financial literacy too. Banks can then take the next step forward by volunteering to educate the beneficiaries through village meets organised with the help of sarpanchs and through town hall meetings in semi urban areas.

Other channels like use of Consumer associations, Investor associations and deposit holders association can further the cause of financial education.

Regulated intermediaries like banks,brokers,PFMs,DPs,Annuity service providers etc can also play an important role in educating customers on financial aspects too. They can make their customers aware of their rights and responsibilities as a part of their marketing process.

The repository of complaints available with regulators gives an insight into areas of poor financial knowledge. Efforts should be taken to use this repository effectively by analysing the problems and evolving a systematic method of solving them. Financial education programs designed by the regulators keeping this in mind will go a long way in dispelling ignorance and redressing complaints.

A great deal of work has been done in the area of promoting financial education. The active involvement of all stake holders would surely take financial education from principle to practice and action. If we are able to educate the masses successfully, we can be certain that the task of including everyone in the growth process will be easier and faster.

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