

Financial Literacy in India: Role of SEBI

Sarita Thakur, Research Scholar, School of Management Studies, Punjabi University, Patiala.

Email:saritaphd84@gmail.com

Abstract:- The growing complexity of financial markets have raised the importance of financial literacy in India. Financial literacy can increase economic and social participation, increase competition and market efficiency in the financial services sector, and also reduce intervention of regulators. According to survey conducted by Standard & Poor's Financial Services 2014, in India, around 76 per cent of its adult population, does not understand the basic financial concepts. Financial literacy is poor as compared to the rest of the world (S&P,2014). In India, RBI, SEBI, banks, NGOs and other private organisations has been actively engaged in development of financial literacy programmes in order to improve financial literacy in India. The objectives of this study are to study the concept of financial literacy, factors affecting financial literacy and initiatives taken by SEBI in spreading financial literacy in India. This study will provide a platform for future research covering the role of SEBI in the field of financial literacy.

Keywords: Financial Literacy, Financial Literacy Programmes, SEBI, Resource Person.

I. INTRODUCTION

The growing complexity of financial markets have raised the importance of financial literacy in India. In this complex market, since making financial and investment decisions has become difficult task, individuals need more knowledge and skills in various areas of finance in order to make informed decisions. Financial literacy can increase economic and social participation, increase competition and market efficiency in the financial services sector, and also reduce intervention of regulators. Financial literacy around the world is found to be low as measured by various studies (OECD, 2013; VISA Barometer ,2012). According to survey conducted by Standard & Poor's Financial Services 2014, in India, around 76 per cent of its adult population, does not understand the basic financial concepts. Financial literacy is poor as compared to the rest of the world (S&P,2014). Low level of financial literacy can be harmful to the economic development of the country. It puts a financial burden on the nations in the form of higher financial security cost and lesser prosperity. Therefore developing financial literacy is more important in developing country like India. In India, Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), banks, NGOs and other private organisations has been actively engaged in development of financial literacy programmes in order to improve financial literacy in India. OECD (2005) has defined Financial Literacy "as a combination of financial awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being."

Lusardi and Mitchell(2011) has defined financial literacy as "the ability to evaluate the new and complex financial instruments and make informed judgements in both choice

of instruments and extent of use that would in their won best long-run interests".

Various researchers conceptualized the term financial literacy as "the knowledge of basic financial concepts and ability to do simple calculations (Hilgert et al., 2003; Lusardi and Mitchell, 2011).

II. OBJECTIVES OF THE STUDY

- To understand the concept of financial literacy.
- To examine the factors affecting financial literacy in India.
- To study the role of SEBI in promoting financial literacy in India.

III. RESEARCH METHODOLOGY

Secondary data was collected through various sources such as books, magazines, journals, newspapers and websites.

IV. FACTORS AFFECTING FINANCIAL LITERACY

With a development in financial market in India, it is important for individuals to understand the role of money, the need and use of savings, the various options to convert their savings into investments, and the protection available to them through insurance etc. In India, large section of population is still financially excluded. Therefore different financial literacy programmes are needed depending on the sector of population. Various regulators in India viz. RBI, SEBI, IRDAI, and PFRDA have taken initiatives in the field of financial literacy. The below given are the factors that affect financial literacy in India:-

- **Inclusive growth:-** Financial inclusion is one of the biggest priorities for the nation. Financial literacy is a mechanism that will assist achieving extensive financial

inclusion and hence financial freedom (Agarwal et al., 2017). In India, majority of the population is still poor, financial inclusion is of great significance to them. Financial literacy is the biggest components of financial literacy. It plays an important role in financial inclusion, inclusive growth of the country.

- **Complexity of products:** The greater complexity of financial products has made it very difficult for people to take an informed decision. Financial literacy enables people to manage their financial products and services and make informed and effective decisions through proper understanding of finance.
- **Freedom from exploitation:** Financial literacy helps in protecting society and individuals against exploitative financial schemes and exorbitant interest rate charged by moneylenders.
- **Multiple effects:** Financial literacy can lead to multiplier effects in the economy. Financially literate individuals would resort to regular savings, which would lead to investment in right channels and income generation. It will also increase the welfare of the society.
- **Shift in retirement benefits:** A financially literate person will be in a better position to assess his/her own requirements and make savings in appropriate schemes. It reduces strain on social programs and pension plans, and fosters an economy that is more resilient.
- **Greater participation in Financial Markets:** In India, there is a need to convert savers into investors. Higher participation of domestic retail investors in securities market will give dividends by increasing depth of securities market, reducing dependence on foreign investors and domestic savers reaping benefits of Corporate Growth and reducing strain on Government Treasury for investment in National Infrastructure.
- **Changes in Techonolgy:** - The development in technology has transformed the functioning of the markets making transactions speedier. Financial literacy will empower the consumers to take correct decisions and also understand and predict market situations.

V. INITIATIVES OF SEBI FOR FINANCIAL LITERACY

With the aim of spreading financial literacy, the Securities and Exchange Board of India (SEBI) has been conducting financial literacy programmes across the country. It has been making continuous efforts to spread financial literacy and spread neutral information related to the markets so that larger number of Indians participates in the growth of the country (Attarwala, 2014). SEBI has initiated a multipronged approach to spread financial literacy all over India. Investor Awareness Programs/ Workshops are organized for educating investors and to spread awareness. Regional Seminars are conducted in association with various exchanges, depositories and trade bodies. The

objective of such seminars is to reach out to more people and concentrating primarily on tier 2 and tier 3 cities. SEBI continues its association with Investor Associations (IA) as well as Exchanges, Depositories and various trade bodies etc. It has launched a financial education drive through Resource Persons (RPs). The program aims at imparting understanding of financial concepts to the targeted groups. These empanelled RPs also supplement the investor education programs that are conducted through investor associations.

A. Activities of SEBI Trained Resource Persons

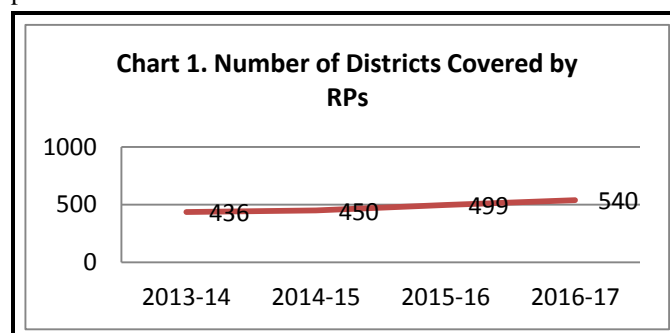
SEBI has been reaching the masses through an innovative model of trainers/ resource persons (RPs) to spread financial literacy/ education across the country by targeting various groups such as school children, college students, middle income groups, executives, homemakers, retired people and self-help group(s). These resource persons organize workshops for these target segments on various aspects such as savings, investments, financial planning, banking, insurance and retirement planning. These resource persons conduct programmes in the local language in a particular area. Financial education booklets are also distributed to participants attending the programmes. These programmes are conducted free of cost.

Table 1: Financial literacy workshops conducted by resource persons

Region	2015-2016	2016-2017	Cumulative total since launch of initiative
HO	818	1,412	4,584
ERO	1,639	2,183	8,737
NRO	2,311	7,275	16,042
WRO	1,669	2,329	10,577
SRO	2,360	2,500	10,950
TOTAL	8,797	15,699	50,890

Source : SEBI Annual Report 2016-2017.

At the end of March 2017, SEBI have recruited around 1,400 resource persons. Since the beginning of this initiative, these resource persons have conducted more than 50,000 programmes in more than 540 districts in 29 states and six union territories (Table 1 and Chart 1). During 2016-17, 15,699 programmes were conducted by resource persons of SEBI.



Source : SEBI Annual Report 2014-15, 2016-17.

B. Visits to SEBI

SEBI have also taken initiative in the form of ‘Visit to SEBI’ where students from schools, colleges and professional institutes visit its head office, regional offices and local offices in order to learn about basic financial education, and role of SEBI in the securities market. The below given table shows that since the beginning of this initiative, 1,174 such programmes have been conducted. During 2016-17, 567 programmes were conducted

Table 2: Visits to SEBI

Year	No. of Visits by College / Institutions	No. of Students
2015-16	273	11,013
2016-17	567	21,808
Total(Cumulative since launch of initiative	1,174	46,640

C. NATIONAL STRATEGY FOR FINANCIAL EDUCATION

On 11th November 2011, SEBI had presented a proposal for drafting a National Strategy for Financial Education at the first meeting of the Technical Group of the Sub-Committee of the Financial Stability and Development Council (FSDC) on Financial Inclusion and Literacy. The National Centre for Financial Education (NCFE) is incubated in the National Institute of Securities Markets (NISM). NCFE undertakes various activities for financial education, including:

a. National Financial Literacy Assessment Test (NFLAT): The National Financial Literacy Assessment Test was conducted during 2016-17 in both online and offline mode. A total of 2,40,000 students registered, out of which approximately 1,81,000 students have appeared in the exam. The online test was conducted using NFLAT software procured and hosted on in-house servers.

b. National Portal: NCFE’s website ncfeindia.org is available in 8 vernacular languages to reach a larger number of audience. The website comprehensively covers all aspects of financial education, programs undertaken and proposed and acts like repository of financial education in the country.

c. Training of teachers (money smart teachers): It is an initiative of the NCFE to provide unbiased financial education in schools for improving financial literacy, an important lifeskill for holistic development of each student. Upon successful implementation, the schools are certified as a “Monet Smart School” and the students who participated are given merit and participation certificates. So far around 300 schools have registered for this program and have started implementing financial education in their

school on voluntarily basis, Out of which 15 schools have already completed the curriculum. Under this initiative, more than 5000 students have been evaluated.

d. Technology led Financial Literacy Campaign (Kiosks): NCFE is installing Kiosks on pilot basis at 100 locations in the country. Out of which, 30 will be Interactive Kiosks while 70 would be Large Format Commercial Display. The Kiosks and displays will be managed centrally. RBI has already shared the site details of 100 locations in 5 states i.e. Maharashtra, Karnataka, Chhattisgarh, Odisha and Himachal Pradesh (20 locations per state).

VI. CONCLUSION

In India, majority of population is still financially excluded. Financial literacy is an important tool for promoting financial inclusion and to achieve financial stability. It, therefore, needs a tiered approach for a national strategy to include spreading awareness about basic financial products and link the excluded to the formal financial sector, educating the existing users of financial products and services to enable them to make informed choices and ensuring consumer protection for all the users of financial products and services. SEBI has been actively engaged in development of various financial literacy programmes in the recent years in order to spread financial literacy so that larger number of Indians participates in the growth of the country. It has also prepared a ‘National Strategy for Financial education’ in order to create awareness and educate consumers about access to various financial services, and availability of financial products and their features. Therefore, it is suggested that various regulators, government, NGOs, stakeholders etc. should join hand together and conduct financial literacy programmes across the country keeping in mind all sections of the society.

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