

# National Strategy for Financial Education



## National Strategy for Financial Education

### 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 building. Most of the countries are adopting a unified and coordinated national strategy for financial education. Given the fact that India is having large population, a fast growing economy with national focus on inclusive growth and 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. 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 they 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:

**a) *Inclusive Growth, Financial Inclusion & Financial Education:*** Financial education play a vital role in making demand side respond to the initiatives of the supply side interventions. Financial inclusion is one of the top most policy priorities of the Government of India. One of the most visible aspects of the governance has been agenda of social inclusion of which financial inclusion is an integral part. *'Financial literacy, and education, plays a crucial role in financial inclusion, inclusive growth and sustainable prosperity'*\*.

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

\*From speech delivered by Hon'ble Union Finance Minister, Shri Pranab Mukherjee during RBI- OECD Workshop on Delivering Financial Literacy in March 2010

financial products and services enabling them to have more control of their present and future circumstances

- c) *Freedom from exploitation:*** Financial literacy will help in protecting society and individuals against exploitative financial schemes and exorbitant interest rate charged by moneylenders.
- d) *Avoidance of over indebtedness:*** Financial education will help to avoid over-indebtedness, improve quality of services and make wise financial decisions.
- e) *Promoting entrepreneurship:*** Small entrepreneurs who would be educated and already have a business sense will benefit through awareness about new financial products and help them to understand the dynamics of market mechanism and improve their business dealings.
- f) *Positive Spill-over effects:*** Financial education can lead to multiplier effects in the economy. A well educated household would resort to regular savings, which in turn would lead to investment in right channels and income generation. The financial well being of individuals will in turn increase the welfare of the society.
- g) *Shifting of Pension Responsibility from State / Corporations to Individuals:*** A financially educated person would be in a better position to assess his/her own requirements and make savings in appropriate schemes. It reduces strain on social programs and pension plans, and fosters an economy that is more resilient.
- h) *Behavioral Change:*** The proliferation of financial products has led to its indiscriminate usage without realizing its financial implications by the user.' *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.

- i) Deeper participation in Financial Markets:** In India, we need to convert savers into investors. More participation of domestic retail investors in securities market will give dividends by Increasing depth of securities market, reducing dependence on foreign investors and domestic savers reaping benefits of Corporate Growth and reducing strain on Government Treasury for investment in National Infrastructure.
2. OECD defines Financial Literacy as a combination of financial awareness, knowledge, skills, attitude and behaviour 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, 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 UK have already implemented National Strategy for Financial Education, while many other countries are in the process of formulation and implementation.

\* From speech delivered by Hon'ble Union Finance Minister, Shri Pranab Mukherjee during RBI- OECD Workshop on Delivering Financial Literacy in March 2010

5. In India where majority of its population is financially excluded and coexisting with various other financially included sections of population which invest in capital markets and use other advanced financial products, we need a tiered approach under National strategy for spreading awareness about basic financial products to link them to the formal financial sector, educating the existing users of financial products and services to make the informed choices and ensuring consumer protection for all the users of financial products and services. Based on the above 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 to spread across country some of the following simple messages of day to day finance.
- Why Save?
  - Why invest?
  - Why insure?
  - Why you will need regular stream of income post working life –pension?
  - 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?
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 and so on.
  - 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, when getting an education, starting a job, buying a house, starting a family, getting ready to retire and living out the senior years.
8. The key component of consumer protection efforts at the higher end of the national strategy continuum could be
- a) Creation of awareness about district, State and National Level Consumer protection foras and providing quick and easy access to users of financial products and services to these bodies
  - b) Providing quick and easy access to various financial sector ombudsmen and strengthening their network and reach across country.

In view of the above, we need to clearly articulate a national strategy for financial education to get everyone on board.

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

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

The vision entails provision of financial education for all Indians that could enable individuals, at 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 through insurance and a realistic recognition of the attributes of these options.

2. **Mission-** *To undertake massive Financial Education campaign to help people manage money more effectively to achieve financial well being by accessing appropriate financial products and services through regulated entities with fair and transparent machinery for consumer protection and grievance redressal.*

To conduct financial education campaign 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 the knowledge, understanding, skills and competence of theirs in managing money effectively to improve his/her 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) Create awareness and educate consumers on access to financial services, availability of various types of products and their features.
  - b) Change attitudes to translate knowledge into behaviour.
  - c) Make consumers understand their rights and responsibilities as clients of financial services.
4. **Action Plan with Timeframe-** Given the fast pace of changes in the financial world, it will be reasonable to have a five year timeframe for implementation of the strategy. The above mission will be accomplished only through Strategic Action Plan to be executed in the five year period.

- 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) Create awareness about consumer protection and grievances redressal machinery available in the country
- d) The Financial Education to be delivered by trained persons in a format suitable to each target group with the content that has been developed by rigorous research
- e) All the above measures would be undertaken through various stakeholders including NGOs, civil society and by using all channels of mass communication
- f) To establish initial contact with 500 million adults, educating them on key saving, protection and investment related products so that they are empowered to take prudent financial decisions

5. **Stake-holders-** 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 viz. 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.
- c) Educational Institutions
- d) Non Governmental Organizations
- e) Financial Sector Regulators
- f) Government- both Central and State
- g) Multilateral international players like OECD, G-20, INFE, etc.



## Section II

### Assessment of the need of Financial Education

#### A. National Survey on Financial Education

Several Countries such as Australia, New Zealand, France and the USA have conducted detailed survey on the state of financial literacy in their countries. These surveys mainly concern topics related to money management, financial planning, 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 viz.

- a) Identifying the needs and gaps.
- b) Establishing the direction of the effort.
- c) Identifying special groups such as women and illiterates that need attention
- d) Serving as an evaluation and benchmarking standard as the result of future initiatives can be measured by comparing with the baseline numbers.

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 by different regulators through an outside agency like NCAER etc., shall be carried out for assessing the state of financial inclusion and financial literacy. The survey should have the following elements:

- a) The state of financial inclusion i.e. Whether the person has Saving Account, Loan Account, Mutual Fund Investment, Insurance Policy, Pension plan etc.
- b) The state of awareness of financial products viz. how many types of savings and investments options are available to him.
- c) The state of financial competency viz. whether he understands the concept of compound interest, Present Value of Money, annuity etc.

- d) His/her attitude towards money viz. whether he prepares a budget, or consider drawl from credit cards as normal means of financing.
- e) His/her attitude towards risk
- f) Whether the person has any pension coverage for old age and if so, the nature of pension that is available

Once the initial assessment is done the incremental progress can be assessed through reporting by market players to regulators. An effort in this regard is underway across regulators through Technical Group of Sub Committee of FSDC.

### **B. Assessment through Complaints and Creation of Complaint Repository**

The repository of complaints available with regulators gives an insight of the areas where financial education would be able to improve consumer awareness of various products and also help in addressing gaps in consumer protection.,

To use this repository effectively, there is need of

- a) Systematic collection
- b) Monitoring, and
- c) Analytical study

of the collected complaints.

### **C. Assessment of Needs through International Experience**

While in India, in view of large scale financial exclusion the needs of financially illiterate and excluded may be different from other countries where large sections of populations are financially included, a cursory look at the literature shows that the basic issues in financial education for those already included are not different in most countries. Even as we do not have the results of our survey, a study of international survey will indicate the broad directions that our nation should take. A systemic study by a dedicated team will be necessary.

*Ideally, the work of designing the campaigns should be carried out after the results of the survey are available. However, we may follow parallel routes to some extent in view of the following:*

1. *We are starting on our efforts years after other countries have already conducted some surveys. A preliminary look at the survey clearly shows the direction in which we should proceed. 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.*
2. *Large quantity of anecdotal material is available through the work carried out by regulators such as RBI, SEBI, IRDA, PFRDA etc. on the one hand and by NGOs and Microfinance Institutions on the other hand. For determining the initial approach, this data bank should be sufficient.*

#### **D. Efforts made so far in the field of Financial Education**

##### *1. RBI's initiatives on Financial Education*

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 banks, local government machinery, schools and colleges through presentations, pamphlets, brochures, films and also through RBI's website.

##### *2. SEBI's Initiatives on Financial Education*

Securities Exchange Board of India has embarked financial education on a nationwide campaign. To undertake financial education to various target segments viz. school students, 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 given training on various aspects of finance and equipped with the knowledge about the financial markets. These SEBI Certified Resource Persons organise workshops to these target segments on various aspects viz. savings, investment, financial planning, banking, insurance, retirement planning etc. More than 3500 workshops have been already conducted in various states covering around two lakh and sixty thousand participants.

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, 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 redressal of their grievances and guidance on various issues.

### *3. IRDA'S Initiatives on Financial Education*

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 redressal etc have been disseminated through television and radio as well as the print media through 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 bodies. IRDA has got a pan India survey on awareness levels about insurance carried out through the

NCAER in a bid to improve on its strategy of creating insurance awareness. 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 is on the verge of launch

IRDA's Integrated Grievance Management System (IGMS) creates a central repository of grievances across the country and provides for various analyses of data indicative of areas of concern to the insurance policyholder.

#### *4. PFRDA Initiatives on Financial Education*

The Pension Fund Regulatory and Development Authority, India's youngest regulator has been engaged in spreading social security messages to the public. PFRDA has developed FAQ on pension related topics on its web, and has been associated with various non government organizations in India in taking the pension services to the disadvantaged community.

PFRDA's initiatives have become more broad-based with direct mass publicity on NPS – both as individual model through POPs and group models through Aggregators. PFRDA has issued advertisements in print media and electronic media through radio and television. PFRDA appointed intermediaries are called Aggregators who are directly responsible for pension awareness mostly in vernacular languages and in line with socio-economic sensibilities

#### *5. Market players Initiatives on Financial Education*

Commercial banks are increasingly realizing that they are missing out on large segment of financially illiterate and excluded segment of prospective customers. Also, in view of the national emphasis on electronic benefit transfer the commercial banks have initiated various measures for creating awareness through Financial Literacy and Counseling Centers and Rural Self Employment Training Institutes on financial literacy. The objective of these centers is to advise people on gaining access to the financial system including banks, creating

awareness among the public about financial management, counseling 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 counseling centers even train farmers/women groups to enable them to start their own income generating activities to earn a reasonable livelihood. Even top management of commercial banks is undertaking Outreach visits to villages with a view to spread financial literacy.

Similarly, many Stock Exchanges, Broking Houses and Mutual Funds have initiatives in the field of financial education that spawns 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.

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 cleaned 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 is to weave financial education in the normal content of curriculum. For example, compound interest is taught in Arithmetic as an abstract concept of, A lending to B at some interest rate compounded annually. This can be turned into an opportunity of financial education by weaving into a problem of a company that borrows from a bank or a bank customer who opens a Cumulative Deposit Account instead of a simple Fixed Deposit Account. Similarly, there are opportunities available in the syllabi of Social Studies, Moral Science etc.

### **Section III**

#### **Policy Design**

##### **A. Components of Financial Education**

###### **1. *Basic Financial Education***

The basic financial education consists of fundamental tenets of financial well being such as importance and advantages of savings, necessity of staying out of unproductive loans that are beyond the capacity to repay, borrowing with formal financial sector, concept of interest and the power of compounding, time value of money, inflation, the need to insure, role of major financial sector institutions such as ministries, regulators, banks, stock exchanges and insurance companies and basic concept regarding relation between risks and rewards. An attempt has to be made to convey these basic concepts to everyone especially to those who are financially excluded at present. However, the modes of delivery can be different depending upon who is the recipient. School children can be reached best through school curricula, employees 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 folk will have to be reached through the network of rural branches of banks and Lead district managers of Lead banks.

However, it has to be kept in mind that the content has to be sector neutral. The general lessons in prudent financial behavior need to be imparted.

Considering the scale of efforts involved, Ministry of Human Resources Development (MHRD), Government of India should be responsible and take 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 shall be facilitator for the inclusion of financial literacy in school curriculum through MHRD. Support for course content development and monitoring shall be provided by all concerned as envisaged in Section IV.

## **2. Sector Focused Financial Education**

This component is to be targeted to largely already financially included actual consumers. To begin with four sectors can be identified viz. banking, securities market, insurance and retirement planning. Education for the actual and potential securities market investor may consist of basics of stock exchange mechanism, clearing and settlement mechanism, dematerialization 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, mutual funds units, corporate bonds, pension plans etc. needs to be explained.

In the same way, bank related financial education 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. Insurance has to cover the basic concepts related to Insurance Sector; life and non life including adequacy of cover, need to pay regular premium etc. Retirement planning should be targeted to all persons in earning age bracket with roles of Pension Fund Manager (PFM) / annuity service providers. The composition of various investment portfolio mix e.g. equity, debt, mutual funds etc. need to be explained. *Sector focused financial education has to be totally product neutral.* This could be achieved by carefully designing the content. The risk of misselling and steps to ensure understanding of appropriate and suitable products and services also need to be highlighted in sector focused financial education.

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



### **3. Product Education**

Finally, when a financial sector consumer is buying a product or is being convinced to buy a product, it is necessary that he may 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.* In view of the above the best agency for delivery of product education would be the respective industry association. Thus IBA, AMFI, FIMMDA, FEDAI etc have to play an important role in this through general campaigns or through ensuring availability of comparative knowledge at points of sale.

The more important part of the product education lies with the manufacturer of the product himself. In the financial products, it will translate into the manufacturer i.e. banks, insurance companies, Mutual Funds, Stock Exchanges, Pension Funds etc taking the responsibility of educating the buyer about the appropriateness of the product, performance under various possible scenarios, charge structure through simple examples. It may be noted that the product education can be and should be delivered primarily at the point of sale.

The role of the respective regulator will be to ensure that the product manufacturers impart product education in general and at the point of sale in particular. Further, the regulators will have to ensure that the product education is comprehensive while being simple and true.

Awareness of Consumer protection and grievance redressal measures: This would primarily be the responsibility of regulators, Ministry of Finance and Ministry of Consumer affairs etc. All stakeholders need to provide knowledge about and access to various consumer protection and grievance redressal machinery like sector ombudsman and consumer courts etc.

## **B. Content of Financial Education**

### **1. Attitude**

Attitude training should also form a part of financial education. In certain population groups, not caring for the future and living for the moment might be dominating values. Such attitudes are inimical to long term financial well being. Financial education must seek to impart responsible attitudes.

### **2. Financial Competencies**

A core group of financial competencies such as interest calculation, compounding, time value of money etc. needs to be identified and suitably incorporated. Achieving these will 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 true risk in a deal. They lack the confidence to take a well thought out risk and their financial assets consistently under perform. Building such confidence should be part of financial education.

## **C. Financial Education for the Illiterate**

Illiterate persons are in most dire need of financial education. Illiterate people need not have to wait for alphabet knowledge as money has its own language, in the sense that even illiterates understand the importance, value and uses of money. In our attempt to spread financial education we usually target the literate persons. The illiterate go under the radar. The traditional curriculum, methodology and delivery channels have to be different and innovative for giving financial education to the illiterate. As argued earlier we need to impart simple messages of financial prudence like importance of savings, borrowing within limits and using formal financial intermediaries. Adult education methodologies like Role plays, charts, informal discussions, games, and other audio visual modes of communication would also be ideal for such groups.

## **D. Delivery Channels for Financial Education**

### ***1. School Curriculum***

Governments have recognized 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. Such Guidelines can thus be adapted as necessary to national or other jurisdictional circumstances and in particular curriculum and diversity of educational systems.

The guidelines specify a consistent and suitable framework for integration of financial education into school curricula. It includes making financial education in school programmes, developing appropriate, tailored and quantifiable goals, keeping the implementation flexible, identifying suitability and sustainability of resources, monitoring progress and impact, ensuring suitable involvement of important key stakeholders, like government, public authorities and educational systems.

It needs to clearly be specified that the financial education would not be another subject taught in the schools. What is needed is appropriate integration in the school curriculum. For example, arithmetic curriculum in school already has elements of financial education such as percentage, interest, compounding, discount etc. these need to be presented in a modern setting that the students and the teachers will be able to identify with. Similarly, moral science courses could have content which are based on day to day financial transactions.

Financial education is important life skill. Therefore, our educational system should equip students with these necessary life skills, without which, education will be incomplete. In our country there are many students who do not get opportunity to study beyond school level. 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 annexure indicating probable topics for school curriculum is enclosed.

The Central Board of Secondary Education (CBSE) has appreciated the need of financial literacy as an important step to handle personal finance in present and adult life in an informed and skilful way. The 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 programs 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 conducting social marketing initiatives in financial education.

There is possibility of making use of

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

## **3. Resource Persons**

The model undertaken by SEBI to impart financial education is by engaging Resource Persons across the country for 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 country through rural branches and LDMs of banks.

## **4. Adult Education**

Financial education should form an integral part of the adult education.

### **5. Self Help Groups and others**

Some of the Self Help Groups have helped in spread of financial education as its discipline requires the groups to maintain accounts and make budgets. 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 programs for their borrowers. These programs need to be dovetailed into overall strategy for people in other areas.

### **7. Integrated communication channels**

While the channels like TV, Radio, Print and internet should be exploited fully; there is a need to leverage the existing extension works and projects carried out by various ministries such as efforts of agriculture ministry to spread knowledge through panchayats etc.

### **8. Helpline**

There is a need of multi lingual, toll free helpline where an investor/ customer / client can call and get friendly assistance / support. It should be like a friend who is available to guide you in case of difficulties. All regulators can think of such initiative, if they have not already thought of it. It can play an important role in Financial Education.

### **9. Other Channels**

There is possibility of making use of other established channels

- Consumers Associations
- Investors Associations
- Association of Policy Holders
- Deposit holders association

Above mentioned associations are already doing work related to making their association members aware of their rights and responsibilities in a particular product category. They can further the cause of Financial Education.

- Stock Exchanges, AMFI, ANMI, SROs associated with regulators
- Regulated intermediaries like Banks, DPs, brokers, PFMs, Annuity service providers etc. can play 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 selling process.

## **Section IV**

### **A. Institutional Arrangement**

The entire policy is sought to be implemented through existing institutional mechanism

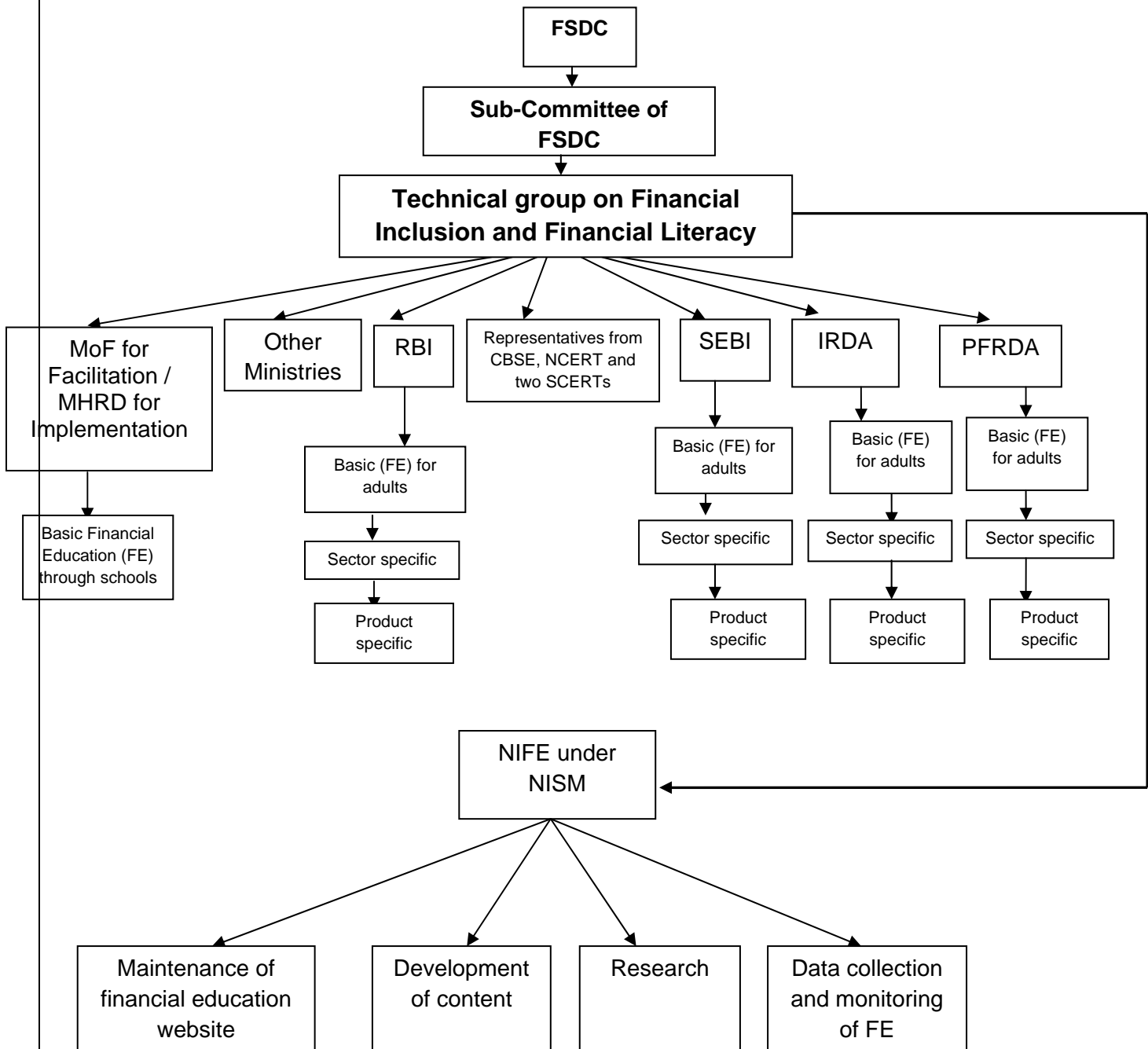
The existing technical Group of Sub-Committee of FSDC on Financial Inclusion and Financial Literacy could be morphed into this. This group shall be responsible for periodic monitoring and implementation of National Strategy for Financial Education

National Institute of Financial Education (NIFE) could be a specialized institute under National Institute of Securities Markets (NISM) reporting to the Technical group for implementation of National Strategy for Financial Education.

Representative of relevant regulators shall be members of the NIFE. All regulators shall provide funds and manpower to NIFE for implementation of National Strategy for Financial Education

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

The proposed institutional flow chart is given below





## **Section V**

### **Guidance**

#### Guidance to Regulators

- Extend help to National Institute of Financial Education (NIFE in design of content of Basic Financial Literacy programmes.
- Extend help to NIFE by way of domain expertise by way of deputing experts for short duration.
- Extend help to NIFE by acting as interlocutor and facilitator between NIFE and the regulated entities.
- Use its resources for spreading Financial Education, both Basic Financial Literacy and Sector Specific Financial Education through various channels.
- Create a Financial Education Cell or Department to lay down the content of the sector specific financial education that would act as source material both for NIFE and the Commercial Financial Institutions while spreading Financial Education. In areas where there is no active Industry Associations, the regulators will also develop the content of the 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 NIFE on a regular basis on their activities in the field of Financial Education.

#### Guidance to Industry Associations

- To develop the content of the sector specific financial education within the framework laid down by the sectoral regulator. The content should be freely shared through a website open for all.
- Use its resources for spreading 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, to use the content developed by NIFE.
- To ensure that their resources are not used for promoting specific products.
- They should 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

- To understand that their most important contribution to Financial Education is through a professional level product education that will allow the consumer to make informed choices.
- They may as a part of their corporate social responsibility help the Industry Association in spreading both the Basic Financial Literacy and Sector Specific Financial Education. However, they have to strictly adhere to the content developed by NIFE and the Industry Associations / Sectoral Regulator respectively.
- They should submit reports in prescribed formats to NIFE on a regular basis on their activities in the field of Financial Education.

#### Guidance to Self Help Groups and other Groups

- They may participate in spreading Financial Education, both the Basic Financial Literacy and the Sector Specific Education according to their inclination. However, they should strictly stick to the content developed by the NIFE and the Industry Association / Sectoral Regulator respectively.
- They should submit reports in prescribed formats to NIFE on a regular basis on their activities in the field of Financial Education.

#### Guidance to Other Authorities

- Other authorities such as education authorities, agricultural and health extension services may like to participate and to extend their infrastructure in spreading Financial Education. While making these efforts they should, however, stick to the content developed by NIFE or the Industry Association/ Sectoral Regulator.

**List of Topics for School Curriculum****1. Money**

- a. History of Money
- b. Barter System
- c. Importance and Concept of money
- d. Coins
- e. Paper money
- f. Plastic Money
- g. E –Money

**2. Household Economics**

- a. Earnings
- b. Nature of Earnings
- c. Needs and Wants
- d. List your expenses
- e. Find Simple ways to save money
- f. Expenditure, Cost and Prices, Inflation
- g. Savings & Thrift
- h. What you save is what you earn
- i. Borrowing - Mild Definition
- j. Investment - Mild Definition
- k. Interest -- Mild Definition
- l. Interest rate -- Mild Definition

**3. Banking**

- a. Definition
- b. Role of a Bank - in growth of saving and Investment
- c. Types of banks
- d. Services offered by banks
- e. Deposits and Loans
- f. Types of A/c
- g. Opening a bank A/c
- h. How to Transact with banks
- i. KYC norms - (A/c opening form, Address Proof)
- j. How to read bank statement
- k. Banking products and services
- l. Net Banking
- m. Calculating Interest --Saving, FD, Simple and Compound Interest
- n. Power of compounding
- o. Loans

- p. Types of loans
- q. Definition of EMI
- r. Calculation of EMI
- s. Difference between Banks and Money lenders
- t. Micro Finance
- u. How to make a complaint -Banking complaints
- v. Ombudsman
- w. Basic of Foreign Exchange
- x. Importance and Use of Foreign Exchange
- y. Check Counterfeit Currency
- z. CIBIL
- aa. Regulator – Role of RBI

#### **4. Investment**

- a. Piggy bank
- b. Principles of Investment- Safety, liquidity and return
- c. Bank saving
- d. FD, RD, Post Office Savings
- e. POMIS, NSC
- f. PPF
- g. NPS
- h. Bonds and debentures
- i. Shares
- j. Mutual funds
- k. Gold and Silver
- l. Real estate
- m. Arts and other investments
- n. Commodities
- o. Asset allocation
- p. Risk and Return
- q. Basics of Investment- liquidity, credit
- r. Compounding and Time value of money
- s. Nominal and Real Return(Inflation)
- t. Effect of taxes
- u. Long term v/s Short term

#### **5. Behaviour Aspects**

- a. Concept of Needs and wants
- b. Helping the needy
- c. Spend wisely v/s waste spending
- d. Conspicuous Consumption-lavish
- e. Impulsive spending
- f. What you save is what you earn
- g. Using money responsibly
- h. Avoiding cash payments

- i. Insisting on bills
- j. Dangers of excessive borrowing
- k. Repayment of loans
- l. Make informed choices
- m. Ownership of your financial decision
- n. Take care of your old ones
- o. Tax payment
- p. Insider Trading
- q. Up Keep your Financial records
- r. Free advise may be injurious

## **6. Financial Planning**

- a. Meaning
- b. Household financial health check up
- c. Important life stages
- d. Education
- e. Medical and other Emergencies
- f. Social obligations
- g. Goal setting
- h. Budgeting
- i. Marriage
- j. Buying a house
- k. Buying a vehicle
- l. Plan a vacation
- m. Retirement planning
- n. Price of procrastination

## **7. Insurance**

- a. Meaning
- b. Need and Purpose
- c. Loss protection
- d. Life ,non life and health
- e. Benefits of Insurance
- f. Term plans
- g. Investment plans
- h. Hybrid plans -Ulip etc
- i. Agents, advisors
- j. Role of Insurance companies
- k. Regulator - IRDA
- l. Ombudsman
- m. How to take a new policy
- n. How to revive old policy
- o. Transaction cycle
- p. Nomination
- q. Assignment

- r. Claims settlement
- s. Exclusions
- t. Difference between Insurance and Investment

### **8. Retirement and Estate planning**

- a. Concept
- b. PPF, EPF, Gratuity, NPS, SCSS
- c. Financial need after retirement
- d. Three Stages -Saving, Accumulating and Dis-saving
- e. Calculation of Corpus required after retirement
- f. Protection from Inflation
- g. Reverse Mortgage
- h. Definition of will
- i. Making a will

### **9. Securities markets**

- a. Entrepreneurship
- b. Forms of Business enterprises
- c. Company definition
- d. Shares
- e. Primary market - Reading a prospectus, what to read
- f. Secondary market
- g. Issuers, Investor and Intermediaries
- h. Regulator - Role of SEBI
- i. Dealing in Securities market
- j. Demat account and Depository
- k. ASBA
- l. Broker
- m. Stock exchange
- n. Grievance and Redressal
- o. Financial Advisor, CA, CFP, CPFA
- p. Basic terms and processes in Securities Market
- q. Market rumors and tips
- r. Sources of reliable information
- s. What are indices ( Sensex and Nifty)
- t. Investment v/s Speculation

### **10. Use of Technology Do and Don'ts**

- a. Password protection
- b. NEFT and RTGS
- c. ATM
- d. Online trading
- e. Internet banking
- f. Need for keeping mobile number with banks

- g. Three in one account
- h. Need of protecting your online account
- i. Functioning of stock exchanges
- j. Depository working mechanism
- k. Algorithmic trading
- l. Financial functions using excel

### **11. Scams, Frauds and Ponzi Schemes**

- a. Free tips
- b. Insider trading
- c. Money laundering
- d. Phishing mail about winning a lottery
- e. Price rigging
- f. Dabba trading
- g. Bogus companies
- h. Multi level marketing
- i. Schemes not regulated by anyone
- j. Real Estate frauds
- k. Banking and credit card scams
- l. Preventive measures from getting duped

### **12. Borrowings Need for borrowing**

- a. Need for borrowing Source of borrowing
- b. Merit and demerits of borrowing
- c. How much to borrow
- d. Avoid life of credit
- e. Comparing interest rate on loan offering
- f. Importance of timely payment
- g. Avoid default
- h. Avoid borrowing for conspicuous consumption
- i. Credit cards - Merits and Demerits

### **13. Consumer protection and redressal mechanism**

- a. Rights of Consumers
- b. Applicable to Financial services
- c. Filing a complaint
- d. Complain to entity concerned
- e. Ombudsman
- f. Regulators
- g. Arbitration
- h. Consumer courts
- i. Govt. Websites -(PG Portals)
- j. Investor Associations

**14. Taxes**

- a. Meaning
- b. Need of taxes
- c. Types of taxes
- d. How taxes impact income
- e. Income, wealth and gift tax
- f. Service tax, STT, Stamp Duty
- g. Tax planning v/s tax evasion
- h. Tax rates
- i. Tax free bonds
- j. Tax saving investment

**15. Importance of maintaining financial records**

- a. PAN and its utility
- b. Aadhar card
- c. Demat Account
- d. Bank statements and passbooks
- e. Insurance policies
- f. Tax return
- g. Property documents
- h. Helpline numbers of service providers