
December 29, 2020
India is the third largest economy in the world in terms of purchasing power parity and is aiming to become a USD 5 trillion economy. This requires greater formalisation of the economy and greater financial inclusion. As the strategy is a post-pandemic measure by RBI, for upsc one should know its features and the significance of financial education.

In news: National Strategy on Financial Education (2020-25) has been released by RBI.

Placing it in syllabus: Economy

Static dimensions

1. Financial education in India
2. Financial inclusion initiatives so far

Current dimensions

1. National strategy for financial education

Content:

National strategy for financial education (NSFE) (2020-2025):

- It has the vision of creating a financially aware and empowered India.
- It focusses on various aspects of financial education across banking, insurance, pension and investments through greater roles for financial institutions (both banks and non-banks), educational institutions, industry bodies and other stakeholders.
- In order to reach out to the various target groups (school children, teachers, young adults, women, new
entrants at workplace/ entrepreneurs (MSMEs), senior citizens, Divyang persons, illiterate people), innovative techniques and digital modes of delivery including targeted modules for specific categories of customers have been envisaged.

• Due emphasis has also been given to safe usage of digital financial services and enhancing awareness about grievance redress measures.

• The evaluation methods to assess progress in financial education have also been identified as one of the strategic objectives.

• The strategy includes a ‘5 Cs’ approach for dissemination of financial education through emphasis on development of relevant Content (including Curriculum in schools, colleges and training establishments); Capacity of the intermediaries who provide financial services and education; leveraging on the positive effect of Community led model for financial literacy through appropriate Communication Strategy and enhancing Collaboration among various stakeholders.

Financial education in India:

Financial education plays a vital role in creating demand side response by enabling greater awareness and access to appropriate financial products and services through regulated entities. Financial resilience of individuals and their families can also be strengthened through financial education.

To achieve these objectives, initiatives taken are-

1. Setting of a National Centre for Financial Education (NCFE):

   • The NCFE has been set up by the four financial sector regulators as a Section 8 (Not for Profit) Company to promote Financial Education across India for all sections of the population as per the NSFE.
NCFE undertakes financial education campaigns across the country through seminars, workshops, conclaves, training programmes, campaigns, etc. to help people manage money more effectively and achieve financial wellbeing in the process.

2. Centre for Financial Literacy (CFL) project:

- It is an innovative way to impart financial education through community approach, conceptualised by the RBI in 2017.
- It is a participatory approach to financial literacy at the Block level involving select banks and NGOs.
- Initially set up in 100 blocks on a pilot basis, the project is now being scaled up across the country to every block in a phased manner by March 2024.
- This project ensures greater involvement and receptibility of the community on the demand side so as to align with the expansion of institutional initiatives on the supply side.

During the COVID-19 related nationwide lockdown, various approaches like using social media, mass media (including local TV channels, Radio), reaching out to local school education boards, training missions of the SHGs were undertaken across the country to continue dissemination of financial education.

Financial inclusion initiatives so far:

- Financial inclusion initiatives in India started in the aftermath of the first All India Rural Credit Survey in 1954 with promotion of cooperatives.
- It was later followed by expansion of branch network after nationalization of major private sector banks, launch of Lead Bank Scheme, promotion of Self Help Groups (SHGs), Joint Liability Groups (JLGs), implementation of Banking Correspondents (BC) model,
expansion of banking outlets, creation of payments banks, small finance banks, etc.

- The largest impact in recent years came from the opening of Jan Dhan accounts and implementation of the Pradhan Mantri MUDRA Yojana (PMMY).
- PMJDY has resulted in almost every household having access to formal banking services along with a platform for availing low value credit, insurance and pension schemes.
- The Jan Dhan, Aadhaar and Mobile (JAM) eco system has made a significant difference in the universe of financial inclusion.
- Among several initiatives, the pilot project launched by the RBI in Oct 2019 to make one identified district in every State/Union Territory 100% digitally enabled by March 2021 is significant.
- Forty-two such districts including 8 aspirational districts are part of this initiative.
- The Financial Stability and Development Council (FSDC) approved the National Strategy for Financial Inclusion (NSFI) document which was launched by RBI in January, 2020.
- The NSFI envisions making financial services available, accessible, and affordable to all the citizens in a safe and transparent manner to support inclusive growth through a multi-stakeholder approach.

Mould your thought:

1. What is the need for financial education in India? How does the National Strategy for Financial Education (NSFE) help in fulfilling it?

Approach to the answer:

- Write the need for financial education
- Brief about initiatives launched for financial education
- Explain the features of NSFE
• Conclusion