

National Strategy for Financial Education



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Since then, several rounds of consultations/ discussions/ meetings by the technical committee of the sub group for have taken place and various suggestions from RBI, SEBI, IRDA, PFRDA and Forward Markets Commission(FMC) had been incorporated. The document was placed on the websites all regulators for public comments on July 16, 2012. Comments were received from various stakeholders including banks, exchanges, NGOs and other public institutions apart from individuals. The comments received were reviewed and suitably incorporated in the document.

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Section I

A. Introduction and Background

1. The first decade of the twenty-first century has seen a universal recognition for spreading financial literacy among people. The concept of improving financial literacy as a national project has been gradually evolving. Most countries have adopted a unified and coordinated national strategy for financial education. Given the fact that India has a large population, is a fast growing economy with national focus on inclusive growth and has an urgent need to develop a vibrant and stable financial system, it is all the more necessary to quickly formulate and implement a national strategy for the country. Also, since a large number of stakeholders, including the central and state governments, financial regulators, financial institutions, civil society, educationists and others, are involved in spreading financial literacy, a broad national strategy is a prerequisite to ensure that all the stakeholders work in tandem according to the strategy and not at cross purposes. The formulation and implementation of National Strategy for Financial Education will reap rich benefits to the country and can be attributed to following reasons:

Inclusive Growth, Financial Inclusion and Financial Education

Financial education plays a vital role in making the demand side respond to the initiatives of supply side interventions. Financial inclusion is a top most policy priority of the Government of India. One of the most visible aspects of governance has been the agenda of social inclusion, of which financial inclusion is an integral part. As the Hon'ble Union Finance Minister, Shri Pranab Mukherjee, said in his speech at the Reserve Bank of India - Organization for Economic Cooperation and Development Workshop on Delivering Financial Literacy in March 2010, "*Financial literacy, and education, plays a crucial role in financial inclusion, inclusive growth and sustainable prosperity*".

- a) **Knowledge and skill:** Increasing range and complexity of financial products has made it very difficult for an ordinary person to take an informed decision. Financial literacy imparts knowledge and skills and, thereby, confidence to the ordinary person to manage financial products

and services and enabling him to have more control over his/her present and future financial well being.

- b) Freedom from exploitation:** Financial literacy helps protect the society and individuals against exploitative financial schemes and exorbitant interest rates charged by moneylenders.
- c) Avoidance of over-indebtedness:** Financial education will help avoid over-indebtedness, improve quality of services and promote wise financial decisions.
- d) Promoting entrepreneurship:** Awareness about financial products will help small entrepreneurs, who are educated and who already have business sense, understand dynamics of market mechanism and improve their business dealings.
- e) Positive spill-over effects:** Financial education can lead to multiplier effects in the economy. A household that is well educated in financial matters would resort to regular savings, which, in turn, would lead to investments in right channels and greater income generation. The financial well being of individuals will, in turn, increase the welfare of the society.
- f) Reducing strain on social programmes:** A financially aware person would be in a better position to assess his/her own requirements and make savings in appropriate schemes. It reduces strain on social programmes and pension plans and fosters a more resilient economy.
- g) Behavioral change:** The proliferation of financial products has led to its indiscriminate usage without users realising their financial implications. *“In fact, the recent global financial crisis has raised the question whether individuals’ lack of financial knowledge led them to take out adjustable rate mortgages or incur credit card debt they could not afford.* Financial education can become an agent of behavioral change.
- h) Deeper participation in financial markets:** India needs to convert savers into investors. Greater participation of domestic retail investors in securities market will make securities market deeper. Domestic savers will also reap the benefits of corporate growth.

2. OECD defines financial literacy as a combination of financial awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well being. People achieve financial literacy through a process of financial education.
3. OECD defines financial education as *“the process by which financial consumers/investors improve their understanding of financial products, concepts and risks 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”*.
4. According to OECD, a framework of National Strategy for Financial Education promotes a smoother and more sustainable co-operation between regulators and stakeholders, avoids duplication of resources and allows development of articulated and tailored roadmaps with measurable and realistic objectives based on dedicated national assessments.

Globally, countries like Czech Republic, Netherlands, New Zealand, Spain, and the UK have already adopted National Strategy for Financial Education, while many other countries are in the process of formulation and implementation.

5. In India, majority of population is financially excluded and coexists with various other financially included sections of population which invest in capital markets and use other advanced financial products. It, therefore, needs a tiered approach for a national strategy to include spreading awareness about basic financial products and link the excluded to the formal financial sector, educating the existing users of financial products and services to enable them to make informed choices and ensuring consumer protection for all the users of financial products and services. Based on this trilogy of needs, the key components of the national strategy could be a continuum of financial literacy, financial education and consumer protection.
6. The key components of financial literacy efforts could be some of the following simple messages:
 - Why save?
 - Why invest?

- Why insure?
- Why financial planning?
- Why do you need a regular stream of income, like pension, post working life?
- Why save or invest regularly and consistently?
- Why insure fully?
- Why save with banks?
- Why borrow within limits?
- Why borrow from banks?
- What is the difference between saving and investment?
- Why borrow for income generating purposes?
- Why repay loans?
- Why repay loans in time?
- Why do you need insurance?
- What is interest? How moneylenders charge very high interest rates?
- Why and how to evaluate the various product options available?
- What are the do's and don'ts of investment?
- What are the rights and responsibilities of an investor?
- What are the mechanisms available for redressal of grievances?

7. The key components of financial education efforts could be:

- a) **Understanding the key financial products one may need throughout one's life** including bank accounts, insurance, retirement savings plans and securities market investments like stocks, bonds and mutual funds.
- b) **Understanding basic financial concepts** like compound interest, present and future value of money, annuity, investment return, risk, protection and diversification.
- c) **Developing skills and confidence** to be aware of financial risk and opportunities and to benefit from them.
- d) **Making good financial choices about saving, spending, insurance, investing and managing debt** throughout one's life, for example, for getting education, while starting a job, buying a house, during mid-life, getting ready to retire and during retired life.

8. The key components of consumer protection efforts at the higher end of financial education could be:

- a) Creating awareness at the district, State and national levels through consumer protection fora and providing quick and easy access to these bodies for the users of financial products and services.
- b) Providing quick and easy access to various financial sector ombudsmen as well as strengthening their network and reach across country.

We, thus, need to clearly articulate a national strategy for financial education so that all stakeholders on board.

B. Vision, Mission, Goals, Strategic Action Plan and Stakeholders

1. **Vision** - *A financially aware and empowered India*

The vision entails providing financial education to all Indians to enable them, depending upon their level of need, to understand the role of money in their life, the need and use of savings, the advantages of using the formal financial sector and various options to convert their savings into investments, protection available to them through insurance and a realistic recognition of the attributes of these options.

2. **Mission** - *To undertake rigorous financial education campaign to help people manage their money more effectively and achieve financial well being by accessing appropriate financial products and services offered by regulated entities having fair and transparent mechanism for consumer protection and grievance redressal.*

The mission envisages conducting financial education campaigns across the country for all sections of the population along with awareness campaigns at different levels for existing and potential customers so as to improve their knowledge, understanding, skills and competence in managing money effectively and to improve their financial status by taking informed decision.

The mission will be accomplished through provision of financial education throughout the life cycle of an individual starting from the school level. The endeavour is to ensure well being of individuals through financial inclusion.

3. **Goals** - National Strategy for Financial Education has been prepared with the following objectives:
 - a) Creating awareness and educating consumers about access to financial services, availability of various types of products and their features.
 - b) Changing attitudes to translate their knowledge into behaviour.
 - c) Making consumers understand their rights and responsibilities as users of financial products and services.
4. **Action Plan with Timeframe** - The mission will be accomplished only through a strategic action plan to be executed in a five-year period. The Strategic Action Plan for Financial Education could include:
 - a) To set up the structure as envisaged in this document.
 - b) To incorporate basic financial education in school curricula up to senior secondary level.
 - c) To create awareness about consumer protection and grievance redressal machinery available to users of financial products and services.
 - d) To deliver financial education by trained persons in a format suitable to each target group with the content that has been developed after rigorous research.
 - e) To undertake all these measures through various stakeholders, including Non-Government Organisations (NGOs) and civil society, and to use all channels of mass communication.
 - f) To establish initial contact with 500 million adults and to educate them about key products in savings, protection and investment so that they are empowered to take prudent financial decisions.
5. **Stakeholders** - The strategy recognises the following stakeholders. The list is indicative, not exhaustive.
 - a) Financial consumers - Individuals resident in India
 - b) Financial market players - Financial institutions that act as savings aggregators, namely, banks, non banking financial companies, mutual funds,

pension funds, insurance companies, etc., and financial institutions that act as intermediaries, such as, brokers, merchant bankers, registrars, depositories, exchanges, insurance brokers, corporate agents, etc., and professional institutes like ICSI, ICAI, ICWAI, etc.

- c) Educational institutions
- d) Non governmental organisations
- e) Financial sector regulators
- f) Government – both Central and State
- g) Multilateral/ international institutions, like OECD, G-20, INFE, etc.

Section II

Assessment of the Need for Financial Education

A. National Survey on Financial Education

1. Several countries, such as, Australia, New Zealand, France and the USA have conducted a detailed survey on the state of financial literacy in their own countries. These surveys mainly concern topics relating to money management, financial planning as well as choosing and buying products. International Network on Financial Education (INFE) has also conducted a survey on financial literacy across 12 countries. Further, cross country surveys have been carried out for school students and adults. The results of the survey serve various purposes, namely,

Identifying the needs and gaps.

Establishing the direction of the effort.

Identifying special groups, such as women and illiterates, that need attention

Serving as an evaluation and benchmarking standard so that the result of future initiatives can be compared with these baseline numbers.

2. While the groups in India may be different in view of large scale financial exclusion, it is necessary that as a very first step towards financial literacy, a nationwide sample survey may be conducted through an expert agency to assess the state of financial inclusion and financial literacy. The survey should have the following elements:

The state of financial inclusion, that is, whether the person has savings account, loan account, mutual fund investment, insurance policy, pension plan, depository account, etc.

The state of awareness of financial products, that is, whether he/she is aware of many types of savings and investments options available to him/her.

The state of financial competency, that is, whether he/she understands the concept of compound interest, present value of money, annuity, etc.

His/her attitude towards money, that is, whether he/she prepares a budget, or considers drawal from credit cards as normal means of financing.

His/her attitude towards risk.

Whether the person has any pension coverage for old age and, if so, the nature of pension that is available.

3. Once the initial assessment is done, market players could report their assessment of incremental progress to regulators. An effort in this regard is underway across regulators through a Technical Group of the Sub Committee of Financial Sector Development Council (FSDC).

B. Assessment through Complaints and Creation of Complaints, Database

1. The database of complaints available with regulators gives an insight into the areas where financial education could improve consumer awareness of various products and also help address gaps in consumer protection.

2. To effectively use this repository, there is a need to systematically collect, monitor and analytically study the complaints.

C. Assessment of Needs through International Experience

1. In India, in view of large scale financial exclusion, the needs of financially illiterate and excluded may be different from those of other countries where large sections of populations are financially included. A cursory look at the literature, however, shows that the basic issues in financial education for those already included are not different in most countries. The international survey indicates the broad directions that India should take. Nevertheless, a systemic study by a dedicated team will be worthwhile.

Ideally, the work of designing the campaigns should be carried out after the results of the survey are available. However, it should be possible to start working in this area as we are lagging behind other countries in this field. Even in developed countries, the

state of financial inclusion is far from satisfactory, the financial knowledge quite limited and attitudes either too cavalier or totally risk averse. Some work has already been done by regulators, such as, RBI, SEBI, IRDA, PFRDA and FMC and by NGOs and microfinance institutions. For determining the initial approach, this existing volume of work should be sufficient.

D. Efforts made so far in the Field of Financial Education

1. RBI's initiatives on Financial Education

The Reserve Bank of India has undertaken a project titled "Project Financial Literacy". The objective of this project is to disseminate information regarding the central bank and general banking concepts to various target groups, including school and college students, women, rural and urban poor, defense personnel and senior citizens. The project envisages a multi pronged approach. The project has been designed to be implemented in two modules - one module focusing on the economy, RBI and its activities, and the other module on general banking. The material is created in English and other vernacular languages. It is disseminated to the target audience with the help of its own offices, banks, local government machinery, schools and colleges, NGOs and other voluntary groups through presentations pamphlets, brochures, films and also through RBI's website. Apart from this, RBI also organises town hall and outreach visits in which all the top executives participate and disseminate information about economy, banking and RBI. It also arranges visits of school and college students to RBI. Since last year it has started an annual quiz programme for students of classes VII to XI to generate their interest in economy, banking and RBI.

2. SEBI's Initiatives on Financial Education

The Securities Exchange Board of India has embarked upon financial education programmes through a nationwide campaign. To impart financial education to various target segments, namely, school and college students, working executives, middle income group, home makers, retired personnel, self help groups, etc., SEBI has empanelled *Resource Persons* throughout India. The *Resource Persons* are trained on various aspects of finance and equipped with the knowledge of financial markets. These SEBI Certified *Resource Persons* organise workshops for these target segments on various aspects, namely, savings, investment, financial planning, banking, insurance, retirement planning, etc.

SEBI also conducts investor education programmes through investor associations all over the country. It also conducts regional seminars through various stakeholders, namely, stock exchanges, depositories, Association of Mutual Funds in India, Association of Merchant Bankers of India, etc. SEBI has a dedicated website for investor education in which study material is available on financial markets, products and Frequently Asked Questions (FAQs) on various subjects. SEBI also publishes study material in English and vernacular languages. Under 'Visit SEBI' programme, school and college students are encouraged to visit SEBI and understand its functioning. SEBI has set up SEBI Helpline such that through a toll free number, investors across the country can access and seek information for redressal of their grievances and guidance on various issues. SEBI has also launched an investor education campaign through media. The service is available in 14 Indian languages.

SEBI's Complaint Redress System (SCORES) is web-based, centralised grievance redress system where investors can view the action taken and the current status of the grievance online. SCORES has also been integrated with the Centralised Public Grievance Redress and Monitoring System (CPGRAMS)¹.

3. IRDA'S Initiatives on Financial Education

The Insurance Regulatory and Development Authority has taken various initiatives in the area of financial literacy. Awareness programmes have been conducted to convey simple messages about the rights and duties of policyholders, channels available for dispute redressal, etc. These have been disseminated through television and radio as well as print media in sustained campaigns in English, Hindi and 11 other Indian languages. IRDA conducts an annual seminar on policy holder protection and welfare and also partially sponsors seminars on insurance by consumer protection bodies. IRDA has conducted a pan India survey on awareness levels about insurance which was carried out through NCAER in a bid to improve its strategy of creating insurance awareness. IRDA has published 'Policyholder Handbooks' as well as a comic book series on insurance.

¹ The Centralised Public Grievance Redress and Monitoring System, is an online web-enabled system developed by the National Informatics Centre (NIC) in association with the Department of Administrative Reforms and Public Grievances (DARPG) with an objective of speedy redress and effective monitoring of grievances by Ministries/Departments/Organisations of Government of India.

As part of its consumer education initiative, IRDA has launched an exclusive website (www.policyholder.gov.in) for education of policyholders. The website encompasses generic useful information on buying insurance, standard claim procedures/ documentations, Do's and Don'ts for a policyholder, general alerts, dealing with intermediaries and FAQs, etc. The website has been found to be useful and has become quite popular.

IRDA's Integrated Grievance Management System (IGMS) creates a central repository of grievances received from across the country and provides analyses of data indicating areas of concern to the insurance policyholders.

4. PFRDA's Initiatives on Financial Education

The Pension Fund Regulatory and Development Authority has been engaged in spreading social security messages to the public. PFRDA has developed FAQs on pension related topics which is available on its website. It has been associated with various non-government organisations in India for taking pension services to the disadvantaged community.

PFRDA's initiatives have become more broad-based with direct mass publicity on National Pension Scheme (NPS) – both as individual model through Points of Presence (POPs)² and as group model through Aggregators. Aggregators are intermediaries appointed by PFRDA who are directly responsible for pension awareness mostly in vernacular languages and in line with socio-economic realities . PFRDA directly provides information relating to NPS to Aggregators and entities in identified occupational groups. PFRDA has issued advertisements in print and electronic media. Under Swavalamban, PFRDA regularly provides guidance and training to Aggregators on product specifications and operational responsibilities. Standard advertising material and training presentations are shared to ensure standardisation of product information.

5. FMC's Initiatives on Financial Education

Forward Markets Commission (FMC) with headquarters at Mumbai, is the regulator of the commodity futures market in India. Futures markets enable farmers, producers,

² An individual can open an NPS account with authorised branches of service providers called 'Points of Presence' (POPs). One, thus, has the option to shift from one branch to another branch of a POP at his/her convenience.

cooperative societies, corporate bodies, exporters, Micro Medium & Small Enterprises etc. to hedge against price volatility.

During the 11th FYP the Commission initiated various market development programmes like awareness programmes, capacity building programmes and stakeholders meetings to create awareness and enhance knowledge about the futures market. Apart from emphasizing the utility of the markets, the awareness programmes educate the participants about how to participate in the market and the precautions to be taken in this regard. The programmes conducted at various locations across the country are attended by different categories of stakeholders like farmers, traders and members of Commodity Exchanges, bankers, teachers, researchers, students of Universities, Government functionaries, warehouse professionals, etc. The capacity building efforts of the Commission complement the awareness creation activities of the Commission. The training programmes, are organized in association with various management and cooperative management institutes. Apart from these, sensitization programmes are organized by the Commission for senior State Government and Central Government officers. Besides, the Commission every year organizes a number of stakeholders' meetings at different parts of the country to get to know the views of various stakeholders on the various aspects of the commodity futures trading including the difficulties faced.

Apart from these, during the 11th FYP the Commission has also launched a Price Dissemination Project which is aimed at informing the farmers about spot and future prices through the price ticker boards installed at APMCs / Mandis and places with frequent farmer footfalls.

Also as part of the Jago Grahak Jago campaign launched by the Govt. during the 11th FYP the Commission conducted client awareness campaigns through various national and vernacular newspapers and electronic media. The Commodity Exchanges also undertake a number of media campaigns to educate investors as well as other stakeholders regarding these markets. The Commission has also produced handbooks of FAQs and Do's and Don'ts in the commodity market. The Commission and Exchanges also participate in conferences, seminars, symposiums and exhibitions on futures market every year.

6. Market Players' Initiatives on Financial Education

Commercial banks are increasingly realising that they are missing out on a large segment of financially illiterate and excluded segment of prospective customers. Also, in view of the national emphasis on electronic benefit transfer, commercial banks have initiated various measures to create awareness through Financial Literacy and Counselling Centers (FLCC) and Rural Self Employment Training Institutes (R-SETI) for financial literacy. The objective of these centers is to advise people on how to get access to the financial system including banks, creating awareness among the public about financial management, counselling people who are struggling to meet their repayment obligations and help them resolve their problems of indebtedness and help rehabilitate borrowers in distress. Some of these credit counselling centers even train farmers/women groups to enable them to start their own income generating activity and earn a reasonable livelihood. Even top management of commercial banks is undertaking outreach visits to villages with a view to spreading financial literacy.

Similarly, many stock exchanges, broking houses and mutual funds have taken initiatives in the field of financial education that spans conducting of seminars, issuance of do's and don'ts and awareness campaigns in newspapers. Insurance companies too undertake campaigns and other educational activities for generic education in insurance.

It will be necessary to collate all the material developed by these institutions and classify it in the light of the approach outlined in this strategy paper. The material, suitably augmented, should form the kernel of knowledge base envisaged in the strategy.

E. Mapping of Financial Education Content in the School Curricula

The most effective way to impart financial education is, however, to weave it into the school curriculum. For example, compound interest is taught in Arithmetic but as an abstract concept. This can be turned into an opportunity in financial education by teaching the concept through live example of calculating interest for a company that has borrowed from a bank or for a bank customer who has opened a cumulative deposit account vis-à-vis another customer who has a simple fixed deposit account. Similar opportunities are available in the syllabi of Social Studies, Moral Science, etc.

Section III

Policy Design

A. Components of Financial Education

1. Basic Financial Education

The fundamental tenets of financial well being are: importance and advantages of savings, necessity of staying out of unproductive loans that are beyond one's capacity to repay, borrowing from formal financial sector, concept of interest and the power of compounding, time value of money, inflation, need to insure, retirement planning role of major financial sector institutions and agencies, such as Government, regulators, banks, stock exchanges, insurance companies and pension funds and basic concept regarding relation between risks and returns. These basic concepts have to be explained to everyone, especially to those who are at present financially excluded. However, the means of communication can be different depending upon who is the recipient. School children, for instance, can be reached best through school curricula, working class can be reached through employers, home makers through NGOs and so on. The content and method of presentation has also to be tailored according to the target groups. A large number of financially excluded, rural population will have to be reached through the network of rural branches of banks and lead district managers of banks. The content, however, has to be sector neutral and should impart general lessons in prudent financial behavior.

Considering the scale of efforts involved, Ministry of Human Resources Development (MHRD), Government of India may take the lead in ensuring inclusion of financial literacy material in school curriculum across India through coordination with various boards, ministries and state governments. The Ministry of Finance (MOF), Government of India may be the facilitator for inclusion of course material pertaining to financial literacy in school curriculum through MHRD. Support for course content development and monitoring may be provided by all concerned as envisaged in Section IV.

2. Sector Focussed Financial Education

This component is targetted at largely already financially included or consumers of financial products and services.

The various sectors including banking, securities market, insurance, retirement planning and commodities market can be covered. Information relating to institutions, instruments and risks in all these sectors should constitute financial education for financially included.

Bank related financial education, for instance, should consist of details, such as, responsibilities under Negotiable Instruments Act, precautions while dealing with ATMs and net banking, fundamentals of payment system, lockers and safe custody, loans and guarantees, fixed versus floating rates of loans, etc. Similarly, education for actual potential investors in securities market may consist of basics of stock exchange mechanism, clearing and settlement mechanism, dematerialisation and depositories, and role of various intermediaries, such as, brokers, merchant bankers, registrars, transfer agents, underwriters, etc. Potentially risky areas, such as, margin trading and derivatives need to be flagged. Various instruments, such as, shares, units of mutual funds, corporate bonds, pension plans, etc., also need to be explained. Education material on insurance has to cover the basic concepts related to insurance sector, life and non life insurance including need for adequate cover, need to regularly pay premium, etc. Retirement planning should be targeted at all persons in earning age bracket and the role of Pension Fund Manager (PFM) / annuity service provider should be explained to them. The role and functions of Aggregators in creating awareness about the need for retirement planning and old age income security among the target groups may need to be highlighted. The advice of 'not putting all eggs in one basket' while making investments needs to be explained.

Sector focussed financial education has to be totally product neutral. This could be achieved by carefully designing the content. The risks of mis-selling and steps to ensure understanding of appropriate and suitable products and services also need to be highlighted in sector focussed financial education.

Considering their expertise and mandate, each regulator may be responsible for designing/monitoring of study material and implementation of this objective in their respective areas. RBI, for instance, may be responsible for banking sector while SEBI may be responsible for securities markets. Similarly, IRDA, PFRDA and FMC may be responsible for insurance, pension and commodity futures market related education efforts respectively. Support for content development and monitoring may be provided as envisaged in Section IV.

3. Product Education

Finally, when a financial sector consumer buys a product or is being convinced to buy a product, it is necessary that he/she may first be educated about the particular product that is being sold. Product education has to be neutral between the various available options within that product range. The best agency for delivery of product education would be the respective industry association. Thus, Indian Bank's Association (IBA), Association of Mutual Funds in India (AMFI), Association of National Exchanges Members of India (ANMI), Stock Exchanges, Depositories, Fixed Income Money Market and Derivatives Association (FIMMDA), Foreign Exchange Dealers Association of India (FEDAI), Life Insurance Council, General **Insurance Council, etc.** may have to play an important role in financial education by undertaking general awareness campaigns or by ensuring availability of literature comparing the available alternatives at the points of sale.

The crucial part of product education, however, lies with the manufacturer of the product. For financial products, it would be banks, insurance companies, mutual funds, stock exchanges, pension funds and commodity exchanges who may have to take the responsibility of educating the buyers about the appropriateness of the product, performance under various possible scenarios, charge structure, etc. through simple examples. Product education can be, and should be, delivered primarily at the point of sale.

The role of regulators will be to ensure that product manufacturers under their jurisdiction impart product education in general and at points of sale in particular. Further, regulators will have to ensure that product education is comprehensive, simple and factual.

B. Content of Financial Education

1. Attitude

Financial education must seek to impart responsible attitude towards money and finance. In certain population groups, not caring for the future and living for the moment might be the dominating values. Such attitudes are inimical to long term financial well being.

2. Financial Competencies

Core financial competencies, such as, interest calculation, compounding, time value of money, etc., need to be identified and suitably incorporated in financial education

material. Achieving core financial competencies should be the primary aim of financial education.

3. Risk Assessment and Confidence

Most of the time people are not able to achieve financial well being because of their inability to properly assess the risk. They lack the confidence to take risk and their financial assets consistently underperform. Building such confidence should also be part of financial education.

4. Awareness Regarding Available Grievance Redressal Mechanisms

Apart from the existence of an effective grievance redressal mechanism, it is important that investors/consumers are indeed aware of various consumer protection and grievance redressal mechanisms available to them. It is very important that the investors are aware of whom and where to approach in case of a dispute/ grievance. This would lead to enhancing the confidence of investors and may primarily be the responsibility of regulators, Ministry of Finance, Ministry of Consumer Affairs, etc.

Investor grievance redressal mechanism may be a topic in all the components of financial education, that is, in basic financial education in sector focused financial education, and in product education.

C. Financial Education for women

As per the World Bank's latest World Development Report (2012 World Development Report on Gender Equality and Development), women represent 40% of the world's labor force but hold just 1% of the world's wealth. The women of rural India is no exception and are often left behind by the traditional financial system which includes savings at home, loans from money lenders etc. It is agreed that improving access to economic opportunities for women acts as one of the key priority areas for development of an economy and financial inclusion. Hence, as said " You educate a man; you educate a man. You educate a woman; you educate a generation", women as a target group will be prioritized during the first phase considering that there are matriarchal societies in our country.

D. Financial Education for the Illiterate

Illiterate persons are in dire need of financial education. Illiterate people need not have to wait for alphabet knowledge as money has its own language, in as much as even the illiterates understand the importance, value and use of money. The traditional

curriculum, methodology and delivery channels have to be different and innovative to impart financial education to the illiterate. As argued earlier, simple messages advocating financial prudence like importance of savings, borrowing within limits and using formal financial intermediaries, may be brought out for them. Methodologies employed for adult education, such as role play, charts, informal discussions, games, and other audiovisual modes of communication, would be ideal for such groups.

E. Financial Education for the Differently Abled

The differently abled account for nearly 10 percent of the Indian population and number approximately 100 million. They are possibly the most marginalised section of the society with respect to access to, and information on, financial products. It is very important to recognise the right of differently abled to financial education and set out specific strategy for customisation of financial education programmes, content, delivery channels etc. for them.

F. Delivery Channels for Financial Education

1. School Curriculum

Governments have recognised that financial education should start at school and that people should be educated about financial matters as early as possible in their lives. OECD has developed guidelines aimed at providing high-level international and non-binding guidance to assist policymakers and interested stakeholders in designing, introducing and developing efficient financial education programmes in schools. The guidelines specify a consistent and suitable framework for integration of financial education into school curricula. These guidelines can be adapted as necessary for developing curriculum while keeping in mind national requirements and diversity of educational systems.

It needs to be clearly specified that financial education would not be another subject taught in schools. Rather, financial education needs to be appropriately integrated into the school curriculum. For instance, Arithmetic curriculum in school already has elements of financial education as it explains concepts such as percentage, interest, compounding, discount, etc. These need to be presented in a setting wherein the teachers can make the students identify their day-to-day transactions/financial dealings. Similarly, moral science courses could have content which will promote prudent financial behavior.

Financial education is an important life skill. Therefore, students should be equipped with these necessary life skills, without which education would be incomplete. In India, there are many who do not get an opportunity to study beyond school levels. This is truer in case of girl students. One must keep it in mind that for such students, this could be the last opportunity in life to get formal inputs on financial education. An annex indicating probable topics for school curriculum is enclosed.

The Central Board of Secondary Education (CBSE) in India has appreciated the need of financial literacy in building capacity to handle personal finance in an informed and skilful way. It is heartening to note that CBSE has agreed, in principle, to introduce it in an integral manner in school education (Post Primary Level) and to facilitate the process, a committee of experts has been constituted.

2. Social Marketing

Various Ministries of Government of India have undertaken commendable programmes of social marketing, such as, polio and small pox eradication, prevention of child marriage, preventing female foeticide, etc. These campaigns can serve as models for undertaking social marketing initiatives in financial education.

There is a possibility of making use of -

- Dedicated Financial Education websites
- Newspapers
- Radio and Television
- Use of Social Networking Websites like *Facebook* and *Twitter*
- Books / magazines in 'Cartoon Format' for young people

3. Resource Persons

SEBI engages *Resource Persons* across the country to impart financial education to various target groups. This initiative needs to be taken further and scaled up exponentially. Another easily scalable model as mentioned earlier for large sections of poor people could be conducting literacy courses across the country through rural branches and Lead District Managers of banks.

4. Adult Education

Financial education should form an integral part of adult education.

5. Self Help Groups

Self Help Groups (SHGs), by their design, have helped spread financial education. SHG discipline requires groups to maintain accounts, make budgets and repay the loans. These are basic values in financial education. The good work needs to be carried forward and put on a firm basis.

6. *Microfinance Institutions*

Many NGOs have been running successful financial education programmes for their borrowers. These programmes need to be dovetailed to the overall strategy for people in other areas.

7. *Integrated Communication Channels*

While channels like TV, radio, news papers and internet should be exploited fully for financial education, there is a need to also leverage existing extension works and projects carried out by various Ministries, such as, the **Ministry of Agriculture's** efforts to spread knowledge through panchayats, etc., for promoting financial education.

8. *Helpline*

There is a need for multi lingual, toll free helplines where an investor/ customer / client can call and get friendly assistance / support. All regulators can think of a helpline, if they have not already done so. It can play an important role in financial education.

9. *Other Channels*

There is a possibility of making use of other established channels, such as, consumer associations, investors associations, association of policy holders and depositors' association. These associations are already working towards making their members aware of their rights and responsibilities in a particular product category. They can further the cause of financial education. Stock exchanges, Association of Mutual Funds in India (AMFI), Association of National Exchanges Members of India (ANMI), depositories, Self Regulatory Organisations (SROs) associated with regulators, regulated intermediaries like banks, depository participants, brokers, pension fund managers, annuity service providers, etc., can play an important part in making a person financially educated. They can make their consumers/ clients / investors aware of their rights and responsibilities. This can be done as part of product marketing.

Professional institutes like Institute of Chartered Accountants of India (ICAI), Institute of Company Secretaries of India (ICSI), Institute of Costs Accountants of India (ICAI), etc. too can play a significant role in promoting financial education.

Section IV

A. Institutional Arrangement

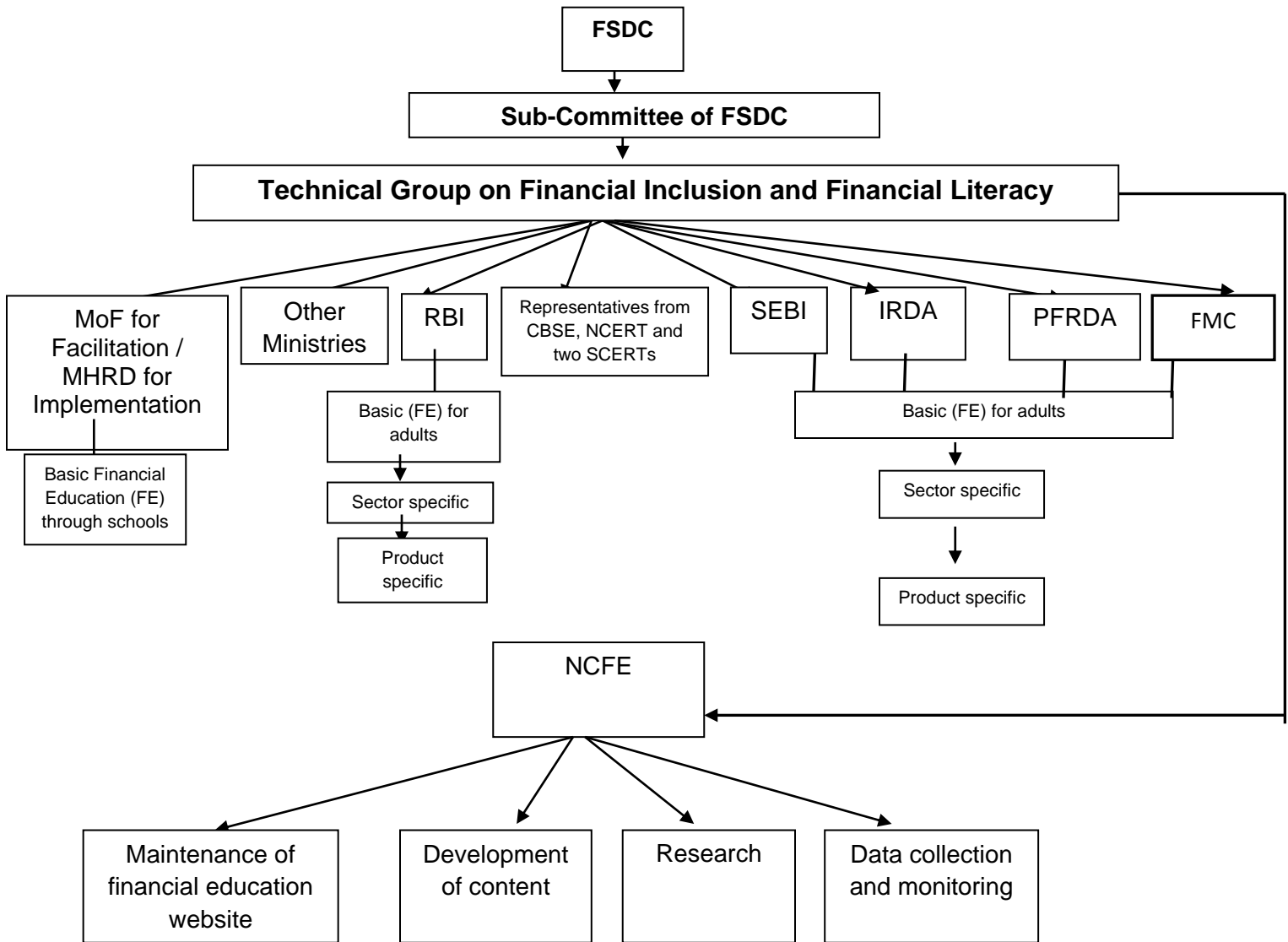
The national strategy is sought to be implemented through existing institutional mechanism. The existing Technical Group of the Sub-Committee of FSDC on Financial Inclusion and Financial Literacy could be morphed into this. This group may be responsible for periodic monitoring and implementation of National Strategy for Financial Education

A national level institute named, National Centre for Financial Education (NCFE) may be established as a specialised institute under National Institute of Securities Markets (NISM) to begin with. This institute may report to the Technical Group for Implementation of National Strategy for Financial Education.

Representatives of the regulators may be members of the NCFE. All regulators may provide funds and manpower to NCFE for implementation of National Strategy for Financial Education

The main role of NCFE may be to create financial education material for financial sector. NCFE may also create and maintain a website exclusively for financial education. The websites of all the regulators and the respective Ministries may provide a link to the NCFE website. NCFE website may have the details of various education programmes conducted across the country, financial education materials, including brochures, FAQs, videos, etc. All educative materials prepared by individual organisations may also be made available on the NCFE website. The website may be a one-stop repository for all financial education activities and materials. The website may also be made available in various regional languages.

The proposed institutional flow chart is:



Section V

Guidance

Guidance to Regulators

- Extend help to National Centre for Financial Education (NCFE) in designing the content of basic financial literacy programmes.
- Provide domain expertise to NCFE by deputing experts to NIFE for short duration.
- Extend help to NCFE by acting as interlocutor and facilitator between NIFE and the regulated entities.
- Use their resources for spreading financial education, both basic and sector specific through various channels.
- Create a financial education cell or department to outline the content of the sector specific financial education that would serve as source material for both NCFE and commercial financial institutions.
- In areas where there is no active industry association, the regulators may also develop the content for financial education.
- Create clear guidelines for product development by commercial financial institutions and lay down parameters for product education.
- They should submit reports in prescribed formats to NCFE on a regular basis on their activities in the field of financial education.

Guidance to Industry Associations

- Develop the content for sector specific financial education within the framework laid down by the sectoral regulator. The content should be freely shared through a website accessible to all.
- Use resources to spread financial education, both basic financial literacy and sector specific financial education through various channels on their own accord and through the good offices of their members.
- While conducting a programme on basic financial literacy, use the content developed by NCFE.
- Ensure that their resources are not used for promoting specific products.

- Submit reports in prescribed formats to NIFE on a regular basis on their activities in the field of financial education.

Guidance to Commercial Financial Institutions, including Microfinance Institutions

- Understand that their most important contribution to financial education is through a professional level product education that will allow the consumers to make informed choices.
- They may, as a part of their corporate social responsibility, help the industry association in spreading both basic financial literacy and sector specific financial education. However, they have to strictly adhere to the content developed by NCFE and industry associations / sectoral regulator.
- Submit reports in prescribed formats to NCFE on a regular basis on their activities in the field of financial education.

Guidance to Self Help Groups and Others

- They may participate in spreading financial education, both basic financial literacy and sector specific education as per their inclination. However, they should strictly use the content developed by the NCFE and the industry association / sectoral regulator.
- They should submit reports in prescribed formats to NCFE on a regular basis on their activities in the field of financial education.

Guidance to Other Authorities

- Other authorities, such as, education boards, agricultural and health extension services may also like to participate and extend their infrastructure in spreading financial education. While making these efforts they should, however, use the content developed by NCFE or the industry association/ sectoral regulator.

Section VI

1. Comments on the draft Indian National strategy on Financial Education - OECD

General Comments:

The document provides a fair and solid analysis of why a national strategy on financial education is needed in India, who are the main stakeholders involved so far, who may be the main target audiences and content of the national strategy in keeping with the overall structure of the OECD/INFE high level principles. The document also usefully defines some objectives and time frame for the strategy, a coordination structure as well as stakeholders responsible for the implementation of the strategy.

Depending on the objective of this document, it could be further developed and possibly more rigorously articulated in order to provide a more operational roadmap which could then be used during the implementation phase of the strategy. The detailed comments below offer some guidance on how to do this based on the review of other National strategies.

Detailed comments

- The document should include a table of contents to guide the reader (some editing may also be needed)
- Some figures on the level of financial inclusion and literacy as well as households' financial behaviours and status would nicely illustrate the first section.
- There is some discussion about the types of information and knowledge that people require. This could be expanded and used to set specific and predetermined objectives with clearly stated timeframes. It may also be relevant within the list of key components (p5) to list 'how' questions, in order to cover essential skills.
- There is some discussion of target groups. Further information could be provided to indicate why these have been chosen as priorities, and how the strategy intends to reach them.
- There is some discussion on objectives and time frame. This section could be developed to provide a more operational action plan for the various involved

stakeholders (clear objectives for each stakeholder with a timetable for action). This section can come after the section which defines the institutional mechanisms

- Product education: this section should highlight the risk of conflict of interest and discuss ways through which financial institutions can effectively deliver *education* the development of codes of conduct for the industry may be considered. The link with financial consumer protection could be more clearly stressed
- The section on coordination/institutional mechanisms should be further elaborated as this is an essential part of the strategy and its efficient implementation. The role and composition of the NIFE and how it will be funded should in particular be developed and clarified. In addition, the rationale for the creation of the NIFE should be further elaborated as well as its relation with other regulators activity in the area of financial education. The activity of the NIFE will also have to be monitored and supervised to ensure the high quality of financial education.
- The proposed institutional flowchart is illustrative. It would benefit from further discussion in the text to explain how the proposed chart was developed and how the structure would be implemented and governed i.e. how contact between the various institutions would be maintained and how supervision would work in practice. The document could further explain how each of these sets of stakeholders could work in a synchronised way.
- The guidance should also encourage the organisations to set objectives/targets, and evaluate against these.
- A way to evaluate the efficiency of the National strategy and the activities of the various stakeholders should be discussed. Usually, this is done through regular national surveys on financial literacy or the development of a specific financial literacy indicator (see New Zealand and South Africa).

Implementation could be covered in greater detail:

- There is no discussion of financial resources needed for implementation. This is a critical part of the National strategy and one which would be worth at least mentioning.
- Some delivery methods are mentioned; this could be expanded.

- Further discussion in relation to training the trainers may be helpful, given the range of stakeholders who may be expected to provide financial education.

2. Comments on the draft Indian National strategy on Financial Education – Financial Services Board of South Africa

The National Strategy for Financial Education in India is a comprehensive document with a very ambitious set of proposals. It provides extensive detail regarding the need to increase the levels of financial literacy of people in India, subsequent benefits, some current initiatives, identifying needs, who should be involved in the further provision of financial literacy programmes, target groups, possible topics, delivery mechanisms and institutional arrangements for driving the implementation of the strategy.

The impression gained from reading the document, however, is that is more of a proposal rather than a strategy. It suggests what *could* and *should* happen, who *should* be involved, *possible* topics for inclusion in schools, an indicative list of stakeholders, the possibility of a nationwide survey being carried out by different regulators under the auspices of NCAER, etc. A final strategy could look a lot different once all the stakeholders mentioned have met and identified the strengths and weaknesses of the FSDC as a coordinating agency, decided how fund will be sourced, estimated what funding will be available. Strategic measures that are feasible, achievable and measurable could then be identified that will give a strategic document more credibility and feasibility.

It is not clear whether the proposed agencies have met and if not, this document may be somewhat premature and could have more credence if it were compiled once the proposed agencies and stakeholders have met and agreed on:

- Who will have ownership of the strategy and be responsible for its implementation i.e. who specifically will coordinate efforts and their roles and responsibilities are clarified.
- Financial education needs are identified and a responsive framework of learning outcomes compiled.
- Sources of funding are identified and availability confirmed.
- How the sample surveys will be coordinated and how they will be used to form a composite national needs analysis.
- A clear definition of the concepts of financial literacy within an Indian context. A long list of topics applicable to both the community and learners in schools currently provided needs to be prioritised and certainty provided as to why these topics are selected. Perhaps an

overarching framework of financial literacy competencies needs to be developed that will promote financial inclusion within a regulated financial environment.

- How the defined financial literacy competencies need to be developed and how they will be used to promote inclusion.
- Key deliverables and their timelines for implementation.

The points raised in the peer reviews are taken on board. It is noted that, most of these or the underlying issues have been discussed by the technical committee which has drawn up the National Strategy for Financial Education having representation from all regulators and the Government of India along with special invitees from boards setting academic standards in schools(CBSE etc.), organisations like NCERT, NCAER etc. and National Institute of Securities Markets which will act as the initial agency for implementation of the strategy.

Further, as suggested in the peer reviews, the following changes have been incorporated in the document

- The document includes a table of content to guide the reader. The said section details the flow and sequence of all the chapters and section of the document
- Brief details of the genesis of the document and the contributions of the various stakeholders have been highlighted in the 'Acknowledgement' section. This also elaborates on the process followed till date.

It is reiterated that this document is a result of all regulators and Government of India having a common agenda of core financial education to all. Regarding the issue of funding, though a consensus has already emerged that the same would be contributed by all the regulators. Further, regarding the implementation of the strategy, ownership and coordinating the efforts and the role of stakeholders, Core committee formed with members from all regulators will be responsible who will finally report to FSDC chaired by Hon'ble Finance Minister of the country.

The results of the national survey proposed will help us detailing the strategy to the extent as suggested in the peer review to address the concerns regarding target groups, detailed action plan, time frame etc. will get redressed. A committee has been formed to look into the various aspects of the survey including the questionnaire, sample size, methods of sampling and subsequent evaluation after implementation of the strategy.