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(2018-19)**

As per New CBCS Syllabus for 5th Semester, B.Com.,
Tumkur University w.e.f. 2016-17

Financial Management

- ♦ S.V. Halappa
- ♦ S.T. Rangappa
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FINANCIAL MANAGEMENT

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Tumkur University w.e.f 2016-17]

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GLOBAL INNOVATIVE RESEARCH DIMENSIONS



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FINANCIAL LITERACY: A BRIDGE TO SELF-SUSTAINABLE ECONOMY

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Abstract

The financial market has been dramatically changing after liberalization and has been offering several opportunities not only for investor but also for the corporate. Due to rapid growth in Indian economy over the last decade and expansion of financial markets through liberalization, privatization and globalization have given a way to overabundance of financial products ssin banking, investment and loan products. Low level of financial literacy prevents individuals from making right choices regarding financial decisions. To achieve the objectives, individual must invest his/her savings in right investment alternatives. The objective of the study is to study the level of financial literacy in India by using literature based analysis. Secondary data collected from various websites, journals, research papers and articles. It is found that financial literacy in India is very low and necessitates exertion to mend level of literacy.

Key-words: Financial literacy, Financial Inclusion, Financial Education

INTRODUCTION

Demographically India uses 2.4% of world's land with 17.5% share in world's population. The financial system of a country plays a key role in economic development. Since independence Indian leaders are aiming to eradicate poverty and turn India into vibrant, self-reliant global economy and embedded financial literacy needs in every citizen's life. India is traditionally a country of enthusiastic savers (K N Narendra-2015). Indians are suffering from financial diseases like under insurance, debt trap, insufficient retirement fund and low return on investment due to low financial literacy.

In the present scenario, the integrated global financial market as well as the changing financial objectives has increased the individual's responsibility in managing their own finances and securing their financial future. In an environment where the range and complexity of financial products are widening the scope of entire market, it is becoming crucial that individuals should develop a thorough understanding of the world of finance so as to make better choices that are most appropriate to their financial goals and needs (Kumar and Anees, 2013). Moreover, the economic growth and development of nation are highly influenced by the financial decisions taken by individuals. However, it is not an easy task to take financial decisions. Several factors, such as risk, returns, market scenario, regulatory framework etc., need to be analyzed while making financial planning.

OBJECTIVES OF THE STUDY

- To know the concept of Financial literacy
- To identify the determinants of financial literacy and education.
- To study the Role of Regulatory authorities towards improvement of financial education in India.
- To analyze the relevance of financial education in present day context

RESEARCH METHODOLOGY

The design of research study is exploratory. The data used is secondary. I.e. data is collected from various sources such as journals, research papers etc. different websites are also being studied to collect the required data.

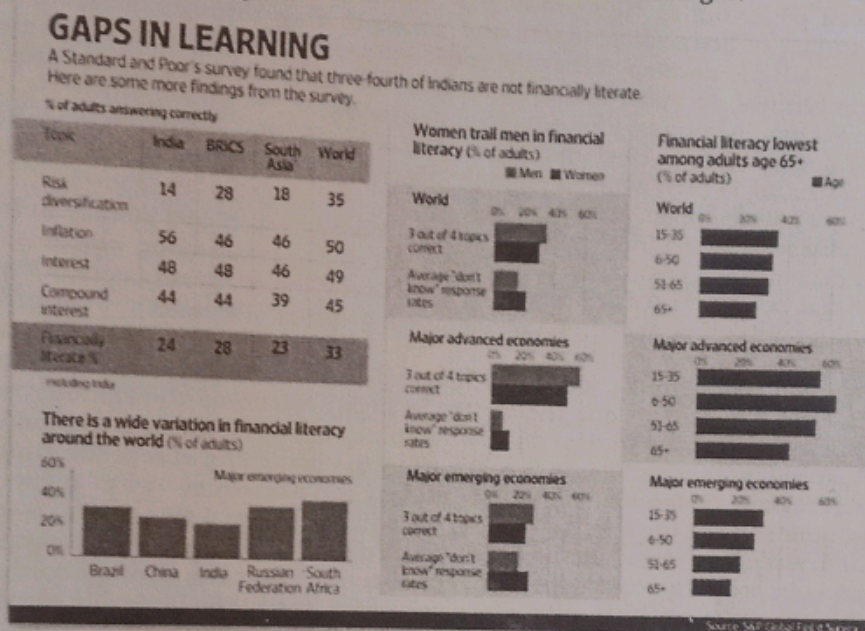
What is 'Financial Literacy'

Financial literacy is the education and understanding of various financial areas. This topic focuses on the ability to manage personal finance matters in an efficient manner, and it

includes the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, paying for college, budgeting, retirement and tax planning.

The main steps to achieving financial literacy include learning the skills to create a budget, the ability to track spending, learning the techniques to pay off debt and effectively planning for retirement. These steps can also include counseling from a financial expert. Education about the topic involves understanding how money works, creating and achieving financial goals, and managing internal and external financial challenges.

FINANCIAL LITERACY RATES



Here are some of the key findings on India's Financial Literacy.

- ✓ Only 14% Indian adults could answer questions on risk diversification while 51% understood compound interest and 56% were correct with questions on inflation.
- ✓ 39% of adults who have a formal loan are financially literate, while 27% of formal borrowers are not financially literate.
- ✓ A mere 14% of Indian adults save at a formal institution.
- ✓ Going by the gender gap, 73% of men and 80% of women in India are not financially literate.
- ✓ 26% of the adults in the richest 60% of households are financially literate, while 20% of the poorest 40% of households are financially literate.

According to a survey on Global Financial Literacy in 2012 conducted by VISA, only 35% of Indians were financially literate and India was among the least financially literate countries.

Another survey of "Financial Literacy among Students, Young Employees and the Retired in India" conducted by IIM-A supported by CITI Foundation reveals that "high financial literacy is not widespread among Indians where only less than a quarter population have adequate knowledge on financial matters. There is lack of understanding among Indians about the basic principles of money and household finance, such as compound interest, impact of inflation on rates of return and prices, and the role of diversification in investments."

Clearly, the statistics are disappointing. The lack of essential knowledge on financial matters and inability to manage personal finance not only affect an household, but makes an economy as a whole suffer too.

FINANCIAL LITERACY IN INDIA

Financial literacy and financial inclusion are two aspects of financial stability in a country. When people are financially literate, they are more likely to explore the products and services offered by banks and use them for their benefits. This accelerates the pace of financial inclusion, where everyone can access the basic banking facilities rather than relying on the orthodox systems of money market such as borrowing money from Zamindaars or village money lenders.

Unfortunately, when it comes to India's financial literacy rate the statistics are quite shocking.


According to a survey conducted by Standard & Poor's, over 76% Indian adults lack basic financial literacy and they don't understand the most basic and key financial concepts.

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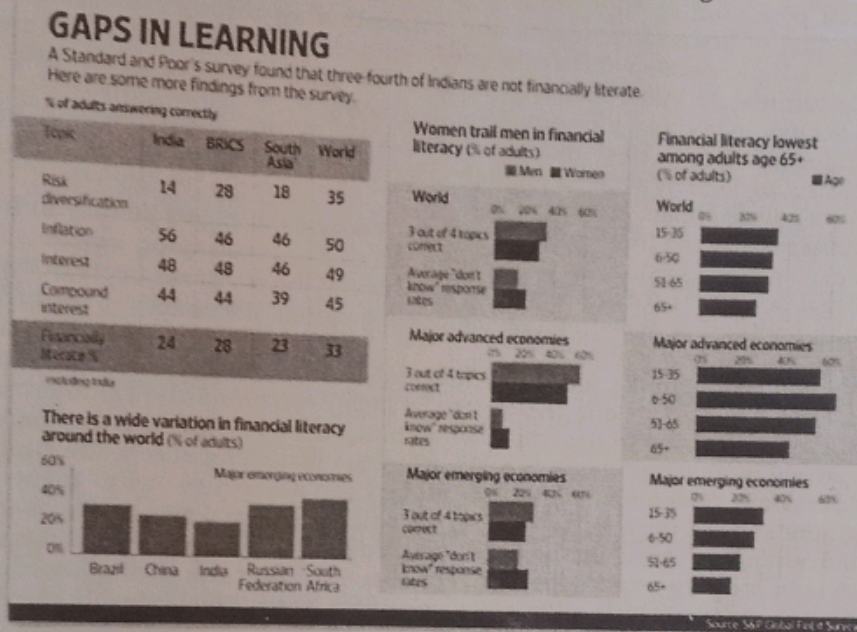
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