Financial literacy for financial inclusion

What is the issue?

\n\n

The financial inclusion programmes of the government seem not to be materialising because of inadequate financial literacy.

\n\n

What is the status of financial inclusion?

\n\n

\n
- With many initiatives in the past and the recent Jan Dhan Yojana financial inclusion has gone to unprecedented levels.
\n
- However, a large number of accounts were frozen under the PMJDY owing to inactivity.
\n
- Only 33% of all beneficiaries were ready to use their Rupay cards.
\n
- Being a cash-intensive economy, India still remains among nations with the lowest access to digital payments.
\n
- Financial illiteracy and safety and security concerns inhibit moving to a digital world of payments.
\n
- Nearly 76% of India's adult population does not understand even the basic financial concepts.
\n
- People buy insurance policies without proper planning and give up midway because they don’t have money to pay the premium.
\n
- The customers end up losing heavily as penalties are very harsh.
\n

\n\n

What should be done?

\n\n

\n

- It is to be noted that merely opening an account does not ensure that the account is used.
\n
- Financial literacy programmes should be backed by products that address real needs of consumers, with the support to use the product.
\n
- People have to be imparted an ability to understand and execute matters of **personal finance**, including
\n

\n\n

\n

1. basic numeracy and literacy.
\n
2. financial awareness.
\n
3. knowledge and skills.
\n
4. attitude and behaviours necessary to make sound financial decisions.
\n
5. budgeting, investing, and risk diversification.
\n

\n\n

\n

- Employing a **service provider** in areas of financial literacy programmes can make people better understand the products and use them regularly.
\n
- A **cascade training model** where core trainers trained peer educators, who in turn trained community members can be adopted in rural communities.
\n
- Quality of access, affordability of products, familiarity and comfort in use, sustainability for the provider of these services are other issues that need to be addressed.
\n

\n\n

\n\n

Source: BusinessLine

\n



SHANKAR
IAS PARLIAMENT
Information is Empowering