

## **Financial literacy for financial inclusion**

### **What is the issue?**

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

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### **What is the status of financial inclusion?**

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- With many initiatives in the past and the recent Jan Dhan Yojana financial inclusion has gone to unprecedented levels.

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- However, a large number of accounts were frozen under the PMJDY owing to inactivity.

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- Only 33% of all beneficiaries were ready to use their Rupay cards.

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- Being a cash-intensive economy, India still remains among nations with the lowest access to digital payments.

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- Financial illiteracy and safety and security concerns inhibit moving to a digital world of payments.

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- Nearly 76% of India's adult population does not understand even the basic financial concepts.

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- People buy insurance policies without proper planning and give up midway because they don't have money to pay the premium.

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- The customers end up losing heavily as penalties are very harsh.

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### **What should be done?**

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- It is to be noted that merely opening an account does not ensure that the account is used.

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- Financial literacy programmes should be backed by products that address real needs of consumers, with the support to use the product.

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- People have to be imparted an ability to understand and execute matters of **personal finance**, including

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1. basic numeracy and literacy.

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2. financial awareness.

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3. knowledge and skills.

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4. attitude and behaviours necessary to make sound financial decisions.

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5. budgeting, investing, and risk diversification.

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- Employing a **service provider** in areas of financial literacy programmes can make people better understand the products and use them regularly.

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- A **cascade training model** where core trainers trained peer educators, who in turn trained community members can be adopted in rural communities.

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- 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.

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**Source: BusinessLine**

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