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Financial Literacy Paving way for Financial Inclusion in India

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"Financial literacy is a prerequisite for effective financial inclusion, which will ensure that financial services " reach the unreached and under-reached sections of the society," Dr.Pranab Mukherjee,(2010).

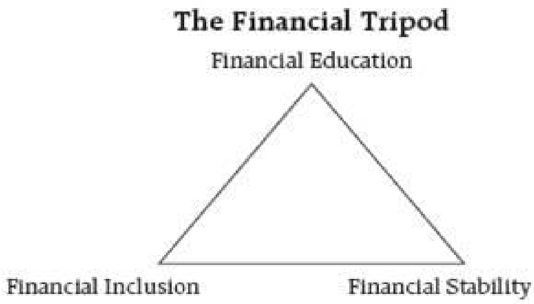
Abstract: *The outcome from the elaborate system of priority lending system in India has been mixed. We suffered Global Economic crisis because ordinary people did not understand adjustable rate mortgages or risks associated with credit card debt. Financial markets now offer complex choice to consumers, but literacy is essential for consumers to make informed choices and hence it is very important to focus on* ***Financial Literacy*** *initiatives for all. To understand* ***financial planning****, a person should be financially literate and be able to understand the importance of preparing household budgets, cash-flow management and asset allocation to meet financial goals. Hence, the foundation of financial literacy needs to be laid by inculcating financial prudence through education at the school level. When we talk about financial literacy, we are usually referring to a set of skills that allow people to manage their money wisely along with some understanding of essential financial concepts, not least an appreciation of the trade-off between risk and return. Financial Literacy is not just about markets and investing, but also savings, budgeting, financial planning, basics of banking and most importantly, about being "Financially Smart". To understand financial planning, a person should be financially literate and be able to understand the importance of preparing household budgets, cash-flow management and asset allocation to meet financial goals. Thus, the foundation of financial literacy needs to be laid by inculcating financial prudence through education at the school level. Financial Literacy is considered an important adjunct for promoting* ***financial inclusion****, consumer protection and ultimately,* ***financial stability****. Financial Inclusion and Financial Literacy need to go hand in hand to enable the common man to understand the needs and benefits of the products and services offered by the formal financial institutions. Globally, it is observed that commerce for the poor is more viable than commerce for the rich. Financial Inclusion needs to be pursued in a commercially viable manner, which is possible only if the entire suite of products including credit products, remittance services and deposit products are offered to customers. One critical advantage that India has in its Financial Literacy and Financial Inclusion efforts is the strong institutional framework in place for guiding its implementation. Thus, in this paper the author is emphasizing the need for Financial Literacy leading towards Financial Inclusion in India.*

Keywords: Financial Literacy, Financial Planning, Financial Inclusion, Financial Stability

I. Introduction

Financial literacy is a mix of one's skill, knowledge and attitude towards financial matters which helps to make informed decisions and well-being of an individual. The **OECD ,** defines financial literacy as –"A combination of awareness, acquaintance, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being". However, for emerging market economies, ensuring adequate access to financial products and services is more important with the financial literacy initiatives focusing on creating demand for these products/services. In India, the access to products itself is lacking. Therefore, ensuring widespread access to financial products/ services and greater knowledge about the basic financial products/ services, including their risk/ return profiles, is essential for expanding the outreach and inclusiveness of the financial system. Thus, our financial literacy efforts are closely interlinked with our financial inclusion strategy. Financial Literacy is considered an important adjunct for promoting financial inclusion, consumer protection and ultimately, financial stability.

FIGURE-1



Financial Inclusion can be defined as ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups, such as weaker sections and low income groups in particular, at an affordable cost, in a fair and transparent manner by regulated mainstream institutional players. So, from the financial literacy perspective, it essentially involves two elements: one of access and the other of literacy. The Center for Financial Inclusion (CFI) defines financial inclusion as a state in which all people have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. This implies that financial inclusion is beyond mere access to financial services as could be assumed. It adds that these services are provided by a range of institutions, mostly private. Gardeva and Rhyne (2011) notes that based on survey results, CFI expands its definition to note that full inclusion requires the clients of these services to be financially literate. Currently the definition of financial inclusion has been improved to recognize the need for financial literacy for a proper financial inclusion to be realized.

Everyone in the economy needs to be financially literate viz., users and providers of financial products/ services. In the Indian context, the users can be broadly categorized as the financially excluded resource-poor, the lower and middle income groups and high net worth individuals. For the resource-poor population, financial literacy would invariably involve addressing deep entrenched behavioral and psychological factors that are major barriers to participating in the financial system. For the same, our financial literacy efforts are primarily directed towards dissemination of simple messages of financial prudence (vernacular language) through large awareness campaigns across the country combined with vigorous roll out of financial inclusion plans by banks, insurance and pension funds, and others. However, it is important to note that being literate is not a necessary prerequisite for attaining financial literacy as the basic financial messages can be conveyed through various alternate means without relying on written inputs. Some of the basic messages we seek to deliver are: Why save? Why save regularly and consistently? Why save with banks? Why borrow within limits? Why borrow from banks? Why borrow for income generating purposes? Why repay loans in time? Why we need insurance? Why one needs regular stream of income post working life-pension? Why should we keep money aside regularly and consistently during your earning life for pension in old age ? What is interest? How moneylenders charge very high interest rates? What is the difference between money and credit. For the lower and middle income groups that are participating in financial markets as either savers or borrowers or both, i.e. the financially included, financial literacy is about enhancing their knowledge about the market and about the range of products/ services available for meeting various financial goals. For high net worth individuals, the education is useful to fetch greater returns from their investments in the market and to avail credit at relatively cheaper rates. But whether saving or investing, the basic lesson that a higher return implies higher risks cannot be lost sight of. People need to be educated to balance their investments in terms of liquidity and risks and that they should not put all eggs in the same basket.

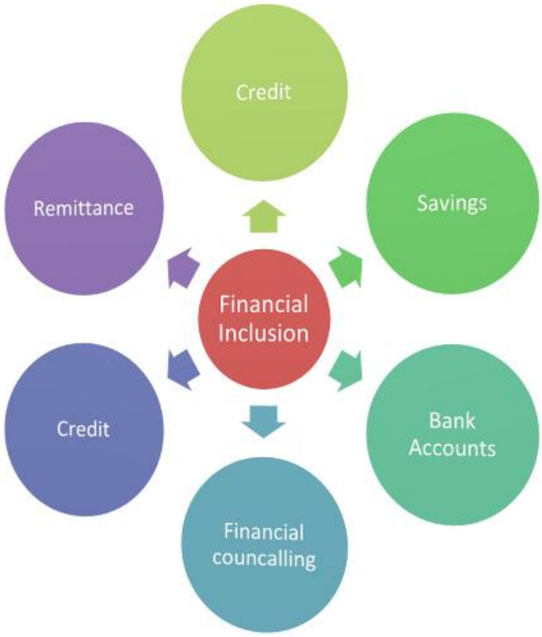


Fig. 2 Source: Rangarajan Committee Report

II. Need for Financial Literacy and it's importance

According to Dr Subbarao, ex- Reserve Bank Governor of India, "In the Reserve Bank, we treat financial inclusion and financial literacy as twin pillars. Financial literacy stimulates the demand side – making people aware of what they can and should demand. Financial inclusion acts from the supply side – providing in the financial market what people demand". Raising financial literacy supports social inclusion and enhances the wellbeing of the community. There is need for financial literacy in both the developed countries and the developing countries as it leads to : -

Fig. 3 Need For Financial Literacy

1. Improvements in Knowledge and Skill: As we have seen in this competitive era there exists wide range of various financial products and services, so it becomes very difficult for an investor to choose what suits him best. Sometimes he/she gets misguided and is not able to make appropriate choices. So here, financial literacy plays a crucial role in imparting knowledge to investor such that he can make informed choices. So financial literacy develops a skill set among individuals which develops confidence to manage their personal finances and handle unforeseen contingencies more wisely.

2.Freedom from vicious circle: Financial literacy creates awareness among individuals regarding various financial tools. This will help them to save themselves from vicious trap of moneylenders who charge them high interest rates. Financial literacy will help them to overcome such serious issues by making them aware of various facilities and government schemes available to them. Also, over indebtedness will be reduced - Financial literacy helps an individual to make informed and wise financial decisions due to which over indebtedness decreases and quality of services will also improve. They are now overburdened with high debts and knowledge of financial tools will help them to do better financial planning.

3.Empowers Entrepreneurship: Financial literacy promotes entrepreneurship and helps a small entrepreneur to generate business, as it gives knowledge and also develops skills in an individual. It helps in effective understanding of finance and making effective decisions for business. It is dire need of the hour to improve financial literacy especially in business sector. Financial education can initiate a plethora of effects in a countries' economy. A financially literate family has knowledge of various financial products so they will promote savings and even channelize these savings into investments ultimately leading to welfare of society.

4.**Change in behavior:** The knowledge of financial products acts an agent to do the behavioral change in an individual. Various campaigns, programs and other initiatives will lead to behavioral changes and improved financial items.

5.Extreme penetration in Financial Markets: In India, there is a need to channelize savings and covert savers into investors that can only be done through financial literacy. Basic savings, mortgage and investment options demands financial literacy. So if financial literacy increases , participation in financial markets will also increase leading to paramount success of economy.

Thus, financial inclusion of the unbanked masses is a critical step that requires political will, bureaucratic support and constant pressure by the RBI. It is expected to unleash the hugely untapped potential of the bottom-of-pyramid section of Indian economy leading to following benefits:

- The rural masses will get access to banking like cash receipts, cash payments, balance enquiry and statement of account can be completed using fingerprint authentication. The confidence of fulfillment is provided by issuing an online receipt to the customer.
- Reduction in cash economy as more money is brought into the banking ecosystem
- It inculcates the habit to save, thus increasing capital formation in the country and giving it an economic boost.
- Direct cash transfers to beneficiary bank accounts, instead of physical cash payments against subsidies will become possible. This also ensures that the funds actually reach the intended recipients instead of being siphoned off along the way.
- Availability of adequate and transparent credit from formal banking channels will foster the entrepreneurial spirit of the masses to increase output and prosperity in the countryside.

Hence, financial inclusion can initiate the next revolution of growth and prosperity. In the 21st century, India has been pulling all the right levers to advance financial inclusion and economic citizenship by channeling its own transactions to lubricate the system. India's journey towards economic ascension relies on how the 65% unbanked population of India (conservative 2012 estimate by World Bank) is enabled with financial infrastructure.

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III. Literature Review

Before initiating any study, a critical and thorough insight of the studies already conducted relating to the topic is imperative for conceptual clarity and methodological improvement in the research work to be conducted. In this backdrop, the studies already conducted related to the topic of present study have been reviewed and presented in this chapter.

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".

Bernheim (1995, 1998) was one of the first researchers to emphasize that most individuals lack basic financial knowledge and numeracy.

Garman & Forgue (2000) defines financial literacy as knowing the facts and vocabulary necessary to manage one's personal finances successfully.

Kim (2001) stated that Financial literacy is a basic knowledge that people need in order to survive in a modern society .

Studies by **Lusardi and Mitchell (2006)** shows that many households are unfamiliar with even the most basic economic concepts needed to make saving and investment decisions .

According to **IIMS Survey** conducted **(2007)** in their study collected the data from 5637 respondents and purposive sampling been done, the respondents were chosen from low income households. The data reveals that formal training programmes are more informative increase awareness in comparison to informal training programmes. Lower level of literacy was observed among respondents in Rajasthan as compared to other states.

Bist Singh Rajender has emphasized on role of ICT enabled services on development of a nation how does it helps in creating employment opportunities ,reducing disparities, help farmers in creating value based information. The researcher has discussed about various initiatives in regard to financial inclusion technology alternatives which like ATM, kiosk, Mobile financial services. According to analysis 70% of respondents consisted of women, who belonged to poor unbanked and had limited access to financial services and are mainly from SC/ST category.

Howlett, Kees and Kemp (2008) state that becoming financially literate refers to possessing knowledge and craft in order to handle money well.

According to the **Planning Commission (2009),** Financial Inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.

Huston (2010), described Financial Literacy as "measuring how well an individual can understand and use personal finance-related information".

Mishra (2011), conducted the first doctoral research in Financial Literacy in Indian context and shares views on lower Financial Literacy among the Indian middle class.

Chakrabarty (2011) discusses that in an attempt to tackle the problem of financial inclusion in India, the Reserve bank initiated several measures such as persuading state governments for including financial education in the school curriculum; advising banks to setup financial literacy & credit counseling centers in all districts; conducting outreach activities across the country focusing on the twin objectives of financial inclusion and financial literacy in which the top management like directly participate; 160 remote unbanked villages selected by RBI for transformation into model villages characterized by 100% financial inclusion through ICT initiatives and organizing town hall events and release of films on financial literacy among other measures. These measures greatly helped to reduce financial literacy in India as the banking cover; total villages covered and the number of ATMs increased amongst other achievements. According to Chakrabarty,2011,Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players.

Visa (2012) study of global Financial Literacy, found that women do not take part in financial decision making the reason being they don't understand the money part much , they are not able to teach lessons to their children about saving which results in no savings for 34% of Indian women and 29% of Indian men. As per **TOI, MARCH 1,2011**, "Indian women have better financial literacy levels than their counterparts in China and Japan but are still placed at the bottom half in a ranking of 14 countries. The most populous markets in the world- India (61.4) and China (60.1) reflected a lower Financial Literacy score among women and are ranked at 11th and 12th position respectively."

"Studies by **Marzieh et al. (2013)** revealed that the age and education are positively correlated with financial literacy and financial wellbeing. Married people and men are more financially literate. Higher financial literacy leads to greater financial well-being and less financial concerns. Finally, financial wellbeing leads to less financial concern."

Jariwala (2013) expressed disappointment over the lower Financial Literacy in the state of Gujarat, India. Her point on Financial Literacy is to understand basic financial concepts, principles, skills followed by an awareness on key financial products for making good financial decisions.

Lusardi and Mitchell (2014) define Financial Literacy as "people's ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions" .

Mundra (2015) ,"The Deputy Governor of RBI, mentioned four types of financial illiterates in India namely the Wise illiterates, Greed driven illiterates, Information deprived illiterates, Kindergarten illiterates and Illiterate illiterates."

Purohit (2015) has conceptualized Bhartiya Model of Financial Literacy and defined it as "a small subset of Purusharth which though cannot be understood in isolation yet it deals with the financial knowledge, behaviour, attitude, approach, choice pattern, emotions, mindset and lifestyle keeping in view that Moksh (oneness with God) and not the material wealth is the top priority, for overall happiness of self and everyone".

It has been believed that financial literacy in India is low, but never any attempt was made to measure financial literacy in context of Indian culture and ethos. Financial Literacy is used in connection with financial matters. It involves knowledge about proper decision making investing, tax planning and retirement. With the changing time span there are variety of financial products available, the need is to understand its importance. Research around the world depicts low financial literacy especially in developing nations because of which there is a strict need to have increased financial literacy to secure financial well being of a nation. OECD has implemented various financial literacy programmes. Our Indian Economy has witnessed various structural changes and Financial Literacy is an important tool for promoting financial stability, therefore various initiatives have been taken

IV.Objectives

1.To investigate the impact of financial literacy programmes on financial inclusiveness of marginalized populace within the country.

2.To assess the strategies employed by financial services institutions to enhance financial inclusion .

3. To know the level of financial literacy among rural households.

4.To examine banking population .

5.To understand the requirement and significance of financial literacy in today's era.

6. To study the determinants which have impact on financial literacy.

7.To identify suitable measures to enhance financial literacy.

8.To identify the channels through which financial literacy can be imparted to the masses.

9.To assess the role of regulatory bodies and to study the impact of various steps taken by them.

V. Strategies employed by financial institutions to enhance financial inclusion in India

One critical advantage that India has in its Financial Literacy and Financial Inclusion efforts is the strong institutional framework in place for guiding its implementation. We have the Financial Stability & Development Council (FSDC) headed by the Union Finance Minister which, *inter alia*, has been mandated to look after Financial Inclusion and Literacy efforts. With heads of all financial sector regulatory authorities being part of the FSDC, it seeks to ensure inter-regulatory co-operation for attaining the stated goals. FSDC has constituted a Sub-Committee to focus solely on Financial Inclusion and Literacy. In our multi agency approach, Reserve Bank has taken a lead role in spreading financial inclusion and financial literacy, both in terms of creating an enabling policy environment and providing institutional support. In India, a large number of stakeholders including the central and state governments, financial regulators and players, civil society, educationists and others are involved in spreading financial literacy. As we have adopted a bank led model for financial inclusion, banks are actively contributing to our financial literacy initiatives by setting up Financial Literacy and Credit Counseling Centres with focus on educating people on availability of various deposit, credit and remittance products offered by banks, so as to create demand for the same, with the aim of attaining Financial Inclusion. As on March 31, 2012, there were 429 FLCCs functioning throughout the country. Use of mobile Financial Literacy vans by banks in the North Eastern States, Weekly Radio programmes on financial literacy in some States by banks and similar programmes in Tribal districts by NABARD, awareness programmes on various Government Sponsored self employment schemes involving bank loans and subsidy by Government agencies like KVIC,DICs, SC/ST corporations, Mass media campaigns, tie ups with educational institutes, financial awareness workshops/ help lines, books, pamphlets and publications on financial literacy by NGOs, financial market players, etc. National and State level rural livelihood missions have large number of field functionaries for proper handholding support to a large number of Self Help Groups. A number of other websites/portals of banks/ /State Level Bankers Committees are disseminating information on banking services. Conduct of Financial Literacy programmes by Rural Self Employment Training Institutes, conduct of training programmes for Farmers Clubs, NGOs & SHG members by NABARD are also useful initiatives in this regard. State Governments and local level administrations have an important role to play in financial literacy campaigns as they are closer to the ground and will be in a position to better implement the initiatives taken.

A notable achievement has been made by Kerala by achieving total financial inclusion. At least one member of every household of the state has a bank account. Kerala now tops the Index of Financial Inclusion (IFI) prepared by RBI – estimated on the basis of data on banking penetration, availability of banking services and usage of the banking system among States.

Thus, Financial literacy is a conceptual model containing six basic components: (1) Saving Borrowings; (2) Personal Budgeting; (3) Economic Issues; (4) Financial Concepts; (5) Financial Services and (6) Investing. Financial Literacy creates demand for financial products & services, thereby accelerating the growth of Financial Inclusion into our system.

VI. Relationship between Financial Literacy and Financial Inclusion

Financial literacy and financial inclusion are twin pillars where financial inclusion acts as supply side for providing financial services and financial literacy acts as demand side making people acquainted with what they should buy. As the main motto of financial inclusion is to provide access to financial services to the masses at an affordable cost, so it is imminent that the masses be financial literate to avail much benefits and augment the process of inclusive growth. Financial inclusion mainly aims at providing the basic financial services and other financial services like insurance, mutual funds etc, which can only be done by improving financial literacy.

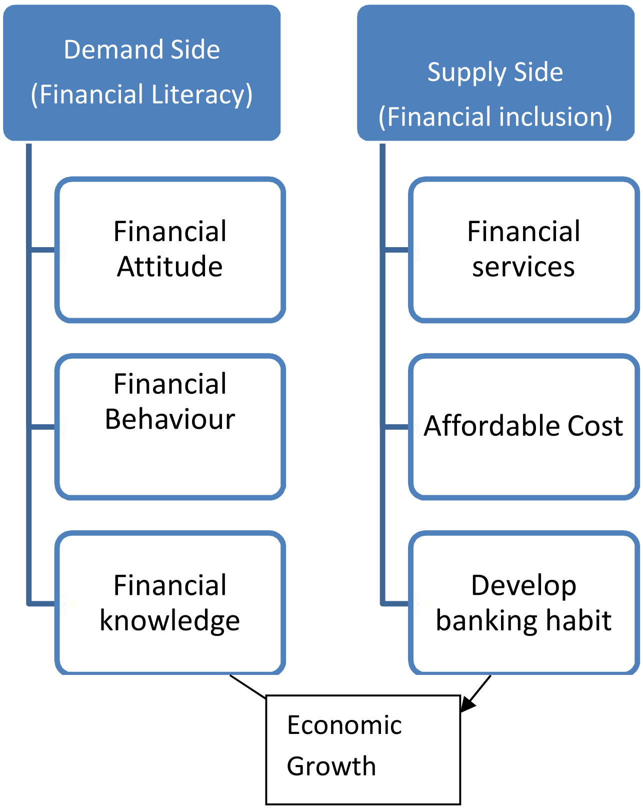

Fig. 4 Twin pillars of Financial Literacy and Financial Inclusion paving way for Economic Growth

VII. Determinants of financial literacy

OECD has defined financial literacy as "A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately lead to financial well being". It is only by financial education that consumers improve their understanding of financial products and also develop the skills and abilities to become more aware about financial opportunities and risks, to conclude informed choices, to know where to go for help, and to take other effective actions for improvement. So there are various determinants like gender, age, education, income, geographical location and employment which affect financial literacy, as under:

Gender: In India financial literacy is directly affected by its gender as differentiation exists between males and females since time immemorial. There is a huge financial gap amongst men and women across the nations. According to S&P rating services survey 2016, worldwide there is a considerable gender gap which is evident by the fact that globally 65% of men are not financially literate while nearly 70% of the women are financially illiterate. The divide is even wider in India as 73% of men and 80% of women are not financially literate.

Age: In advanced economies, there is an increase in levels of financial literacy with age but after a certain age it tends to decline. On an average, 56% of those people who are in the age group of 35 or younger are financially literate, as compared to 63% of those who are in the age bracket of 35-50. At 32%, financial literacy in emerging economies is higher for young adults than for the oldest adults of whom only about 17% are financially literate. (S&P rating services survey 201611) Thus, it can be concluded that levels of financial literacy are directly impacted by age factor. Financial literacy among the youths generally ranges from moderate to high levels and it declines as the age increases. This also shows that an individual has to make efforts to update and accept the changes which are taking place in financial arena.

Income and Education: Financial literacy has a direct relationship with education level of an individual. As the level of education increases their levels of general knowledge, general awareness, levels of understanding, levels of perceptions, abilities to comprehend, skills of decision making etc also improves considerably. Such individuals are more likely to assess financial risks and take informed decisions to meet their financial goals.

Geographical region and Employment: Financial literacy is closely associated to its geographical region, nature and level of employment. According to Census 2011-12, Literacy rate of Kerala is 93.91% which has increased by 3% since last decade, also it holds the status of most literate state in India. The environment that surrounds an individual has impact on its financial literacy. Investment patterns adopted by salaried and business class vary significantly just because of nature of employment they posses. Financial planning varies from region to region and also by level of employment.

VIII. State Of Financial Inclusion in India

India's record of financial inclusion, despite the existence of a large and well-regulated financial system dominated by commercial banks, is poor. Judging by aggregate macro data, the household debt–GDP ratio of 8.9% is among the lowest in the region, contrasted with the People's Republic of China at 36.8% and Thailand at around 83.0%.The absence of inclusion is especially conspicuous in rural India, home to around 60% of the population. In 2013–14, deposits per head were only Rs.9,244 (about $154) in rural areas, with credit about Rs6,000 (about $100) per head (Table 1)that said, there are sections of the urban population (e.g., migrant labor) who do not have access to the formal financial sector as well.

Table 1: Per Capita Deposits and Credit in Rural and Urban India (Rs)

Fiscal Year	**Rural**		**Urban**	
	Deposits	Credit	Deposits	Credit
2007–08	3,735	3,977	85,003	60,405
2008–09	4,441	3,779	100,146	71,437
2009–10	5,088	4,662	113,747	81,313
2010–11	5,924	44,713	131,303	98,772
2011–12	6,830	5,269	144,138	114,185
2012–13	7,923	6,197	162,145	127,854
2013–14	9,244	6,161	178,942	143,718

Source: Author estimates based on the data from RBI. Data Releases. https://www.rbi.org.in/Scripts/Statistics.aspx statistical database; and World Bank .World Development Indicators. http://data.worldbank.org/data-catalog/worlddevelopment-indicators

Another manifestation of the lack of inclusion is the inadequate number of bank branches. The number of branches per 100,000 people in the rural segment is roughly one-third of that in urban areas (Table 2).

Table 2: Number of Branches of Banks in Rural and Urban Centers (per 100,000 population)

Fiscal Year	Rural	Urban
2007–08	3.79	13.05
2008-09	3.84	13.65
2009–10	3.93	14.49
2010–11	4.08	15.28
2011–12	4.35	16.22
2012–13	4.70	16.99
2013–14	5.25	17.91

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Source: Author estimates based on the data from RBI. Data Releases. https://www.rbi.org.in/Scripts/Statistics.aspx statistical database; and World Bank. World Development Indicators. http://data.worldbank.org/data-catalog/worlddevelopment-indicators

The banking penetration of rural and semi-urban areas has increased significantly.At the turn of the century, the expansion of brick-and-mortar branches, despite several efforts, was limited. The low penetration of formal banking led the Reserve Bank to look at financial inclusion as a major policy drive. The slew of measures that followed were the introduction of Business Facilitators (BFs) and Business Correspondents (BCs) and deregulation of the opening of ATMs and branches, while ensuring sufficient coverage to hitherto unbanked areas. Concurrently, relaxations in the BC model were made to bridge the 'last mile' problem. This accelerated the pace of branch opening, with more branches being opened in rural and semi-urban areas. Notwithstanding this development, the number of branches per 100,000 of population in rural and semi-urban areas is still less than half of that in urban and metropolitan areas (Chart 1.1 and Table 3).

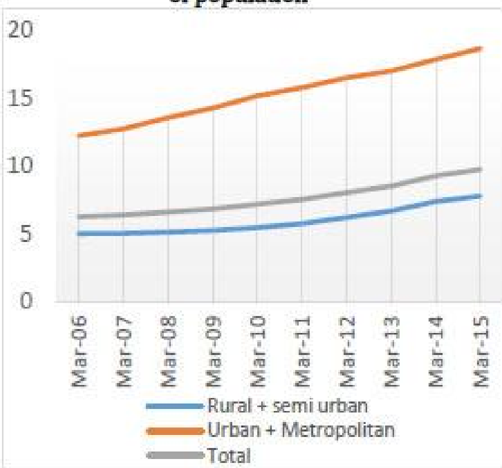
Table 3: Branch Expansion of SCBs

As on March	**Number of Branches**			**Estimated population* (in million)**			**Branches/ 100,000 population**		
	Rural + Semi-urban	**Urban + Metro-politan**	**Total**	**Rural + Semi-urban**	**Urban + Metro-politan**	**Total**	**Rural + Semi-urban**	**Urban + Metro-politan**	**Total**
2001	44,905	20,713	65,618	851	177	1,028	5.3	11.7	6.4
2006	45,673	23,904	69,577	920	195	1,115	5.0	12.3	6.2
2010	53,086	31,072	85,158	980	211	1,191	5.4	15.2	7.2
2014	76,753	40,958	1,17,711	1,044	228	1,272	7.3	17.9	9.2
2015	82,358	43,716	1,26,074	1,061	233	1,294	7.8	18.7	9.7
June 2015	82,794	43,910	1,26,704	1,065	235	1,300	7.8	18.7	9.7

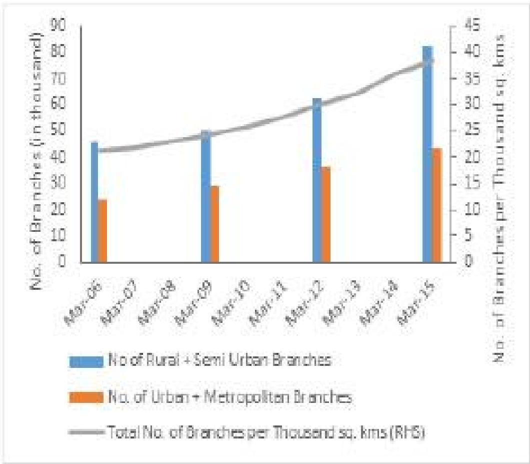
*Population estimates are based on CAGR between Census 2001 and Census 2011 data

Chart 1.1: Penetration of branch network of SCBs

Number of branches per 100,000 of population



Number of branches per 1000 sq. km.



Concurrent with higher branch expansion in semi-urban and rural areas, the compound annual growth rate (CAGR) for both the number of individual saving bank deposit accounts as well as deposit amounts outstanding therein was the highest for semi-urban regions followed by rural, urban and metropolitan regions (Table 4).

Table 4: Growth in Individuals' Savings Bank Deposits Accounts with SCBs

Population Group	Number of Individual Saving Bank Deposits Accounts (million)				Individual Saving Bank Deposits' Amount Outstanding (₹. billion)			
	2006	2010	2015	CAGR (%)	2006	2010	2015	CAGR (%)
Rural	104	167	384	15.6	962	1,703	3,601	15.8
Semi-urban	85	136	320	15.9	1,124	2,155	4,470	16.6
Urban	68	97	186	11.8	1,246	2,381	4,541	15.5
Metropolitan	71	100	180	10.9	1,838	3,731	6,476	15.0
All India	329	500	1,070	14.0	5,170	9,970	19,088	15.6

CAGR is for all scheduled commercial banks (SCBs) including regional rural banks (RRBs) during 2006-15.

Around the world, people with access to formal finance are expected to assume greater responsibility for their financial well-being. In this regard, an appropriate financial education program could play an important role .

IX. Conclusion

Financial literacy is essential for both developed nations and emerging economies. However, we need to bear in mind that the focus of financial literacy initiatives would vary depending on the economic profile of the target population. For developed countries, the access to financial products/services is fairly widespread and hence, consumers/ market participants need to be educated more about the characteristics of the financial products/services, including their risks and returns.

Financial inclusion is a great step to alleviate poverty in India. But to achieve this, the government should provide a less perspective environment in which banks are free to pursue the innovations necessary to reach low income consumers and still make a profit. Financial service providers should learn more about the consumers and new business models to reach them. The author of this paper discusses the pertinent issues of financial inclusion comprising of narrower and broader aspect, the importance of the financial literacy and the schemes and policies introduced by the Government with the detailed perspective of the pros and cons and steps taken to improve the financial and banking services at grassroots level.

Reserve Bank has taken a lead role in spreading financial inclusion and financial literacy, both in terms of creating and enabling policy environment and providing institutional support. In India, a large number of stakeholders including the central and state governments, financial regulators and players, civil society, educationists and others are involved in spreading financial literacy. As we have adopted a bank led model for financial inclusion, banks are actively contributing to our financial literacy initiatives by setting up Financial Literacy and Credit Counseling Centers with focus on educating people on availability of various deposit, credit and remittance products offered by banks, so as to create demand for the same, with the aim of attaining Financial Inclusion.

In last, we conclude that there is strong need of financial literacy awareness all across the country, where rural area individuals have low level of literacy as well as inclusion which shows that there is lack of awareness and low access to financial services. Similarly, the situation of women is very concerning as they have scored very less percentage in financial literacy as well as in inclusion. And this is worse for women who are taking farming risk.

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