

A CRITICAL APPRAISAL OF FINANCIAL LITERACY IN INDIA

Dr. Poonam Rani*

ABSTRACT

Financial literacy is the great challenge faced by all over the world. Financial literacy has been admitted as a basis skill for individuals we are installed in a rising system financial structure. It assists to make informed recommendation and wellbeing of an individual. In around the world today which has a market with complicated goods, the need for financial literacy becomes understandable. Countries like India which have a large youth population, the government is in a point to raise the level of financial literacy. The present study aims to study the need of financial literacy and also throws light on a critical appraisal of financial literacy in India. Some guidelines have been made to boost up the financial literacy which will lead to the generally growth of the economy.

Keywords: *Financial Literacy, Financial Structure, Complicated Goods, Growth of the Economy.*

Introduction

"Just as it was not possible to live in an industrialized society without print literacy the ability to read and write, so it is not possible to live in today's world without being financially literate. Financial literacy is an essential tool for anyone who wants to be able to succeed in today's society, make sound financial decisions and ultimately be a good 'citizen.'"

Anna - Maria Lusardi (2011)

According to its literal definition, Financial Literacy is the art to use skills and knowledge to take productive and informed money management recommendations. For country like India, it plays a major part, as it is assessed the main adjunct for improvement of financial inclusion and finally financial fixedness. Financial literacy is the final piers of a sound financial system. It regards the important aspects like greater clearness, plans a purchaser protection and regulation of financial institutions. Thus, the issue of financial literacy and financial education has aimed attention on the schedule of educators, federation teams, business, government departments, organizations, non-government organizations, plans makers and regulatory authorities and the issue of financial literacy should be taken care of either as a plan Outlook or practical Outlook. On the schedule, financial literacy should be on a normal structure and a normal approach so that it can be spread in an extensive manner. These struggles should aim of empowering buyers to understand and choice the financial goods and service that best suit their requirements, aims and personal conditions

Economic development assists in modification of saving into investment growth of country depends upon financial system. Financial system includes financial market, tools and services which help in modification of saving into capital. India has been a rescuing country and one more feature of this country is that resources in this country is favored in cash or kind form. Gold and land are also most favored way for our country citizens. One reason of investment in gold and investment could lack of financial knowledge. A survey on global financial literacy in 2012 directed by VISA only 35% of Indian were financially business and India was among the minimum financially literate countries. These facts are totally discouraging because financial literacy is main tools not only for household but also for country by which country growth and individual growth can be verified. If individual is financially literate then he can policy financial issues in productive way and it can also help in economic growth of the country.

* Associate Professor, H.O.D. Department of Commerce, A.S. (P.G.) College, Mawana, Meerut, U.P., India.

Financial literacy affects the support of financial inclusion which finally judgments in financial stability of any economy. The requirement for financial in India has achieved significance because of the low level of literacy and huge section of the population which is financially entered from the formal financial set up.

Literature Review

Ratna Achuta Paluri (2016), assessed factors affecting financial views of Indian women to divide Indian women based on views with 9 variables worry, interest in financial issues, ingrown recommendation, carefulness saving, free spending, money-conscious and fair views, tendency to plan for long- and short-term financial aims. Study applied confirmatory factor analysis to cluster the women of Nashil city. Based on cluster analysis categorized buyer into Judicious buyer's traditionalist buyers, greedy buyers and unconfident buyers. It is found that only 1/3 of questioners did not purchase and financial goods, most selected products were fixed deposit and insurance. And also found that cluster 1 followed by cluster 3 seems to be glamorous for markets, cluster 4 is unglamorous.

Jason West (2012) study found that the actions of individuals who are financially literate do not necessarily they will demonstrate good financial behavior.

OECDINFE has explained financial literacy as "A combination of consciousness, knowledge, skill, view and behavior necessary to make sound financial decisions and finally achieve individual financial wellbeing".

Need of Financial Literacy

- Financial literacy spreads intelligence and skill, faith to the common person to run financial goods and service.
- Financial literacy and financial inclusion are two piers where financial literacy act as demand side making people introduced that what they should purchase and financial inclusion act as supply side of showing financial service. Financial inclusion mainly goals at giving the basic financial services and also an indirect financial service like insurance, mutual funds, etc. which can only be done by making bettering financial literacy.
- Financial literacy assists to protect the society and personals against consumptive financial plan and sky-high interest rates charged by financiers.
- Financial literacy will assist personal evade debt-burden, better quality of services and encourage wise financial recommendations.
- Financial literacy encourages business executive and helps to be a small business person to set up business. Financial literacy also assists in productive understanding of finance and making productive decisions for business.
- In India, there is an essential to change savers into financiers that can only be done through financial literacy.

Financial Literacy in India

Small business has been facing a vital challenge, since India's new economic plans. Small enterprises like handicrafts, toys, tyres, batteries, dairy products and vegetable oil hit hard caused by deficiency of managing debt and competition. After the cultivation sector, small and medium enterprises employ the massive number of employee (about 11.10 crore) in the country, yet several enterprises and firms have to close up leading to employee becoming jobless.

A report by the RBI working paper series, "Persistence of Informal Credit in Rural India, 42.9% of people taken money from informal sources and pay higher interests. The small enterprises are unable to dominate their finances and landing into the debt trap. With strong financial education small enterprises and owners will be able to make informed recommendations and make the best use of available funds.

In the metropolitan place like Delhi and Mumbai and urban areas, people are incapable to allocate their spending. Almost people collect a large number of cash at their home, rather than using it an investments or investment in fixed assets has been growing ordinally, there has been great deficiency of financial planning is terms of life and health insurance. Thus, the value of the collected funds never growing. India is rising and spreading its base, a good financial literacy would become an asset for people to get higher incoming profits in return.

Financial inclusion in India has been the main schedule agenda of government and the several regulatory bodies such as, RBI, SEBI, IRDAI, PFRDA. Efforts have also been taken to impart awareness and growing financial literacy among small and average middle enterprises. Modes **through which financial literacy can be spreaded:**

- **Media Marketing:** The trend of social media marketing has been awareness struggles in existing times. Large Media marketing source include News, Books, Radio, T.V. and magazines, financial educations websites and use of social networking place like twitter, facebook, etc. **Young Person Education:** National financial educational council has outlined young person finance programmes of study which is practical and gives hands on learning. The key aims of this plan is to spread practical financial education to majority of young persons of the country.
- **Self-Assist Groups and Micro Loan Institutions:** In India, SHGs are related to several banks so that they can deliver micro-loan to poor females. SHGs provide financial exposure by enhancing financial literacy, spending accounting and managing common funds. Small Loan Institutions - Micro loan institutions generate awareness in the individual and grant loans with productive interest rates not like dealers.
- **Help Line:** Helpline trend will instruct them by fevering their several another of doing things Helpline desk can bring big change in society and so forth in financial education.
- **Other Modes:** There are various other modes Reported/ Unreported associations of buyers, investors' associations, deposit makers, stock change, AMFI, ANMI and SROs associated with regulators, financial mediator like banks, broker, portfolio fund managers, annuity service giver etc., can play major role in marking a financially literate.

Conclusion

Economic growth and development of any country turns on the effective financial system. Individual's financial wellbeing output in the best financial system of any country. Financial literacy is the basic element for the growth of any financial fixedness. The many schemes have been accepted by the Indian government (RBI, SEBI, Insurance Regulatory and Development Authority) to make better the level of financial literacy in India. However, the level of financial literacy is very low in India. This level of literacy cannot increase the pace of financial inclusion which will further curb the economic growth of the Indian economy. Additional capital infusion towards financial literacy workshops, seminars at the school, college, workplaces and the home hold place so as to raise its effectiveness on the usage of financial goods and service and thereby increasing the financial system of the country. Some projects on kind and importance of the investment way should be allowed at the many schools, colleges, office and the local level to growing the practical knowledge of the economic issues. Another need of the hour is to examines the effects of such plans from time to time through feedback.

References

1. Van Rooij, M.A. Luardi and R. Aliessie ,2007, "Financial literacy and stock market participation." NBER working paper 13565
2. Rekha, Lavany (2015) Financial literacy. The Indian story world journal of social sciences.
3. Kamal Gupta and Jatinder Kaur, A study of financial literacy among micro entrepreneurs in district Kangra.
4. Marc M Kraneer, 2014, Financial literacy, over confidence and financial advice seeking, University of Groningen.
5. Lusardi, A and O.S. Mithell 2006, Financial literacy and planning: Implications for retirement wellbeing" pension research council working paper I, the whartan school.
6. K.N. Narendra, Financial literacy. A revolution waiting to happen, proceeding a COFP convention 2014.
7. Michaud, and Mitchell (2017) journal of political economy volume 125, issue 2.
8. <https://streetfins.com/the-Importance-of-financial-in-India/>
9. Ratna Achuta Paluri, Saloni Mehra, financial attitude-based segmentation of woman in India January 2016.
10. <http://www.Nefeindia.org/national-survey>.

