

CONTRIBUTION OF FINANCIAL INSTITUTIONS TOWARDS FINANCIAL LITERACY AND CREDIT COUNSELING IN INDIA

Sadhana L. Ogale¹
Dr. D. Mahal²

Abstract:

Financial literacy can broadly be defined as “Providing familiarity with and understanding of financial market products, especially rewards and risks, in order to make informed choices”- Reserve Bank of India (RBI)

India is one of the countries who is having highest saving rate. Majority of Indians are investing their savings in low yielding instruments. People are investing in traditional instruments .They are not taking advantage of modern instruments which provides high returns. The main reason behind is lack of awareness about financial products. It is very important that people should be aware about various financial instruments or investment avenues. Financial literacy upsetting the financial planning of the person along with personal goals. Various financial institutions are taking initiative to improve financial literacy nationwide. The present paper focus on initiative takes by various financial Institutions to improve financial Literacy in India. The study also highlights the credit counselling. The absence of proper financial counselling, coupled with inadequate financial literacy levels has often resulted in forcing the consumers towards costlier decisions and eventual debt traps. Therefore there is a need for financial counselling in all the areas. The present paper will provide overview of initiative taken by financial institutions towards financial literacy and credit counselling .

Keyword: *Financial literacy, Credit Counseling*

Introduction:

The person, who is literate, does not mean that person is financially educated. Literate person means the person should able to read and write and put those skills for their own development of life. On another side, Financial Literate means providing familiarity with and understanding of financial markets, products, especially rewards and risks, in order to make informed choices. Viewed from this standpoint, financial education primarily relates to personal finance to enable

¹ Research Scholar, Savitribai Phule Pune University Email: sadhanaogale2@gmail.com,; Mob: 9594002306

² Research Guide, Savitribai Phule Pune University

individuals to take effective action to improve overall well-being and avoid distress in matters that are financial”

Financial Literacy is “A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being.” (OECD-INFE)

Financial Inclusion is “The process of promoting affordable, timely and adequate access to regulated financial products and services and broadening their use by all segments of society through the implementation of tailored, existing and innovative approaches including financial awareness and education, with a view to promote financial wellbeing as well as economic and social inclusion.” (OECD-INFE)

Financial literacy is one of the important part of Financial Inclusion.

Objective of the study:

1. To study initiative taken various financial institutions to improve financial literacy in India.
2. To study initiative taken by financial institutions towards credit counseling.

Research Methodology:

The present paper is based on secondary. The data collected from various websites of financial institutions and articles published in reliable sources.

Initiative taken by various organizations to improve financial literacy:

1. Pension Fund Regulatory & Development Authority (PFRDA):

Pension Fund Regulatory & Development Authority is regulating National Pension Scheme (NPS), subscribed by employees of Govt. of India, State Governments and by employees of private institutions/organizations & unorganized sectors. The Pension Fund Regulatory & Development Authority Act was passed on 19th September, 2013 and the same was notified on 1st February, 2014.

PFRDA conducted National Pension Scheme (NPS) awareness programme on 06th November, 2015 in coordination with Government of Maharashtra . In which senior State Government officials were present. Around 135 participants from Urban, Rural, Local Bodies, aided institutions funded by Government of Maharashtra have attended the meeting. A detailed

presentation on NPS was given by PFRDA officials to the participants were in System structure, benefits of NPS, processes involved etc. were explained and queries also resolved. As on Oct 31, 2015, there are 2,15,020 subscribers registered from SG-Maharashtra and the AUM is 3,652.58 Crores.

PFRDA conducted strategy meeting cum workshop on Atal Pension Yojana (APY) for District Central Commercial Bank on 05th November, 2015 in coordination with NABARD at Mumbai, specifically for Maharashtra based District Cooperative Central Banks on Atal Pension Yojana. The objective of the meeting was to popularize APY in the State through these banks and extend the coverage of pension to the last mile. In this meeting, Shri A.G. Das briefed about the pension scenario in the world and need of pension in India, and advised all the participating banks to play an active part in outreach of the scheme. Dr. U S Saha, CGM, NABARD, Mumbai highlighted the importance of adopting APY by the Regional Rural Bank & District Central Commercial of Maharashtra and elaborated various facets of financial inclusion.

National Pension Scheme provides minimum guaranteed monthly pension to subscribers from Rs. 1000 to Rs 5000 at the age of 60 years. During accumulation phase, Government of India contributes 50% of the total contribution subject to a maximum of Rs 1,000/- per annum, for a period of five years to eligible subscribers if one registers before 31st December 2015. All Indian Citizens in the age group of 18-40 years are eligible to join the scheme through the bank branch where one has Saving Bank account. As on Nov 06, 2015, the scheme has been subscribed by nearly 9.5 lacs subscribers.[1]

PFRDA create awareness about NPS through Leaflets, banners, posters, newspaper advertisement . For creating awareness about financial literacy PFRDA shared material from NISM regarding Financial literacy. It includes information regarding Income, Expenses and Budgeting ,Saving , Credit and Debt Management ,Insurance, Investment ,Retirement and Pensions ,Financial Planning ,Government schemes , Fraud Protection , Grievance Redressal. PFRDA creating awareness about financial education through digital footage on the website.[3]

To assess the level of financial literacy and NPS awareness of government employees, an online survey has been conducted by PFRDA. The survey was open from 14th July 2016 to 18th August 2016. 10,111 Government employees participated in the survey - 5075 Central Government (CG), College of Agriculture Banking(CAB) employees and 5036 State Government employees. Survey shows that 48% of the government subscribers, who

participated in the survey, are having average financial literacy. 28% have high financial literacy and 24 % have low financial literacy.

Financial Literacy is highest for CAB subscribers followed by CG subscribers, who participated in the survey. 22% of government subscribers are females. 29 % of male subscribers and 19 % of female subscribers who participated in the survey have high financial literacy. 30% of female subscribers and 23 % of male subscribers who participated in the survey have low financial literacy. In the various age groups, financial literacy is high for the participants in age group of 36-40, 41-45, 46-50 years and is lowest for 18-25 year age group. Financial literacy is higher for the participating employees with high contribution level. In state governments, 40-60 % of the employees who participated in the survey fall in “Average Financial Literate” bracket. Gujarat, Himachal Pradesh, Uttaranchal and Punjab are among the high financial literate states and North-Eastern states like Arunachal Pradesh, Manipur, Meghalaya, and Nagaland are among the low financial literate state. [2]

2. The National Institute of Securities Markets (NISM) :

The National Institute of Securities Markets (NISM) is a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), the regulator of the securities markets in India. The institute carries out a wide range of capacity building activities at various levels aimed at enhancing the quality standards of and increase the participation in the securities markets. The institute’s six schools of excellence and the National Center for Financial Education works in synergy towards professionalized securities markets. NISM has six Schools of Excellence i.e. School for Certification of Intermediaries (SCI), School for Corporate Governance (SCG), School for Investor Education and Financial Literacy (SIEFL), School for Regulatory Studies and Supervision (SRSS), School for Securities Education (SSE), School for Securities Information and Research (SSIR). The National Strategy of Financial Education is being nurtured at NISM through the ‘National Center for Financial Education (NCFE). [4]

NISM successfully conducted two Conferences on Ethics and Corporate Governance during December in Kolkata and Chennai. These were part of the series of conferences on Ethics and Corporate Governance being held at various locations across the country in collaboration with ICSI-CCGRT. NISM conducted induction programs for the newly appointed officers of SEBI in two batches. The first batch of inductees completed their training by 31st of January, 2014 while

the second batch is expected to be inducted by 28th of February, 2014. The officers were selected by SEBI following a pan India recruitment process.[5]

Financial Education through school curriculum NISM has been in continuous dialogue with NCERT and CBSE to facilitate the inclusion of the financial literacy material as a part of the compulsory syllabus. It has proposed to introduce the concepts of finance in an integral manner in their school curriculum from Class VI to X. After the success of NCFE-NFLAT, schools have come forward with the request to assist them in including the financial literacy material in their regular syllabus. NCFE has chalked out a plan to conduct workshops in these schools to train their teachers and introduce students to the concepts of finance via 'Pocket Money' program.[6]

NISM is organizing various programmes like MDP Programme , seminars to improve financial literacy . NISM is carry out various programmes related area finance like risk management, behavior finance etc. .NISM focusing on areas of Financial Literacy & Inclusion Survey, Pocket Money Programme for schools, Investor Awareness Programmes through about 1000 SEBI Resource Persons

3. National Centre for Financial Education:

The National Centre for Financial Education (NCFE), comprising representatives from all financial sector regulators i.e. Reserve Bank of India (RBI), Securities Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA) and National Institute of Securities Markets (NISM), has been set up to implement National Strategy for Financial Education (NSFE), under the guidance of a Technical Group on Financial Inclusion and Financial Literacy of the Financial Stability and Development Council (FSDC), which would cater to all sections of the population in the country. The objective of NCFE is to undertake massive Financial Education campaign to help people manage money more effectively to achieve financial wellbeing by accessing appropriate financial products and services through regulated entities with fair and transparent machinery for consumer protection and grievance redressal. So that they will achieve their Vision i.e. A financially aware and empowered India.

National Centre for Financial Education under the aegis of National Institute of Securities Markets (NISM), organized a pan India National Financial Literacy Assessment Test (NCFE-FLAT) for school students from classes VIII to X on 12th January, 2014 (Swami Vivekananda's

Birth Anniversary). An overwhelming 1,00,000 students from 2,000 schools registered for the test. NCFE – Financial Literacy and Inclusion Survey (NCFE-FLIS) was conducted to assess the state of financial literacy and financial inclusion in India. NCFE is conducted Financial Literacy and Inclusion Survey (NCFE-FLIS) covered approximately 75,000 people across 35 states and UTs. As part of this exercise, for testing the overall efficacy of various survey tools including questionnaire, CFE conducted a pilot study capturing responses of approximately 500 samples spread across Gujarat, Delhi, Chandigarh and Tamil Nadu. [7]

The main role of NCFE is to create financial education materials and conduct 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. [8]

4. Reserve Bank of India:

The Reserve Bank has undertaken a project titled 'Project Financial Literacy'. The objective of the project is to disseminate information regarding the central bank and general banking concepts to various target groups, such as, school and college going children, women, rural and urban poor, defence personnel and senior citizens. It would be disseminated to the target audience with the help, among others, of banks, local government machinery, NGOs, schools, and colleges through presentations, pamphlets, brochures, films, as also through the Reserve Bank's website. The Reserve Bank has already created a link on its web site for the common person to give him/her the ease of access to financial information in English and Hindi, and 12 Indian regional languages.

A financial education site was launched on November 14, 2007 commemorating the Children's Day. Mainly aimed at teaching basics of banking, finance and central banking to children in different age groups, the site will also eventually have information useful to other target groups, such as, women, rural and urban poor, defence personnel and senior citizens. The comic books format has been used to explain complexities of banking, finance and central banking in a simple and interesting way for children. The site has films on security features of currency notes of different denominations and a games section. The games currently on display have been especially designed to familiarise school children with India's various currency notes. The site will soon be available in Hindi and twelve regional languages.

Reserve Bank conducted essay competitions for school children on topics related to banking and financial inclusion. The Bank has also been participating in exhibitions to spread financial literacy. Last year, it participated in the exhibition aboard the 'Azadi Express' a train to commemorate 150 years of India's freedom struggle which began in the year 1857. The train during a year's run will cover several places in the country. Recently, the Reserve Bank launched 'RBI Young Scholars Award' Scheme amongst students undergoing undergraduate studies to generate interest in and create awareness about the banking sector and the Reserve Bank. Under the scheme, up to 150 young scholars would be selected through country-wide competitive examination and awarded scholarships to work on short duration projects at Reserve Bank.[9]

5. Insurance Regulatory & Development Authority: Insurance Regulatory and Development Authority (IRDA) is an autonomous apex statutory body which regulates and develops the insurance industry in India. It was constituted by a Parliament of India act called Insurance Regulatory and Development Authority Act, 1999. The mission of IRDA is to protect the interests of the policyholders, to regulate, promote and ensure orderly growth of the insurance industry and for matters connected therewith or incidental thereto. Insurance Regulatory and Development Authority has taken various initiatives in the area of financial literacy. Awareness programmes have been conducted on television and radio and simple messages about the rights and duties of policyholders, channels available for dispute redressed etc. have been propagated through television and radio as well as the print media 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 bodies. IRDA has done a pan India survey on awareness levels about insurance. IRDA has also brought out publications of 'Policyholder Handbooks' as well as a comic book series on insurance. A dedicated website for consumer education in insurance has been launched. [10]

6. Securities and Exchange Board of India (SEBI) :

The Securities and Exchange Board of India was established on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992. The basic functions of the Securities and Exchange Board of India is to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto.

SEBI promoting financial literacy through financial education with the help of investors associations. SEBI promotes financial literacy through financial education persons empanelled by it. The first panel of resource persons was empanelled in June, 2010; under this initiative, six target groups are identified to promote financial literacy. These are: school children, college going students, middle income groups, executives, home makers and retirees. The financial literacy information is disseminated through presentations, pamphlets, brochures etc. SEBI has also started to spread financial education to school children through pocket money program with National Institute of Securities Market. Investor education programs are conducted by SEBI through investor associations all over the country. Regional seminars are conducted by SEBI through various stakeholders viz. Stock Exchanges, Depositories, Mutual Funds Association and Association of Merchant Bankers etc. SEBI has a dedicated website for investor education wherein study materials are available for dissemination. SEBI also publishes study materials in English and vernacular languages. Under 'Visit SEBI' programme, School and college students are encouraged to visit SEBI and understand its functioning. SEBI has recently set up SEBI Helpline in 14 languages wherein through a toll free number, investors across the country can access and seek information for redressed of their grievances and guidance on various issues.[11]

6. Union Bank of India:The bank has opened 26 FLCC across its 14 lead districts to fulfill its mandate of financial literacy and counselling of the unreached and unbanked sector.Branches are conducting Financial Literacy Camps at regular intervals to create awareness of people and gain knowledge on Financial Products & Services, effects changes in their economic behavior so that they open Bank accounts, avail Overdraft and small credits, Insurance & Pension Products. The basic message of awareness is to create demand down the line. It also includes Financial Education on why to save, why save with Banks, why to borrow and repay, what is interest rate, why to have insurance and pension & why to seed Aadhaar number, use of Rupay cards for cashless payments... etc.[12]

Credit Counselling:

Credit Counselling Centres (also known as Knowledge Centres) even train farmers or women groups to enable them to start their own income generating activities to earn a reasonable livelihood. In the absence of proper financial counselling, coupled with inadequate financial literacy levels has often resulted in forcing the consumers towards costlier decisions and eventual

debt traps. Therefore there is a need for financial counselling in all the areas. A few banks have taken initiatives to start some centres in rural/ semi rbanreas, which offer financial education and credit counselling services. The objective of these centres is to advise people on gaining 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, helping in rehabilitation of borrowers in distress, etc. Some of these.[13]

1. Measures taken by Reserve Bank of India for credit counseling:

Set up of a financial literacy and credit counseling centre in the State/Union Territory, coming under their jurisdiction on a pilot basis. Further, based on the experience gained, the concerned Lead Banks were advised to set up such centres in other districts. After RBI came out with the concept of financial literacy and credit counseling centres in 2009, banks set up over 135 credit counseling centres in various states. To evaluate the effectiveness of the scheme and its impact on financial literacy, RBI conducted a sample survey of 30 FLCCs across 16 states. "The findings of the study indicate the limitations of the model scheme in scaling up the financial literacy efforts in the desired manner,"[14]

2. Initiatives taken by some Banks for credit counseling:

Commercial banks are realizing that they are missing out on large segment of financially illiterate and excluded segment of prospective customers. Major financial institutions are spreading awareness through Financial Literacy and Counselling Centres and Rural Self Employment Training Institutes on financial literacy. The objective of these centres is to advise people on gaining 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, helping in rehabilitation of borrowers in distress etc. Some of these credit counselling centers even train farmers or women groups to enable them to start their own income generating activities to earn a reasonable livelihood. Similarly, many Stock Exchanges, Broking Houses and Mutual Funds have initiatives in the field of financial education through conducting of seminars, issuance of do's and don'ts, and newspaper campaigns. Insurance companies too, carry out campaigns and other educational activities for generic education in insurance.

A few banks have already taken initiatives in opening credit counseling centres in the country. An Internal Group constituted by the Reserve Bank to study credit counselling initiatives, visited some of the counseling centres in the state of Maharashtra viz., 'ABHAY' counselling centre⁸ (an initiative of Bank of India); Disha Trust⁹ (an initiative of ICICI Bank Ltd.) and Grameen Paramarsh Kendras¹⁰ (an initiative of Bank of Baroda).

The counsellors at these centres assist people on a face to face basis as well those who approach them over telephone, email, or by means of letters. Customers facing credit problems arising out of multiple credit cards, personal loans, housing loans and loans from societies approach the counseling centres for advice and guidance. The counsellors guide their customers and help them to take up with the banks concerned for rescheduling/ restructuring of loans.

The counseling centres are mainly funded by Trusts set up by banks or funded by the banks themselves. The counsellors manning the centres are retired or serving bank employees. Counselling is provided free of cost. The counselling presently provided by most of the centres is mainly curative in nature, being given after a crisis event had occurred. Arrangement for experts to guide farmers on modern farming methods, cooperative farming, marketing strategy, etc.

The counseling centres are mainly focus on credit related problems of urban clientele on account of credit card, personal loans, housing loans, and defaults on account of business failures. Manned by Agricultural Officers of the bank to provide awareness on various products and services of the bank. Training and awareness camps are organised by some of these counselling centres to educate people of the need to save and to familiarize them with the concept of credit cards, impact of minimum charges, etc. As these counselling centres are housed mainly in the banks' premises, expenses incurred are mainly on account of payment of honorarium to counsellors; such honorarium ranged from Rs.12,000 to Rs.30,000 per month. Efforts are being made to hold training camps and creating awareness among the masses on the need for saving, planning expenditure and also about various banking facilities, etc., a lot more is yet to be done to popularise and scale-up the effort. [15]

Abhay : Bank of India Started credit counselling services at free of cost to the Common People to enable them to lead a respectable life. The Credit Counseling services were started under the aegis of the Trust "ABHAY " which was launched at the hands of His Excellency President of India Dr. A.P.J. Abdul Kalam at New Delhi on 25th August, 2006. The first center was inaugurated at Mumbai by Dr. Y.V.Reddy, Governor, Reserve Bank of India on 7th

September,2006 which was followed by Centres at Wardha in Nagpur and Chennai.The main objective of trust is advising on gaining access to structured financial system including banking, Creating awareness among the public about financial management ,Counseling people who are struggling to meet the repayment obligations and helping debt resolution, Helpingin rehabilitation of borrowers, Friendly and timely guidance coupled with related support extended by the counselors will not only mitigate the immediate stress of the trapped individuals and their households, but it will also help to infuse confidence in others who are in distress, irrespective whether they are customers of Bank of India or other Banks. With the common objectives of counseling the borrowers, different focus is being given in metro/urban and rural areas, to meet their different needs. [16]

Disha :Disha is committed to providing education to customers on the proper use of consumer credit as well as basic money management skills helping them stay financially healthy. This organization assist the vulnerable and disadvantaged consumer in financial crisis by analyzing their situation, counselling and advising, and providing options. Disha Financial Counselling is a free and confidential service. Financial counsellors are well-trained, supportive and caring. DISHA educate individuals to make appropriate decisions in managing their personal finances. The counsellors will educate and inform customers of different financial options and products available and basic money management like budgeting and saving, leading to proper financial planning. Disha get one-to-one counselling and advice that covers financial budgets, money management, and credit issues. Along with expert analysis of financial situation and identification of suitable options. person can derive personal debt management advice from experts to help you with your financial situation. DISHA focus on major activities of Financial education ,Credit Counseling and Debt Management.[17]

Conclusion:Financial Literacy plays vital role for individuals planning . If the investors knows various alternatives then portfolio of the investor will be diversified and risk of losing money will be decreased. Sometimes people are not planned their debt. As a result of this is financial distress. Therefore financial institutions are taking initiative to reduce financial distress by Setting up financial literacy centre and counseling centre. It is one of national strategy adopted by Reserve Bank of India to reduce financial distress and improve financial literacy . It also helps to financial inclusion of the country. RBI , PFRDA , NISM , IRDA , NCFE , Commercial bank taking various activities like workshop , seminars to improve financial literacy . Various

type media also used to promote financial literacy. Through credit counseling centre financial distress can be reduced. Credit counseling is provided at free of cost.

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