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FINANCIAL LITERACY: A STEP TOWARDS FINANCIAL INCLUSION

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ABSTRACT:- Access to financial products and services on a national scale is critical for a country's long-term prosperity. If the underserved are given access to a variety of financial products and services, they will be able to become contributing members of the economy and help drive economic progress. Moneylenders they interact with are dishonest people who make bad financial judgements and are likely to engage in dishonest or misleading business tactics. To alleviate poverty, lessen social inequality, and advance sustainability, microcredit in India seeks to make a wide range of financial services available to all of the country's citizens.

They are unwilling to utilise even the bank items that have been created expressly for them due to a lack of financial literacy levels and abilities, inaccurate information, and misconception of financial skills. "Lack of understanding in general, and investment experience in particular," is the "primary impediment" to banking to the economically disadvantaged. Policies aimed at fostering financial inclusion recognise the significance of financial education.

KEYWORDS:- Financial Literacy, Financial Inclusion Etc.

The number of Scheduled Commercial Banks in India was 12,585.7 as of March 31, 2015, an increase of almost 27% over the preceding five years. This increase was made possible in order to better meet the needs of the Indian public for access to basic banking services. Prime Minister Sh, Narender Modi launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014 with the aim of ending financial untouchability in India. The number of new accounts established as a result of this initiative set a new record. On the other hand, these accounts include fewer transactions of low value or account inactivity. The concept of financial inclusion also extends beyond the mere ability to get a bank account and make cash withdrawals using a debit card or a preloaded prepaid card. When individuals start using banks for more than just paying bills, they'll start saving money, investing it, and taking out loans based on their ability to pay them back. This situation illustrates how individuals may have access to items and services but are unable to make full "use" of them due to a lack of knowledge and comprehension. As a result, the need of raising people's level of financial education has been emphasised.

Initiatives in India

Bankers, lending companies, non-governmental entities (NGOs), and consciousness groups (SHGs) having joined forces with the India government to launch a variety of financial intelligence projects aimed at raising the general population's financial knowledge. This is an area where several organisations are making strides; Sanchayan, Sanjeevani, Educare, and Swades are just a few that come to mind. Improving the financial literacy of the general public is a priority, with a focus on empowering marginalised groups such as women, the young, and the impoverished to take control of their economic futures. Among the six pillars necessary for the successful implementation of PMJDY, financial education is widely recognised as among the most crucial.

Initiatives by RBI: The Reserve Bank of India (RBI) is making strong efforts to improve financial education in India. The Reserve Bank launched Project Financial Literacy to explain basic banking and finance terms in plain English to people of all walks of life. In November of 2007, we released a Financial Education Site where the fundamentals of personal finance may be understood via the medium of videos, cartoons, games, etc. The Reserve Bank of India (RBI) has launched a number of initiatives—essay contests, financial exhibits, the RBI Young Scholars Award' Scheme—to pique the interest of and educate young people about the financial sector. In addition, in 2009, the Reserve Bank of India opened Financial Literacy and Credit Counselling Centres to educate Indians about personal finance and encourage the development of responsible financial habits like saving. To help produce a new generation of adults who are financially literate, the central bank has collaborated with the Central Board of Secondary Education (CBSE) and the National Institute of Securities Markets (NISM) to establish the National Centre for Financial Education (NCFE) and incorporate financial education into the curriculum of schools across the country (National strategy for financial education, 2012). Because of this need, a draught was drafted (Financial Education Workbook for Class VII Draft Edition)51, and lessons on budgeting, saving, borrowing, interest computation, the value of insurance, and more have been woven into the curriculum for students in grades 6 through 10. CBSE, in partnership with NISM, has also begun administering a National Financial Literacy Test to students in Grades 8–10. For its Platinum Jubilee, the Reserve Bank of India has chosen to focus on promoting financial education and access.

Initiatives by Securities Exchange Board of India: SEBI is actively engaged in educating Indian investors on financial matters as part of its mission to safeguard investors' rights. Securities Market Awareness Compaign (SMAC) was launched with the aim of educating and empowering investors. Workshops, seminars, and investors education programmes are organised all across the nation by SEBI's certified resource persons to educate the public about various financial topics such as savings, investment, financial planning, banking, insurance, retirement planning, etc. Financial questions may also be sent to the SEBI hotline that has been set up for this purpose50. The SEBI Investors Awareness website has a library of publications and presentations on the subject of financial literacy and investor education, many of which are translated into regional languages. The major goal of these modules is to improve people's financial knowledge and abilities by catering to the specific requirements of various demographic subsets, such as high schoolers, college students, middle-income earners, stay-at-home parents, and retirees.

Insurance Regulatory and Development Authority (IRDA) efforts on Financial Literacy: Spreading knowledge about personal finance is a top priority for IRDA. It has organised many efforts to make policyholders more knowledgeable about their rights and responsibilities. IRDAI and NCAER collaborated on a survey throughout the whole country of India to raise people's insurance literacy. Each year, seminars are held with the policyholders' best interests in mind. Organizations representing consumers get funding to help offset the costs of hosting insurance education events.

Pension Fund Regulatory and Development Authority (PFRDA) efforts on Financial Literacy: The Pension Funds Regulatory and Development Authority is dedicated to provide pension plan education to the general public. It has partnered with a wide range of Indian NGOs in an effort to reach a wider audience there. It has polled government workers to gauge their knowledge of personal finance and the NPS.

National Strategy for Financial Education in India

In India, the Deputy Mayor of the Reserve Bank of India (RBI) serves as the program's primary authority and heads up the Technical Unit on International Investment and Revenue Collection of the Control Structures and Prosperity Council Inter.

Representatives from the Central Board of Secondary Education (CBSE), the National Council of Educational Research and Training (NCERT), and two State Councils of Educational Research and Training (SCERTs)

NIFE, Modi's National Institute for Economic Affairs, was set up to carry out the country's overall plan for finance. The mission of the National Institute for Financial Education (NIFE) is to design and operate a website dedicated only to financial education, which will serve as a central hub for all related initiatives.

In 2012, this group oversaw the creation of the National Framework for Banking Education that aimed at the whole country of India and provided assistance for social investment efforts.

To ensure the success of monetisation across India, the Human Resource Development Department of the Government of India has launched Digital financial literacy programmes . The goal is to transition towards a cashless society by enlisting the help of young people studying in universities around the country.

Financial Literacy

Cash management, scheduling, and investing are just a few examples of the many financial competencies that make up financial literacy (Kenton, 2020). The capacity to manage one's own finances is a crucial step towards achieving independence and security in one's life. Sound financial choices and long-term financial security need a blend of awareness, knowledge, ability, attitude, and behaviour, as stated by the Organization for Economic Cooperation and Development (OECD) (2011). In-depth familiarity with financial concepts such as compound interest, financial planning, credit card mechanics, beneficial savings strategies, consumer rights, time worth of money, etc., is also essential for financial literacy (Agrawalla, 2012).

The capacity to make sound judgements and good choices about one's own financial situation is what we mean when we talk about financial literacy (Noctor, Stoney and Stradling, 1992, pg. no. 4). To be financially literate is to possess a set of skills and dispositions that allow for the efficient and responsible administration of one's financial resources, including an understanding of basic ideas related to money management, familiarity with relevant financial institutions, and so on (Schagen and Lines, 1996).

There is a growing corpus of research on financial literacy, and it reveals that consumers' knowledge of even the most fundamental financial concepts and businesses is lacking (Lusardi and Mitchell, 2011b; Atkinson and Messy, 2012). Objective studies from a variety of industrialized economies suggests that fiscally irresponsible household members are more likely to engage in risky behaviours the over, impromptu sources of borrowed funds, and ineffectual or low share market participation.

Determinants of Financial Literacy

According to the OECD study (2011), financial literacy is defined as the aggregate score on questions testing knowledge, action, and attitude.

Age, gender, education, business, marital status, annual income, (Mian 2014; Bhushan 2014; Mathivanan and Mohanarajanjani, 2013) kind of job, location of employment, educational attainment, and family size are all factors that have been suggested as drivers of financial literacy (Mathivanan and Mohanarajanjani, 2013).

New financial products, rising market complexity, and shifting political, demographic, and economic considerations have all contributed to a greater emphasis on the need for higher financial literacy (Mian, 2014).

Financial Behaviour

One's approach to money management is part of what is known as "Financial Behaviour." It may be measured by looking at how well a person handles money and making other decisions. Financial behaviour has been defined as the process by which individuals manage their financial resources to attain financial success (Ishwara, 2014; Bhabha, Khan, Qureshi, Naeemand Khan, 2014; Sabri, Juen, 2014). This encompasses topics such as preparation for retirement, employee benefits, credit management, money management, record-keeping, saving and spending habits, financial management expertise, stock market involvement, the need for financial advice, saving and investment habits, and product awareness. The extent to which they actively save money and the frequency with which they take out loans are all aspects of their day-to-day financial management, as are their evaluations of the affordability of products and expenditures, the payment of bills on time, the planning and monitoring of the household budget, and the maintenance of frugal spending patterns.

In addition, studies show that people who learn about money early in life are more likely to take initiatives to increase their financial security as adults (Lusardi, Mitchell and Curto, 2010). To provide one concrete example, they are often more likely to save for retirement, a factor that may have a significant impact on one's financial well-being.

Entrepreneurs and Financial Literacy

An entrepreneur is someone who takes the initiative to create a business to capitalise on an opportunity and who, in that role, makes the calls on what, how much, and by whom the product or service will be created. An entrepreneur assumes financial risk, provides money, and manages, directs, or coordinates company operations. In most cases, the entrepreneur is the solo owner, one of many partners, or the dominant shareholder in a corporation. Economist Joseph Alois Schumpeter (1942) argued that business owners are not always driven by profit, but rather use it as a yardstick of sorts. Entrepreneurs exhibit a wide range of traits, including a high level of self-reliance, a drive for excellence, an unwavering optimism, a penchant for taking on challenges with a medium level of risk (Schumpeter 1942), a willingness to stick with something until it's solved, an abundance of resourcefulness, an open (Resnick & Nathan, 2014). Educating young people about money matters is important because it helps them make good financial choices and seek worthwhile business possibilities when they grow up.

It's possible that insufficient financial literacy is the primary cause of small firms' failure (Intuit Canada,2013). Only 18% of company owners are above average in their financial literacy, while 44% have below-average abilities (Financial Post, 2014). Entrepreneurs who don't have access to technical knowledge or helpful resources face steep challenges (Lenex & Victoria, 2014).

Entrepreneurship refers to any economic endeavour done by an entrepreneur (or businessmen). Entrepreneurship may be seen as the process by which novel combinations of existing resources and forces are created; they are innovations, not creations; thus no one becomes an entrepreneur permanently; only while engaged in the inventive activity.

Women Entrepreneurs and Financial literacy

In today's mature market economies, female business owners account for over 25% of all company holdings. Business enterprises run by women are expanding quickly in Africa, Asia, Eastern Europe, and Latin America. There is a rise in the number of female business owners as economies in various parts of the globe undergo a dramatic transition to the market economy. Unfortunately, just 8% of India's small-scale industrial businesses are owned and controlled by women, which is a very low percentage (Sumangala Naik, 2003; Pandian and Eswaran, 2002).

Women's financial literacy skills are lower than men's in both developed and developing nations, according to research conducted by the OECD and others. It's fairly uncommon for women of certain demographics to be financially illiterate, especially those in the following categories: young women, widows, women with lower levels of education, and women with lower incomes (Garrison and Gutter, 2010; Ford and Kent, 2010). Reduced economic and financial possibilities are a major factor working against women's full financial inclusion. Women need knowledge and expertise in money management in order to take charge of their own financial lives, those of their families, and the economy at large. Women require financial literacy to handle the larger financial risks they confront due to their longer life expectancy, shorter working lives in paid employment, and lower average earnings from which to save for old age. In order to gain economic independence, it is crucial that they understand the range of available financial services and products and make informed decisions about which ones to use (Falth and Anna, 2014).

Female entrepreneurship in the United States has surged by nearly 30% since 2007. women these days enterprises have been expanding at a rate 1.5 times that of other smaller companies over the last 15 years, and it is predicted that they will create more than 5 million new employment by 2018. (Gleeson, 2019).

Female company entrepreneurs have a tendency to launch their ventures at a younger age than their male partners, maybe because they get bored with the economic ladder faster or just can't resist the temptation to follow their dreams. When they opened their business, 51% of women were less than the age of 50, while 44% of males were (Guardian Financial, 2018).

Indian Women Entrepreneurs

In India, females account for about half of the population. Only 35% of all startup board members are women. Women account for 14% of India's business owners, and they are concentrated in only five large metropolises: Bangalore, Delhi-NCR, Chennai, Mumbai, and Hyderabad.

Nearly 60% of women company owners got their start between the ages of 20 and 30, and approximately 25% did it before they were 25. Seventy-three percent of female business owners have annual sales of less than Rs.10 lakhs and employ a staff of five or fewer (Startup India, 2020).

Rising numbers of women business owners can be attributed to a number of factors, including a more positive view of women in business, more opportunities for women to further their education, a more supportive social environment, advancements in technology and other infrastructure, easier access to funding, and an increase in inspirational role models (Bizztor, 2018).

Motivation behind the Study

Financial literacy and its influence on saving, investing, retirement, and other factors have all been the subject of separate studies, but no comprehensive studies examining the relationship between these two concepts have been conducted. It has also been discovered that women business owners have not been a primary focus of previous research on financial literacy despite the fact that they have been a key demographic for women in the workforce, youth, executives, students, and retirees.

This research seeks to fill a gap in the current literature by exploring the variables that contribute to the level of financial literacy among Indian women business owners and how that level of literacy influences their financial decisions and behaviour. The results of this research may be used by banks, banking institutions, and children's development cells to better comprehend how female business owners see and relate to money matters. By gauging the current state of financial literacy among women business owners, this research will assist banks, FIs, and other interested groups devise strategies to improve the situation.

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