

Building Financial Capabilities: Impacting at Scale

Overview

- A global survey conducted by Standard & Poor's Financial Services LLC found that about 76% Indians lack basic understanding of key financial concepts.
- The S&P's Ratings Services Global Financial Literacy Survey found that this number is lower than the worldwide average of financial literacy, but it is roughly in line with other and South Asian nations¹
- Turning towards the gender divide, 73% Indian men and 80% Indian women were found not to be financially literate².

Initiatives taken to Improve Financial Literacy

- To emphasize the importance of financial literacy, it was decided to observe the week June 5-9, 2017 as Financial Literacy Week across the country focusing on four broad themes, viz. KYC, Exercising Credit Discipline, Grievance Redressal and Going Digital.
- The National Strategy for Financial Education (NSFE) for India has been prepared, the mission of which is to undertake massive Financial Education campaign.
- A National Centre of Financial Education (NCFE) has then been established as a specialized institution for implementation of National Strategy for Financial Education. The main role of NCFE is creating standard financial education material for various segments of the financial sector, develop and maintain a website exclusively for financial education which will be a one stop repository of all financial education activities by all the financial sector regulators.
- RBI has undertaken a financial education initiative wherein, on its website, it has published the booklet FAME (Financial Awareness Messages), new Audio visuals, posters and a series of pictorial booklets with the aim of providing basic financial literacy messages for the information of general public in 13 regional Indian languages.
- Financial Literacy Centres (FLCs) have been opened by various banks focussing on the spread of Financial Literacy, to create awareness about financial products and provision of counseling facilities for customers. The "ABHAY" Counselling Centre, "Disha Trust" & "Grameen Paramarsh Kendras" was started by the Bank of India, ICICI bank & by Bank of Baroda respectively.
- Sanchayan Society, a non-profit organization, was conceptualised with the sole purpose of creating a financially literate India. It is dedicated exclusively towards spreading financial literacy by conducting free workshops on topics ranging from the basics of banking, credit cards, and PAN cards.
- Ujjivan Financial Services along with Parinaam Foundation initiated Diksha Financial Literacy Program, a five module in-depth classroom training aimed at creating an understanding of the importance of being financially literate and equip the customers with tools to make informed financial decisions and take control of their financial situation.



IFMR LEAD conducted a study with the aim of testing financial literacy modules and savings mechanism tools, which for the purpose of the study was a lock box, to understand what enables women to save more. The study revealed that providing a low-cost tool such as a lock box, along with the relatable financial education modules, can improve the savings behaviour of women and that financial literacy through comic book trainings brings about a positive perception about banks and bank procedures.

IFMR LEAD conducted an impact evaluation of the financial literacy program delivered to EKO clients in Bihar. The evaluation assessed the impact of exposure to intensive one hour training on clients' savings behaviour. The early results found that one can improve program implementation based on client and trainer feedback. For example, some trainers and the clients wanted more regional terms to be used during the financial literacy training.

BIRD-NABARD evaluated financial literacy programmes in India with an objective to understand the scope of different financial literacy training programmes implemented across the country. The study found most of the participating organizations following a demand-driven approach and reported to be developing and modifying modules as per the feedback from the community.

A study on financial literacy centres was conducted by Access Assist under the aegis of PSIG programme. The study found several issues and gaps pertaining to the working of like variable remuneration to counsellors, lack of infrastructure availability to FLCs, poor database management and tracking (MIS) systems and lack of coordination with other banks and stakeholders.

Measuring Financial literacy

Assessing financial literacy is a crucial component of coming up with an effective strategy for financial education by enabling policy makers to identify gaps and respond appropriately to them. The OECD International Network on Financial Education (INFE) has developed a survey instrument that can be used to capture the financial literacy of people from very different backgrounds in a wide range of countries comprising of the following as indicators of financial literacy.

- Financial Knowledge

A financially literate person will have some basic knowledge of key financial concepts. The OECD core questionnaire therefore includes 8 questions to test levels of knowledge creating a financial knowledge score by counting the number of correct responses given by each respondent

- Financial Behaviour

The way in which a person behaves will have a significant impact on their financial wellbeing. It is therefore important to capture evidence of behaviour within a financial literacy measure. The OECD INFE core questionnaire does this by asking a variety of questions in different styles, to find out about behaviours such as thinking before making a purchase, paying bills on time and budgeting, saving and borrowing to make ends meet.

- Financial Attitudes

Attitudes and preferences are considered to be an important element of financial literacy. The financial literacy survey includes three attitude statements to gauge respondents' attitudes towards money and planning for the future. The attitude questions ask people about whether they agree or disagree with particular statements, to capture their disposition or preferences.

While it is illustrative and valuable to look into each of the above mentioned indicators separately, the three must be combined to give an overall score of financial literacy.