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. Today financial services are becoming more accessible, financial market offers myriad of products with intricate features and services, leaving many people ill equipped to cope up with the sophisticated financial needs. The economies around the world have increasingly considered financial literacy as a key pillar for the development of their financial system. The financial education has grown a lot from its pre liberalization beginning to the present day conditions of post liberalization corporate era. The present study takes into accounts the different dimensions of financial literacy and education in India i.e. financial education its relevance, determinants and, role of regulatory authorities in India. The study concludes that the strategy for improving financial well-being of individuals in India should be focusing the young investors.

Keywords: Financial Literacy, Financial Education, Financial regulation, Financial Market.

I. INTRODUCTION

Integrated Global Financial market and changing financial objectives increased individuals’ responsibility in managing their own finances and securing their financial future. In an environment where the range and the complexity of financial products continuously Deeping the market, it is imperative that individuals have to develop well understanding of the world of finance in order to make better choices that are most appropriate to their financial goals and needs. Research from around the world reports inadequate financial literacy which raises serious concerns about the ability of individuals to secure their financial well-being.

Noctor, Stoney and Stradling (1992) introduced, conceptualized and defined the term financial literacy as “the ability to make informed judgments and to take effective decisions regarding the use and management of money”. Anthes (2004) stated that “personal financial literacy is the ability to read, analyze, manage and communicate about the personal financial conditions that affect material well being”.

OECD(2005) defines financial education is “the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.” Where, Information includes providing consumers the facts, data and specific knowledge to make them aware of financial opportunities, choices and consequences. Ben Bernanke (2011) highlighted the need for continual updating of financial literacy across all age groups because of the dynamic nature of financial products and services as well as the changing needs and circumstances of individuals with time. He observed that exposing young people to financial concepts is particularly important as they are vulnerable to the temptations of taking excessive debt.

Ministry of Finance (GOI) established several institutes purely based on finance in order to meet the demand of global finance market and carports’. INDIAN INSTITUTE OF FINANCE (IIF) founded in 1987 as a non-profit autonomous educational institution, to promote education and research in Finance. Indian Institute of Banking and Finance (IIBF) (formerly The Indian Institute of Bankers) was established in 1928. With more than 650 Institutional Members and over 2.5 lac individual members, it is the largest Institute of its kind in the world and is working with a mission "to develop professionally qualified and competent bankers and finance professionals. The institutes offer education, training, examination consultancy/counseling and continuing professional development programs”. It is our strong conviction that, through an increased understanding of banking and finance, people can enjoy better, more secure and more satisfying life.
National Institute of Financial Management (NIFM) was set up in 1993 as an autonomous body under the Ministry of Finance, Government of India. NIFM is registered as a society. The Union Finance Minister is the President of the NIFM Society.

The Institute was initially set up to impart training to the probationers joining the various finance and accounts services like Indian Audit & Accounts Service, Indian Civil Accounts Service, Indian Cost Accounts Service, Indian Defense Accounts Service, Indian P&T (Finance & Accounts) Service and Indian Railway Accounts Service of. Today it imparts professional education to the Executives, Professionals and Administrators of various Government Departments, the Public Sector Undertakings as well as to the executives from the corporate sector. The objective of NIFM is to provide insights into concepts and techniques relevant for formulating and implementing objective of NIFM is to provide insights into concepts and techniques relevant for formulating and implementing strategies in various functional areas of Financial Management, Accounting, Auditing, Human Resources Management, Information Technology and other related fields.

II. LITERATURE REVIEW

Mark Taylor (2010). Identify the key determinants of Financial Literacy. Using panel data models, He fined the key determinants to financial literacy are age, health, household size and structure, housing tenure, and the employment status of the individual and other household members. Older men and women in full-time work with an employed spouse have the highest financial capability although many of these characteristics have significant impacts on financial capability, but results suggest that age, and employment status has the largest impacts.

Tullio Jappelli (2009), has done a comprehensive assessment of literacy across the world based on a survey of executives in 55 countries, in 1995-2008. The survey respondents are a selected group of managers and country-experts. Through descriptive analysis he shows that literacy varies quite substantially among countries, and the regression analysis shows that its level depends on educational achievement, social interactions (as proxies by the share of urban population), and mandated savings in the form of social security contributions. The contribution rate is used as an (inverse) proxy for financial market deepening to minimize the risk of reverse causation between financial literacy and financial development, financial knowledge depends on cognitive ability.

Puneet Bhushan & Yajulu Medury (2013). Suggest that overall financial literacy level of respondents is not very high. Financial literacy level gets affected by gender, education, income, nature of employment and place of work whereas it is found that the people who are government employee has less level in comparison to the privet employee, geographical region do not affect the level of financial literacy. The level of financial literacy among the working young in urban India is similar to the levels that prevail among comparable groups in other countries i.e. the influence of several socio-demographic variables like influence of family income and gender on various dimensions of financial literacy is similar as recorded in other studies in Indian context.

Jason West (2012) show that the actions of individuals who are financially literate do not necessarily mean they will demonstrate good financial behavior. In order to improve the financial behavior of consumers, two critical areas need to be addressed. Firstly, the objectives of financial literacy programs should be not only to educate consumers about financial markets and products but highlight to individuals the psychological biases and limitations that they as humans cannot easily avoid. Secondly, the regulation of financial products sold to consumer’s needs alteration to meet the aim of protecting retail consumers from complex financial products that are confusing, ambiguous and inappropriate.

A survey, conducted by Visa, found that 34% of Indian women and 29% of Indian men claimed to have no savings. Similarly, it revealed that 43% of Indian women do not discuss matters of money management with their children, due in large part to their own lack of understanding. It is no surprise that in a society where women are less likely than their male counterparts to engage in paid work, and are therefore not expected to undertake decisions relating to the family budget, they do not educate their children in these matters.

According to the annual MasterCard’s index for financial literacy Only Japan fared worse with 57 points. In terms of overall financial literacy, India is at the bottom among 16 countries in the Asia-pacific region India is above with 59 index points from Japan, the index is based on a survey conducted between April 2013 and May 2013 with 7,756 respondents aged 18-64 years. The survey polled consumers on three aspects — basic money management (50% weight), financial planning (30% weight) and investment (20% weight) — to arrive at the overall financial literacy index. On individual parameters, India scored 50 index points in basic money management. The report states that for Indians, “the lack of ability to keep up with bills, set money aside for big item purchases and to pay off credit cards fully could be due to a lack of surplus cash, resulting from the fact that income levels are not high enough to cover expenses”. Interestingly, the financial literacy scores for Indians aged 30 and above were 59 compared with 61 for those less than 30 years of age.
III. METHODOLOGY

Objectives of research:
1. To identify the determinants of financial literacy and education.
2. Role of Regulatory authorities towards improvement of financial education in India.
3. What is the relevance of financial education in present day context?

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

IV. DETERMINANTS OF FINANCIAL LITERACY AND EDUCATION

Financial education is “the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”
The financial literacy level majorly depends upon the education and income of the individuals; the social factors such like family size, family background, age, regions nature of employment have a little impact on this.

(a) Gender: Financial literacy is affected by gender as women’s literacy in India is matter of debate since past, hear as women’s are saving rate among women’s is high not in formal ways as there are several biasness only the matters of education among them in the present periods India has improving status of women’s in terms of educations as well as employment level.

(b) Age: Financial literacy follows an inverted-U shape with respect the age. Financial literacy increases among the youths is high as soon as the age increases it decline this is may be due to time as soon as time varies a lot of changes took place in the financial market and youth is make effort to update and accept the changes.

(c) Education &Income: Financial literacy is associated with higher educational attainment and income. As soon as the education levels of individuals increases their understanding about the financial terms and clarity about their financial needs and goals in order to protect their finance they increases the effort toward the accessing the information ,which ultimately enhances their knowledge of present financial services and products.

(d) Geographical region &Employment Financial literacy is associated with more sophisticated investment. Financial literacy is independent of geography and religions of the individuals. While it is dependent upon the nature of employment the privat employees have better levels in comparison of government employees.
VI. RELEVANCE OF FINANCIAL EDUCATION IN TODAY’S WORLD

In the era of global integrated financial market importance of financial education cannot be overruled. The relevance of financial education is stated as under-

- Financial literacy and education is of particular relevance to emerging economies. As these economies endeavor to improve the financial situation of their citizens by achieving higher economic growth rates.
- Financial Education offers many employment opportunities to the people around the world.
- Enhancement of financial literacy would help improve the financial well-being of their people even further through sound financial decision making.
- The Financial education can help a person to understand the risk and return related to the fund invested in different financial product.
- Financial education helps in looking into a financial investment from various angles, and evaluating the various alternatives.

VII. CONCLUDING REMARKS

Given the emphasis on education in India, it should be possible to enhance the financial literacy among individuals. The financial literacy can be easily improved through inclusion of relevant material on financial literacy in the general education program of schools and colleges. The influences of sociological factors are important in financial decision making process any intervention strategy must take into account these sociological and behavioral aspects. The influence of the determinants suggests that the strategy for improving financial well-being of individuals in India should be focusing the young investors.

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activities, which contributes towards financial inclusion. In the view of financial inclusion the establishment of RRB, NABARD, and Nationalizations’ of Banks has been done. Promotion the different schemes such like self Help Group (SHG) etc. through microfinance institutions.

(2) Commercial banks

The role of banks is important as banks are the pillars of financial market. Commercial banks have initiated various measures for creating awareness about products through Counseling, Centers and Rural Self Employment Training Institutes on financial literacy. The objective of these centers is to advise people on gaining access to the financial system including banks, creating awareness among the public about financial management, counseling people who are struggling to meet their repayment obligations and help them resolve their problems of indebtedness, helping in rehabilitation of borrowers in distress etc.

(3) SEBI

The governing body of stock market India provides protection to the investors in stock market through rules. SEBI offers several programs to the youths regarding the knowledge in stock markets which covers the complete knowledge of different products. SEBI is conducting a financial awareness test for school level student and reward for the top positions students in upcoming months of the year, information and application forms are made available on its website.

(4) IRDA’S Initiatives on Financial Education

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(5) PFRDA Initiatives on Financial Education

The Pension Fund Regulatory and Development Authority, India’s youngest regulator has been engaged in spreading social security messages to the public. PFRDA has developed FAQ on pension related topics on its web, and has been associated with various non government organizations in India in taking the pension services to the disadvantaged community. PFRDA’s initiatives have become more broad-based with direct mass publicity on NPS – both as individual model through POPs and group models through Aggregators. PFRDA has issued advertisements in print media and electronic media through radio and television. PFRDA appointed intermediaries are called Aggregators who are directly responsible for pension awareness mostly in vernacular languages and in line with socio-economic sensibilities.
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