

A STUDY OF FINANCIAL LITERACY & IT'S ROLE ON FINANCIAL INCLUSION IN JHARKHAND

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ABSTRACT

Empirical research reveals that financial literacy is quite poor, especially among educated individuals in industrialized and developing nations. This is especially true for a developing nation like India, which has a large and diverse population, a lack of bank penetration (especially in rural areas), and a wide selection of financial products. India's rapidly improving urban infrastructure, its young demographic dividend, and its distinctive socioeconomic and geographical mix provide an excellent opportunity to channel the country's untapped potential. When more individuals can participate in the economy because they have a basic understanding of money management, we all win. The idea of financial inclusion has been given a boost by recent government efforts like Jan Dhan Yojana. Therefore, learning about money is the first step in establishing financial stability. Several programs have been launched by the government of India to improve citizens' familiarity with and ability to use financial tools. To help readers better grasp the relevance of financial literacy, this article details the many efforts made by Indian regulatory bodies in the state of Jharkhand to promote financial inclusion and education. This research intends to examine the efforts of the Indian government (namely the RBI, SEBI, and IRDA) to raise the country's financial literacy. The current level of financial literacy in the state-wise of India has also been investigated.

Keywords:- Financial Literacy, Financial Inclusion, RBI, SEBI, IRDA.

INTRODUCTION

The importance of knowing how to handle money has grown in recent years due to factors including the emergence of new financial products, the complexity of financial markets, information asymmetry, and shifts in other economic components. It influences people's overall understanding of financial products and their personal choices towards investment in such products. Increasing one's financial literacy is learning more about financial concepts, markets, and products so that one may take charge of their financial future and move toward more stability and autonomy. Choose intelligently among the various financial products and services on the market to resist inflation and maximize earnings. Being "Financially Smart" requires familiarity with basic banking principles, budgeting, and financial planning in addition to stock market investing.

Financial literacy also includes an understanding of fundamental concepts and principles, such as budgeting, saving, investing, and borrowing. When people don't know enough about money, they could make decisions that hurt their finances. Aimed at meeting the needs of persons interested in financial education, the federal government established the Financial Literacy and Education Commission. Learn the foundations of budgeting, monitoring spending, paying off debt, and saving for retirement to improve your financial literacy. Consulting a financial expert is one alternative. Education in money management covers topics such as the history of money, budgeting, and dealing with financial stress in both the individual and the larger community. Education in money management may help people become financially independent, which can help them achieve the aim of financial stability. Many consumers have inquiries before making a purchase; queries such "is this item necessary?" "how much will this cost?" and "will this be an asset?" are best answered by experts in the industry. This section exemplifies how a person's outlook on and approach to money shape his experiences throughout life. A person's financial literacy level indicates how well they can handle their own money. The ability to do so might be useful in the creation of a budget outlining one's earnings, outlays, and financial obligations. People of all ages and socioeconomic backgrounds suffer from financial ignorance. Those who aren't financially savvy might fall victim to predatory lending, fraud, exorbitant interest rates, and subprime mortgages.

REVIEW OF LITERATURE

Kumari S. and Viz P. (2013), examined the initiatives that were taken by significant regulatory agencies in order to promote financial literacy. Researchers emphasized the significance of the many different financial literacy programs that are offered in different parts of the nation to educate individuals about personal finance topics. They offered recommendations to the decision-makers for the identification of the expanding need for financial awareness and the development of appropriate programs for financial literacy.

Aggarwal and Gupta (2014), The extent to which demographic characteristics such as gender and education level have an effect on one's understanding of financial matters was investigated. They conducted a poll on 148 students to try to answer the question of whether or not having a commerce degree increases students' understanding of financial matters while they are in college. It was discovered that the amount of education and discipline had a beneficial influence on one's ability to manage their finances well.

OBJECTIVES OF THE STUDY

- To analyse the impact of Financial Literacy on Financial Inclusion.
- To analyse the various initiatives taken by Financial Regulators in India to improve people's knowledge of personal finance.
- To analyse the progress of Jharkhand state in financial Literacy.

RESEARCH METHODOLOGY

This research makes use of secondary sources to provide a descriptive, qualitative account. In order to determine the significance and investigate the demand for financial literacy in India, a comprehensive literature review was conducted. The secondary data comes from a wide range of print and digital publications, including periodicals, journals, magazines, websites, and books. The Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and the Insurance Regulatory and Development Authority (IRDA) all have websites where you may learn about the financial literacy projects they've launched.

FINANCIAL LITERACY INITIATIVES IN INDIA

A. The Role of RBI in Promoting Financial Literacy

The Reserve Bank of India is charged with fostering the economic development of the nation through promoting financial inclusion and financial literacy. To this purpose, the Reserve Bank of India (RBI) has made available on its website in almost 13 different languages a variety of cartoons, handbooks, brochures, etc. intended for use by banks and other participants in teaching the public about financial products and services.

Pamphlet FAME (Financial Awareness Messages) was released by the Reserve Bank of India (RBI) to educate the general public about financial matters. Budgeting, saving, and borrowing responsibly are all emphasized, as is keeping tabs on one's creditworthiness, credit score, and loan repayments, as is making use of doorstep banking and other forms of localized banking, filing complaints with the bank and the Banking Ombudsman, making use of electronic transfers, investing in legally formed entities, and so on.

To further the public's education on these topics, videos on topics like "Basic Financial Literacy," "Unified Payments Interface," and "Going Digital" have been produced. The 'Raju' and 'Money Kumar' series of picture books published by the Reserve Bank were both huge hits with kids. The booklets "Raju" and "The Money Kumar" provided information on the Reserve Bank of India and taught readers about banking concepts and safe financial habits, respectively.

"Project Financial Literacy" is just as important as the Reserve Bank of India's financial education program. The purpose of this work is to provide information about RBI and unified banking to as many people as possible. All of RBI's top brass also take part in the company's frequent town hall meetings and other outreach events, where they provide insights on the state of the economy, the banking system, and RBI itself. Educational institutions are welcome to visit RBI to learn more about the inner workings of the organization.

B. The Role of SEBI in Promoting Financial Literacy

The Securities Exchange Board of India has begun a program that will reach all of India's population with financial literacy information. Financial education and literacy are priorities for SEBI, hence the organization established the National Institute of Securities Market (NISM) and its "School for Investor Education and Financial Literacy." Since 2014, NISM has been in charge of the Investors Education Programme. Each year, NISM administers financial literacy quizzes and the Pocket Money Financial Literacy Programme in classrooms around the nation.

SEBI has hired Resource Persons, people with substantial training and knowledge of the financial markets, to educate investors all around the country. They've been set up to assist people learn more about handling their own finances. SEBI has reached out to many intermediaries in the Indian financial system for help, including stock exchanges, depositories, the Association of Mutual Funds in India, the Association of Merchant Bankers in India, etc.

Students from all around India are encouraged to visit SEBI as part of the program "Visit SEBI" and get insight into the workings of the institution. SEBI has set up the SEBI Helpline and SCORES (SEBI Online Complaint Redressal System) so that investors all across India may voice their issues and have them resolved.

C. The Role of IRDA in Promoting Financial Literacy

According to the Insurance Regulatory and Development Authority, a lot of work has been done to boost financial literacy. Regular awareness events have been developed to distribute data on policyholder rights and duties, easily available dispute and grievance redressment channels, etc., under the National Strategy for Financial Education (NSFE). These notices have been sent all throughout India via the internet, TV, radio, print media, etc., in a wide range of Indian languages. The "JAGO GRAHAK JAGO" consumer education program is organized by the Indian government's Ministry of Consumer Affairs, Food, and Public Distribution, and IRDAI has engaged in it.

The Insurance Regulatory and Development Authority (IRDA) is spreading the word about insurance via its "Bima Bemisaal" campaign. The campaign's motto is "Promoting Insurance Protecting Insured," and it aims to do just that through a consumer education initiative. In order to keep track of policyholder complaints and how they're being addressed, the Insurance Regulatory and Development Authority (IRDA) created the Integrated Grievance Management System (IGMS).

The IRDA polled NCAER members on their understanding of insurance so that it could hone its strategy for increasing public awareness. One of IRDA's many annual sponsored events is a seminar focused on insurance and policyholder safety and welfare. Similar to the "Policyholder Handbooks" published by the Reserve Bank of India, a comic book series has been published by the Insurance Regulatory and Development Authority (IRDA). IRDA has also launched the website www.policyholder.gov.in for policyholder education.

DATA ANALYSIS AND INTERPRETATION

Table 1: Trend in the Opening of New Commercial Bank Branches across the Eastern Region States

States/ UTs	Opened No. of New Branches			% Share of New Branches Opened		
	2010-2011	2011-2012	2012-2013	2010-2011	2011-2012	2012-2013
Bihar(BR)	178	279	307	26.3	27.4	31.0
Jharkhand(JH)	116	155	174	17.2	15.2	17.6
Orissa(OD)	160	219	223	23.7	21.5	22.5
Sikkim(SK)	6	6	7	0.9	0.6	0.7
West Bengal(WB)	214	355	274	31.7	34.9	27.6
Eastern Region Total (including Andaman & Nicobar)	676	1018	991	100	100	100

Source: Data compiled from Jharkhand Economic survey report 2013-14

Jharkhand has seen a smaller proportion of new branches of scheduled commercial banks open compared to other major States in the Eastern region during the last several years, despite the general increase in the number of new commercial bank branches. Jharkhand's 17.6% share of Eastern region new branch openings in 2012-2013 was much lower than that of neighbouring states like Bihar, Orissa, and West Bengal.

Table 2: Progress Under Microfinance (As on March 31, 2013)

(Amount in Rs Lakh)

	Savings of SHGs with Banks		Bank loans Disbursed to SHGs during 2012-2013		Bank Loan Outstanding against SHGs	
	No. of SHGs	Amt.	No. of SHGs	Amt.	No. of SHGs	Amt.
Jharkhand(JH)	85344	7689.9	8874	7536.1	61728	37747.8
Eastern Region	1471099	139326.0	182823	129018.9	1020656	553813.5
All India	7317551	821725.5	1219821	2058536.4	4451434	3937529.7
Jharkhand's Share in Eastern Region (%)	5.8%	5.5%	4.9%	5.8%	6.0%	6.8%
Jharkhand's Share in All India (%)	1.2%	0.9%	0.7%	0.4%	1.4%	1.0%

Source: Data compiled from Jharkhand Economic survey report 2013-14

Compared to other eastern states, Jharkhand has a relatively low number of SHGs and a negligible quantity of loans provided to them. The percentage of total SHG loans in India that was awarded in Jharkhand was far lower than the rest of the country. There is a lot of opportunity for the SHG network to expand throughout the State, therefore encouraging it is a good idea. Women's advocacy for SHGs, especially in places heavily struck by extremism, is urgently needed.

CONCLUSION

However, India has a dismal financial literacy rate. The Indian economy would continue to struggle because of the low level of literacy among the population. It is recommended that more funding be allocated toward financial literacy workshops, seminars, programs, schemes, workshops, and projects at the scholastic, tertiary, occupational, and residential levels so as to increase its efficacy on the utilisation of financial products and services, thereby enhancing the financial system of the nation. Practical financial knowledge may be improved by widespread implementation of small-scale activities on the many kinds and relevance of investment outlets in local schools, institutions, workplaces, and communities. There is also an urgent need to evaluate the results of such programs on a regular basis. The banks in the state of Jharkhand serve several different purposes. It encourages more investment by providing capital to those who might otherwise be unable to do so. Financial development must maintain pace with economic progress in order for the Jharkhand economy to reach its full potential. Jharkhand's banks have been expanding their reach into underserved areas by opening new branches and hiring business correspondents. The formerly unbanked may change their spending and saving habits if they have access to traditional banking services in the future.

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