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Financial Literacy in Chhattisgarh-An overview of growing efforts

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Abstract: In recent years, **financial education** or **financial literacy** has gained greater importance as financial markets have become increasingly complex and there is also an information asymmetry leading to making informed choices more and more difficult for the common person.

Financial literacy is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it (turn it into more) and how that person donates it to help others. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with their entire financial resources .This article has made an attempt to find out measures taken by Government and financial institutions towards creating awareness about financial literacy in Chhattisgarh. The need for financial literacy and its importance for **financial inclusion** have been widely recognized. Chhattisgarh is one of the fastest developing economic states with focus on inclusive growth and an urgent requirement to develop a vibrant and stable financial system. The Reserve bank of India, which is the central bank, has been actively participating in the field of eradicating financial literacy and maintaining financial stability in the country. This paper summarizes the growing efforts in the field of financial literacy in Chhattisgarh.

The findings indicate Reserve Bank of India, Securities Exchange Board of India **(SEBI)** and Insurance Regulatory and Development Authority (IRDA) are working actively towards promoting financial literacy. **RBI** has developed various strategies and adopted programmes to develop a smooth process of financial literacy. The study also discusses about the role of RBI for improving financial knowledge of individuals.

Keywords: Financial literacy, Financial inclusion, Financial education, SEBI, RBI.

Introduction

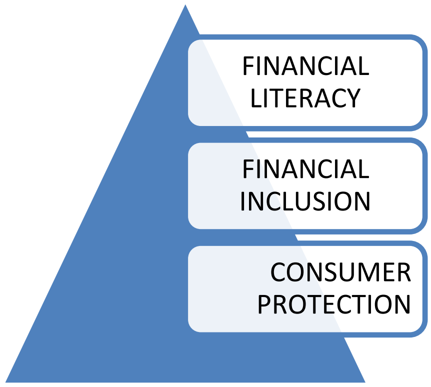
The term **Financial literacy** can be stated as a barrier as it implies that a person may be financially illiterate and uneducated. Making financial choices and discussions pertaining to money matters and financial issues can create certain level of discomfort for women who are uncomfortable discussing it. Further, another barrier being the label of illiteracy, which creates a perception about a person unable to understand or not having the knowledge to understand.

Organization for Economic Co-operation and Development (OECD) has defined financial education as **“**the process by which financial consumers and 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”.

The Organization for Economic Co-operation and Development started an inter-governmental project in 2003 with the objective of providing ways to improve financial education and literacy standards through the development of common financial literacy principles. In March 2008, the OECD launched the International Gateway for Financial Education, which aims to serve as a clearinghouse for financial education programs, information and research worldwide.

In recent years the importance of Financial literacy has grown with the financial markets becoming complex. The increasing information gap between markets and common person has made it difficult to make correct financial choices. India being one of the world’s most efficient and regulated financial markets and has one of the highest savings rate in the world .Though the people in India prefer to save, the savings are not invested in a wise manner with majority of Indian population being unable to use modern financial products. Need of the hour is to educate the common man about the changes in the financial markets and products such that he /she can protect himself/herself from financial distress. Else, wealth creation for the common man and the economy will remain a distant dream. Efforts have to be taken to convert a nation of savers into a financially literate country of wise investors so as to make Indian economy financially stable a and prosperous

.The three pillars of Financial Stability can be understood from the figure below:



Financial inclusion or inclusive financing is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society. The term "financial inclusion" has gained importance since the early 2000s, a result of findings about financial exclusion and its direct correlation to poverty. The United Nations defines the goals of financial inclusion as follows:

- Access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance;
- Sound and safe institutions governed by clear regulation and industry performance standards;
- financial and institutional sustainability, to ensure continuity and certainty of investment; and
- Competition to ensure choice and affordability for clients.

Former United Nations Secretary-General Kofi Annan, on 29 December 2003, said: ”The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives.” More recently, Alliance for Financial Inclusion (AFI) Executive Director Alfred Hannig highlighted on 24 April 2013 progress in financial inclusion during the IMF-World Bank 2013 Spring Meetings: "Financial inclusion is no longer a fringe subject. It is now recognized as an important part of the mainstream thinking on economic development based on country leadership."

Need for effective financial **consumer protection** measures have been highlighted by the global financial crisis as consumers are facing more complex and sophisticated financial markets. The availability of information has grown both in quantity and complexity with the terms of new product developments, product innovations and technological advances increasing dramatically.

The OECD is putting efforts for enhancing financial consumer protection, which includes determining what is required for helping the consumers to gain confidence, knowledge, information, security and choices needed to enable them to fully participate in financial markets.

In order to overcome such barriers, the banking sector has emerged with some technological innovations such as debit and credit cards, internet banking, automated teller machines (ATM), internet banking, etc. Introduction of such banking technologies has brought a change in the urban society with a majority of the rural population still being unaware of these changes and excluded from formal banking. Need of the hour is empowerment of the underprivileged, women poor of the society thus making them well informed and self-sufficient to take better financial decisions.

Literature Review

RBI (2005) proposed financial inclusion based on the business facilitators/ business correspondent model, adapting the Brazilian success story in India. In 2005, efforts were made enabling banking services to reach the rural areas through credit facilities. While the banking network started expanding in the rural areas, there were still a majority of the population in rural areas without having access to banking services. The reasons behind these are: declining productivity of the rural branches of SCBs, digression of RRBs from their social objective of reaching out to the masses and the fragility of the cooperative credit structure. The report also identified supply and demand side reasons for the lack of penetration of banking services in the rural areas. The report mainly focused on further acceleration of efficient and effective delivery of credit to the rural farm and non-farm sectors and in order to achieve this, the suggestions provided by the committee in the report were broadly based on the three models such as business facilitator model, business correspondent model and microfinance model.

RBI (2014a) focused on the provision of financial Services to the small businesses and low income households. Among the main motives of the committee included designing principles for maximum financial inclusion and financial deepening and also framing policies for monitoring the progress in the development of financial inclusion in India. Thus, in order to achieve the goal of maximum financial inclusion and increased access to financial inclusion the committee proposed the following measures: provision of full-service electronic bank account; distribution of Electronic Payment Access Points for easy deposit and withdrawal facilities; provision of credit products, investment and deposit products, insurance and risk management products by formal institutions. The main findings of the report highlighted the following key issues. First, the majority of the small businesses were operating without the help of formal financial institutions. Second, more than half of the rural and urban population did not have access to bank account. Third, savings in terms of GDP have declined in 2011-12. To address these issues, the Committee recommended that each individual should have Universal Electronic Bank Account while registering for an Aadhar card. The committee also proposed for setting up of payments banks with the purpose of providing payments services and deposit products to small businesses and low income households. Also banks should purchase portfolio insurance which will help in managing their credit exposures. Further, the Committee recommended for setting up of a State Finance Regulatory Commission where all the state level financial regulators will work together. For the interest of the bank account holders, the committee recommended for the creation of Financial Redress Agency (FRA) for customer grievance redress across all financial products and services which would coordinate with the respective regulator.

GOI (2008) examined financial inclusion as a delivery mechanism providing financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The recommendations of the report focused on the following areas. First, financial inclusion should include access to mainstream financial products. Second, banking and payment services should be available to the entire population without discrimination. Third, promotion of sustainable development and generation of employment in rural areas should be a priority. Fourth, financial inclusion must be taken up in a mission mode and thereby suggested the constitution of a National Mission on Financial Inclusion (NMFI) in order to achieve universal financial inclusion within a specific time frame. Fifth, the Committee also recommended for the constitution of two funds with NABARD – the Financial Inclusion Promotion and Development Fund, and the Financial Inclusion Technology Fund for better credit absorption capacity among the poor and vulnerable sections of the country and also for proper and appropriate application of technology in order to facilitate the mandated levels of inclusion. In short, the report provided an understanding of one of the best ways to achieve inclusive growth through financial inclusion.

Dr A.A Attarwala,2014 in his study concluded that Financial service providers should learn more about the consumers and new business models to reach them. One of the biggest reasons for this lack of small investor interest is low levels of financial education. The focus on educating people in handling financial resources to achieve their goals has been relatively low**.** Recently the Finance Minister has said it was important to focus attention on financial literacy initiatives for the masses which will help for effective financial inclusion for investors. Through information and objective advice, they develop the skills and confidence to become more aware of financial risks and opportunities and make informed choices to improve their financial position.

Studies conducted by **Sobhesh Kumar Agarwalla,2014** have shown that financial literacy training has significant beneficial impact on financial literacy of women with lower levels of family income.The improvement is visible both in terms of the proportion of women from a disadvantaged background benefitting from the training program as well as the average improvement in the score for all the three dimensions of financial literacy.It was also found in their studies that the use of alternate techniques such as movies and games in the training program does not have a significant impact on financial literacy.

Sweta Kumari suggested several measures to be taken to improve financial literacy levels. She recommended measures like Integration of financial education in High School ,Curriculum, Social Marketing, Resource Persons, Adult Education, Self Help Groups, Microfinance Institutions, Integrated communication channels.

Jariwala(2013) in her research study expressed disappointment over the lower Financial Literacy in Gujarat state. Her point on Financial Literacy is to understand basic financial concepts, principles, skills followed by awareness on key financial products for making good financial decisions.

Sumit kumar & Dr.Md. Anees, 2013 in their studies found that financial literacy can be easily improved through inclusion of relevant material on financial literacy in the general education program of schools and colleges. The influences of sociological factors are important in financial decision making process any intervention strategy must take into account these sociological and behavioural aspects. The influence of the determinants suggests that the strategy for improving financial well-being of individuals in India should be focusing the young investor.

Asst. Prof.Prajakta Joshi, in her studies found that financial literacy in India is on the positive side now. The survey conducted by The Financial Express shows that India has made rapid progress in the field of financial education among the ten leading nations of the world. The country is now ranked second in the world with respect of financial literacy. The ING consumer resourcefulness survey states that the country has a financial literacy level of round 55% second behind the Japanese.

Objective

1. To understand the scope and meaning of financial literacy.
2. To find the relevance of financial education in present day context.
3. To study the role played by Regulatory Authorities (SEBI, RBI, IRDA etc) in the field of financial literacy in India and Chhattisgarh state.

Indian Scenario with Special Reference to Chhattisgarh

In a recent survey by Financial Services giant Visa, India has emerged as one of the least financially literate among 28 countries. Some of the reasons why India ranked low in this report were the lack of household budgets, lack of financial education, lack of money management discussions with family and overall understanding of basics of money management.

When it comes to household budgets, Indian respondents were ranked 18^{th} with a score of 39.3, well ahead of 10 other countries including Mexico (37.5), China (37) and Hong Kong(32.5). Indians ranked 14^{th} with a score of 31.5 for savings with almost 2 months of savings in case of emergencies.34% of Indian women said that they have no savings at all with 29% of Indian men echoing the same.

The state of Chhattisgarh which spans an area of 135,192 Sq. KM is situated in Central part of the country. The state is bordered by Madhya Pradesh in the northwest, Maharashtra in the southwest Telangana and Andhra Pradesh in the south, Odisha in the east, Jharkhand in the northeast and Uttar Pradesh in the north. The state is divided in 27 districts.

National centre for financial education(NCFE) conducted Financial Literacy & Inclusion Survey in Chhattisgarh in the year 2014.It comprises of 2211 face-to-face personal interviews in the age-group of 18-80 Years in 4 districts of Chhattisgarh. The geographic distribution of sample size into urban and rural areas was 33:67. The gender mix of the total sample size into male and female was 53:47.From the survey the financial literacy status of the state is summarized below:

- The survey is based on three determinants –financial Attitude, Behaviour and Knowledge.
- Financial Attitude test included attitude towards Spending Money, Saving Money & Planning Money.27% of the respondents think about future before spending money. 26% respondents are used to save for future and 39% plan their earnings.
- Respondents in Chhattisgarh have behavior of keeping close watch on financial affairs, paying bills on time and buying products within their affordability.
- Determining the Financial knowledge of the people it was found that more than 80% of the people are not aware of the calculation of time value of money and even compound interest.
- The Financial Inclusion status of the state as surveyed by NCFE shows that the awareness with respect of banking, insurance and pension products is comparatively higher than that of capital market and commodity derivative products. Among all the financial products, the respondents in Chhattisgarh have preference towards savings related Banking Products and Insurance, followed by Other Savings Related Products, Pension and Capital Market.
- The overall financial literacy and financial inclusion in Chhattisgarh is estimated to be 4% which is comparatively lesser than the central zone and national level rate.
- Rural respondents are more financial literate than the urban respondent though financial inclusion rate is more in case of urban respondent.
- Financial literacy and inclusion varies according to the income level.
- General category respondent are more financial literate and included.

The State of Chhattisgarh offers good models to propagate Financial Literacy and enhance sustained inclusion .The various program run in the state for financial literacy and inclusion are tabulated below.

S.No	Name of Programme	Institution	Objective
1.	Financial Literacy Programme	Evangelical Social Action Forum(ESAF)	To provide basic financial knowledge to SHG members and train staff.
2.	Dena Mitra	Dena Bank(Mahasamund & Dhamtari)	To provide awareness related to saving,credit and Insurance.
3.	SHG and Microfinance Programme(informal programme)	Sakhi credit Cooperative Society Maryadit	To employ rural poor women, provide small scale loans,deposits saving of women develop entrepreneurship among rural women
4.	SHG and Microfinance informal programme.	SPROUT Korba	To enhance saving habits at SHG level ,provide marketing support,provide credit facility and to create linkage with banks.

Resource:UNDP 2012

Various Initiatives Taken Towards Financial Literacy

SEBI initiative towards Financial Literacy

SEBI, the governing body of stock market in India provides protection to the investors in stock market through rules and regulations. SEBI offers several programs to the youths regarding the knowledge in stock markets which covers the complete knowledge of different products. SEBI is conducting a financial awareness test for school level student and reward for the top positions students in upcoming months of the year, information and application forms are made available on its website.

Investor education programs are conducted by SEBI through investor associations all over the country. Regional seminars are conducted by SEBI through various stakeholders viz. Stock Exchanges, Mutual Funds Association, Depositories, Association of Merchant Bankers etc. SEBI has a dedicated website for investor education where study materials are available for dissemination. SEBI also publishes study materials in English and vernacular languages. Under 'Visit SEBI' program, School and college students are encouraged to visit SEBI and understand its functioning. SEBI has recently set up SEBI Helpline in 14 languages wherein through a toll free number, investors across the country can access and seek information for redressal of their grievances and guidance on various issues.(ref.www.rbi.org)

To complement the government's ambitious financial inclusion program, Jan Dhan Yojana, Sebi has suggested a massive scaling up of the National Strategy on Financial Education including by way of greater fund outlays. The **National Centre for Financial Education (NCFE),** which comprises representatives from all financial sector regulators, including Sebi, RBI, IRDAI, PFRDA and FMC, is mandated to implement the government's National Strategy on Financial Education. Its main role is to create financial education materials and conduct financial education campaigns across the country for all sections of the population along with awareness campaigns at different levels for existing and potential financial sector customers so as to improve their knowledge, understanding, skills and competence. Among other initiatives, NCFE has developed computer games to help school children and the young population easily understand basics of various financial products and markets.

RBI's initiative on Financial Literacy

"Project Financial Literacy" has been initiated by Reserve bank of India to propagate information regarding the general banking concepts to various target groups, including school and college students, women, rural and urban poor, defense personnel and senior citizens. The project has been designed to be implemented in two modules, one module focusing on the economy, RBI and its activities, and the other module on general banking. The material is created in English and other vernacular languages. The information is distributed to banks, local government, schools and colleges through presentations, pamphlets, brochures, films and also through RBI's website. The other measures implemented by Reserve Bank of India in this regards include conducting essay competition to promote financial awareness among school children on topic banking and finance. Recently RBI launched 'RBI Young Scholars' award' scheme for outstanding students in order to generate interest in creating awareness of banking sector of the country.

IRDA'S Initiatives on Financial Education

Insurance Regulatory and Development Authority has taken various initiatives in the area of financial literacy. Awareness programs have been conducted on radio ,television and simple messages about the rights and duties of policyholders, channels available for dispute redressal etc have been propagated through television and radio as well as the print media in English, Hindi and 11 other Indian languages. IRDA conducts an annual seminar on policy holder protection and welfare and also partially sponsors seminars on insurance by consumer bodies. IRDA has done a pan India survey on awareness levels about insurance. IRDA has also brought out publications of 'Policyholder Handbooks' as well as a comic book series on insurance. A dedicated website for consumer education in insurance has been launched.

Market players Initiatives on Financial Education

Commercial banks are realizing that they are missing out on large segment of financially illiterate and excluded segment of prospective customers. Major financial institutions are spreading awareness through Financial Literacy and Counseling Centers and Rural Self Employment Training Institutes on financial literacy. The objective of these centers is to advise people on gaining access to the financial system including banks, creating awareness among the public about financial management, counseling people who are struggling to meet their repayment obligations and help them resolve their problems of indebtedness, helping in rehabilitation of borrowers in distress etc. Some of these credit counseling centers even train farmers/women groups to enable them to start their own income generating activities to earn a reasonable livelihood.

Role Played by Educational Institutes towards Financial Literacy

- XLRI, the premier B-School in India, has started a financial literacy program among the unbanked population in adjoining villages across east and west Singhbhum district through a newly launched project called 'Sanchetana' and inaugurated the 'Financial Literacy on Wheels' initiative at Jamshedpur in association with a nationalised bank. The objective of the initiative under the Sanchetna project is to spread awareness of savings, insurance and old age pension among the villagers and urban poor.
- Multi Commodity Exchange of India Limited(MCX) and Banasthali Vidyapith of Rajasthan, have signed a memorandum of understanding (MoU) for supporting financial literacy among women. The initiative is directed at fostering women empowerment through several efforts towards financial-skill development in managing commodity price risk using modern financial derivatives. Banasthali Vidyapith has over the past 80 years developed into a national centre for women's education and is eager to provide new skill sets to their students. To enhance financial literacy, it is also imperative that women should be equal partner in the financial ecosystem. They will, with their newly acquired skill sets be able not only to manage price risks and increase economic security, but also add a new dimension to India's progress.

Other Measures

Various NGO's in the country are also spreading financial literacy. Sanchayan, is a NGO dedicated exclusively for spreading financial literacy and awareness among the youth and adults from low-income background. Sanchayan conducts free workshops for the underprivileged youth on topics ranging from the basics of banking, credit cards and PAN cards to the investing in shares and mutual funds, so that these youth can become financially aware and also a part of the mainstream banking and financial services industry. Indian School of Microfinance for Women through its Citi Center for Financial Literacy (CCFL) has formed a network of partner organizations named National Alliance for Financial Literacy (NAFil) to take financial literacy as a movement across the country. Also Manndeshi Udyogini Business School for Rural Women: HSBC has collaborated with Mann Vikas Samajik Sanstha in Satara to provide financial literacy and management skills to girls and women with no formal education.

Conclusion

From our studies we conclude that financial literacy is spreading and people are very much aware of financial products and services. Most of the Indians are not only confident of managing other financial budget but are also prepared for future encumbrances .The regulating authorities have well played their role . RBI's initiative of starting "Project Financial Literacy" to cover all age groups is commendable . SEBI's initiative of starting helpline in 14 different languages provides opportunity to people to understand in their local languages

.This will cover the rural people also. All these developments are possible as a result of RBI, Commercial banks, Government , NGOs, SHGs. A total of 18.20 lakh bank accounts have been opened by 26 public sector banks in Chhattisgarh under the Pradhan Mantri Jan-Dhan Yojna. The bank accounts of as many as 2,59,4515 people have been opened by 40 banks including public and private sector banks in the State within a period of three and a half months(Dec-14).This shows the trend of increasing saving habit. HDFC Bank Ltd has launched its rural Financial Literacy Initiative in Chhattisgarh under the aegis of the Reserve Bank of India (RBI) at the village of Jamgaon .The various programmes and schemes are there for Rural people and only their implementation is to be taken care of. There is no formal programme which is being currently run in the Chhattisgarh .The structured literacy programme has just been started in the state and would be rolled out in the near future.The SHG programmes are inadequate for the state. There is need of capacity building of NGO and leading agency like NABARD to enhance the financial literacy rate in the state.

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