Financial Literacy and Financial Inclusion in India Revised Paper, (January-2018)
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Abstract
Across the universe financial literacy has grabbed the attention of academicians, researchers, policy makers and investors in general. Although access to financial services, product usefulness, consumer protection, principle of equity, role of government body and its regulators would vary from one country to other owing to awareness, education level, maturity of financial markets, economic fundamentals, so on and so forth.

A few studies have found that 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.

Achieving universal financial inclusion is, indeed, a global objective and has multiple dimensions. What is important is that we need to learn from each other and implement what is suitable in each constituency so as to have desirable level of financial education that also takes care of consumer protection at various levels across nations.

Key Words: Financial literacy, education, inclusion.
1. Introduction

Financial literacy is associated with the consumer who has a responsibility to inform himself of the products he purchases and to understand the contracts he signs. It incorporates knowledge, skills and attitudes. Financial education is a key tool to reach this multidimensional goal. Financial capability, on the other hand, is about the context; it engages the financial services sector in its responsibility to offer the right products to its various target markets.

Access to finance is not the same as use of financial services. Access refers to the availability of a supply of reasonable quality financial services at reasonable costs, where reasonable quality and reasonable cost have to be defined relative to some objective standard, with costs reflecting all pecuniary and non-pecuniary costs. Use refers to the actual consumption of financial services. The difference between access and use can be analysed in a standard demand–supply framework. Access refers to supply, whereas use is the intersection of the supply and demand schedules.

After 2008 global financial crisis there is a growing concern and voices are being raised now for protecting investors from poor financial decision making especially in consumer financial markets. This essentially leads to another question whether do we have reliable data? Is there any analytical framework which will help enhance the ability to fully gauge the extent of exclusion and the ground-level impact of various initiatives and development that takes place?

The Dodd-Frank Act, 2010 for Consumer Protection Financial Bureau (CFPB) of US states that “the Comptroller must study “effective methods, tools, and strategies intended to educate and empower consumers about personal financial management” and make recommendations for the “development of programs that effectively improve financial education outcomes.”

Governments of developed economies, in G20 Summit agreements, have recognized financial inclusion and consumer protection as integral to achieving financial stability and integrity. Financial access has been highlighted as a ‘key accelerator’ to meet the Millennium Development Goals. Key to attaining this laudable goal is financial education (World Savings Bank Institute, 2010).

2. Literature Review

The origins of the current approach to financial inclusion can be traced to the United Nations initiatives, which broadly described the main goals of inclusive finance as access to a range of financial services including savings, credit, insurance, remittance and other banking/payment services to all ‘bankable’ households and enterprises at a reasonable cost.
Financial inclusion (or, alternatively, financial exclusion) has been defined in the literature in the context of a larger issue of social inclusion (or exclusion) in a society. One of the early attempts by Leyshon and Thrift (1995) defined financial exclusion as referring to those processes that serve to prevent certain social groups and individuals from gaining access to the formal financial system.

Who Is Financially Excluded?

The groups most likely to experience some form of financial exclusion are

- The long-term unemployed.
- Old age pensioners, particularly those aged over 70.
- Those excluded from earning through sickness or disability.
- Female single parents.

Examples of the financial exclusion of individuals and households would include several conditions, extending from access to specific facilities and resources to much wider capabilities:

- Lack of access to a bank or building society account.
- Lack of access to necessary financial services and credit, such as appropriate lending facilities or mortgages.
- Lack of savings or protection against risk, such as insurance and pensions.
- Limited access to services which could improve an individual’s financial situation, such as advice or education.
- Absence of the ‘skills or circumstances’ required to ‘making an economic contribution to the community’.

A few literature reviews has shown that financial exclusion is an expanding area of commentary, research, and policy discussion. Much is known already, if not always precisely about this problem: its scale, who suffers from it and why, and the success or otherwise of various attempts to deal with it.

Although financial literacy as a construct is a fairly recent development, financial education as an antidote to poor financial decision making is not. “Financial literacy” as a construct was first championed by the Jumpstart Coalition for Personal Financial Literacy in its inaugural 1997 study Jumpstart Survey of Financial Literacy among High School Students. In this study, Jumpstart defined “financial literacy” as “the ability to use knowledge and skills to manage one’s financial resources effectively for lifetime financial security.”

A few studies have shown that Americans have inadequate knowledge of personal finances (EBRI, 1995; KPMG, 1995; PSRA, 1996/1997; Oppenheimer Funds/Girls Inc., 1997; Vanguard Group/Money Magazine, 1997). They fail to make correct decisions because they have not received a sound personal finance
According to Sinclair (2001), financial exclusion means the inability to access necessary financial services in an appropriate form. Financial inclusion covers various services such as savings, credit, insurance, payments and remittance facilities, etc. by the formal financial system to those who tend to be excluded.

The Government of India’s Committee on Financial Inclusion in India begins its report by defining financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low income groups at an affordable cost (Rangarajan Committee 2008).

One of the approaches to consumer protection in UK financial Services which used the literature on Behavioural economics and Psychology as the basis for a critique shows that, contrary to the belief, in neo-classical economics, that people make rational choices, individuals in fact do not always make rational choices. Approximately one in four adults in Britain does not have a private or occupational pension. This is most common for lower income groups, women and minority ethnic group employees.

The use of heuristics results in cognitive weaknesses in individuals “decision-making, leading them to make inferior decisions with regard to their welfare. This suggests that interventionist approaches to consumer protection are preferable to non-interventionist ones, because they take into account the fact that individuals” decisions are not always rational or in their best interests.

In one of reviews the literature describing the value added from professional advice. The potential welfare gain from increased reliance on expert financial advice is significant, and there is some evidence that financial advisers help households make better financial decisions. However, the results are generally mixed and the outcome is often worse when there are conflicts of interest resulting from adviser compensation incentives.

In the absence of sound and consistent regulation of financial advisers, households may be harmed by the use of an advisor who is able to use shrouded product pricing and an informational advantage to extract wealth from the client. A lack of educational standards, reliable quality certifications, and consistent regulation to reduce conflicts of interest all prevent the financial advice profession from achieving the quality of similar advice professions.

The famous economist Irving Fisher (who conceptualised ‘Fisher Equation’) once observed “One of my chief objects has been to help make economics into a genuine science through careful and sound analysis, usually carried out with the help of mathematical methods and statistical verification.”

3. Objectives

- To study initiative taken by various financial institutions to improve financial literacy and credit counselling in India.
- To promote and facilitate collaborative research and exchange of resources for expanding capabilities of various stakeholders for greater financial inclusion.
- To enable create a platform thus providing an opportunity for educators, researchers and practitioners to share best practices and make linkages between theory and practice in the area of financial literacy and financial education.

4. Methodology

This study is descriptive in nature and is based on several empirical studies done on secondary data and sourced from the publications of various government and private organizations viz. from authentic sources – websites of RBI, Finance Ministry, MOSPI-CSO, SEBI, NISM, NSE, NSDL, CRISIL, Govt. publications, Research Publications of individual and institutional, Foreign Regulatory Acts of various other countries, etc.

5. Discussion and Analysis

In answering the following questions, it is useful to place financial literacy within the context of standard models of consumer financial decision making and market competition.

- What level of financial literacy is necessary or desirable?
- And should certain financial transactions be predicated on demonstrating an adequate level of financial literacy, much like taking a driver's education course or passing a driver's education test is a prerequisite for getting a driver's license. If so, for what types of financial decisions would such a licensing approach make most sense?
- Why are financial literacy and financial education as a tool to increase financial literacy potentially important?

Another set of issues surrounds how individuals acquire financial literacy and the mechanisms that link financial literacy to financial outcomes.

- How important are skills like numeracy or general cognitive ability in determining financial literacy, and can those skills be taught?
- To the extent that financial literacy is acquired through experience, how do we limit the potential harm that consumers suffer in the process of learning by doing?
- Is financial education a substitute or a complement for personal experience?
Furthermore there are open questions relate to measurement.
- How do we best measure financial literacy?
- Which measurement approaches work best at predicting financial outcomes?
- And what are the trade-offs implicit in using different measures of financial literacy (e.g., how does the marginal cost compare to the marginal benefit of having a more effective measure?).

To estimate and guess financial literacy level in India, a survey in Ahmedabad-Gujarat by authors Shawn, Thomas and Bilal (2009) revealed that
- Events outside their control (little control);
- Good things tend to happen to other people, not to me or my family; and
- I have hard time saving money, even though I know I want to save money.

The average value of fatalism is 53%.

A lack of financial literacy is problematic if it renders individuals unable to optimize their own welfare, especially when the stakes are high, or to exert the type of competitive pressure necessary for market efficiency. This has obvious consequences for individual and social welfare. It also makes the standard models used to capture consumer behaviour and shape economic policy less useful for these particular tasks.

Let us understand about the set of fundamental issues relate to capabilities.
- What are the basic financial competencies that individuals need?
- What financial decisions should we expect individuals to successfully make independently, and what decisions are best relegated to an expert?

To draw an analogy, we don’t expect individuals to be experts in all domains of life—that is the essence of comparative advantage.

For building financial capability the combination of knowledge, skills and attitudes with the opportunities to apply them requires input from multiple sources including those that educate the consumer and those that sells the products. As a result, the responsibility for wise decisions regarding financial strategies and tools does not lie solely with the individual client.

We would argue that building financial capabilities is two directional: while consumers have a responsibility to inform themselves about the products they are ‘purchasing’, financial service providers have a responsibility to understand their market, and respond with a range of appropriate and affordable services, including savings and credit accounts, payment services, insurance products and the ability to send and receive remittance payments cheaply.
In short, the financial institution needs to meet the customer where they are, not solely on the institution’s terms. They need to apply principles of transparency in a way that facilitates clients’ decision-making, and verify assumptions about what clients understand and don’t understand about their products. While spread of financial inclusion is recognized through formal financial institutions such as banks, credit unions, post offices or microfinance institutions, the approach of keeping some/all of these entities as a part of the core or as support players, varies from country to country. Besides, it is important to note that the defining principles of financial inclusion, coverage, role and responsibilities of institutions and measurement/monitoring requirements have been evolving over the years. Any effort to measure the various dimensions of financial inclusion is not possible without explaining the context and framework. The basic framework for measurement of financial inclusion should cover some important dimensions.

- First, financial inclusion, financial literacy and consumer protection are the three major planks of financial stability. While financial inclusion acts from the supply side, providing the financial market/services that people demand, financial literacy stimulates the demand side, making people aware of what they can demand. The demand side issues in financial inclusion include knowledge of financial products and services, credit absorption capacity, etc. These issues are faced by both developing and developed countries.

  The supply side issues cover financial markets, network of banks and other financial institutions, appropriate design of products and services, etc. These issues are mostly faced by the developing countries. A framework for financial inclusion needs to take into account various aspects such as the demand and supply side issues; assessment of enabling environment; issues in penetration, barriers to financial inclusion, etc.

  That use of financial services/products is not universal may and would reflect lack of demand rather than lack of access: many households and firms may not use financial services, despite having access to some financial services. But with use so low in many countries, the question naturally arises whether this is because the supply of financial services is limited?

  And if supply is limited, is it because financial service providers consider some households and firms as less attractive customers and are therefore unwilling to extend financial services? Or is it because there are barriers to supply? If there are barriers, the policy question is whether these can be removed without creating other economic costs or risks. If the lack of supply is due to some market failure, does there still remain a need for government intervention?

- Second, availability of appropriate financial products, including at the very least, savings products, emergency credit, payment products and
entrepreneurial credit are important aspects of financial inclusion environment. Further, regarding ease of access, the various dimensions are timely access, distance, pricing and terms & conditions. In addition to this, the fairness & appropriateness of products is also an important dimension in the context of financial education of customers and for consumer protection.

- Third, the monitoring framework should cover transaction level, customer level and products and services level monitoring, at the micro level. In addition, monitoring at the macro level is also an important dimension for assessment of the outcome of policy, viability of delivery models, etc. This calls for impact analysis and penetration studies.

In her discussion paper, 2010 author Mandira Sarma considered three basic dimensions of an inclusive financial system:

- **Banking penetration** (BP): The assigned index number is weight: 1 (basis number of bank accounts as a proportion of the total adult population), since data on number of ‘banked’ people is not readily available;

- **Availability of banking services** (BS): In the present index, the author has used data on the number of bank branches and the number of ATMs per 100,000 populations to measure the availability dimension. Two separate indexes are calculated for bank branches and ATMs. Then, a weighted average of these two indexes, using 2/3rd weight for bank branch index and 1/3rd weight for ATM index is considered as the index for the availability dimension. The index number assigned is 0.5; and

- **Usage of Banking system** (BS): In incorporating the usage dimension in her index, author considered two basic services of the banking system – credit and deposit. Accordingly, the volume of credit and deposit as proportion of the country’s GDP has been used to measure this dimension. The index number assigned is 0.5.

In her study, author has proposed an Index of Financial Inclusion (IFI) – a multidimensional measure similar to the well-known development indexes such as HDI, HPI, GDI and GEM. The IFI can be used to compare the extent of financial inclusion across different economies and to monitor the progress of the economies with respect to financial inclusion over time. For example, subject to availability of data, it can be used to measure financial inclusion at different time points and at different levels of economic aggregation (village, province, state, nation and so on).

**Economic Legislation**

For proper economic growth, it is essential to have reasonably sound rules and regulations in the form of economic legislation. This calls for review to ensure *continuing relevance* of such legislation periodically. The emergence of appropriate structure to provide *freedom to savers* and users of funds thus
ensuring banks operate in a competitive environment. Following are a few important needs of consumers to be taken care of in an investment:

- Saver Interest Protection
- Create Mechanism to provide timely Liquidity
- Create Environment for facilitating Direct Investor/Borrower interaction
- Freedom to save so as to align with Risk-Return
- Provide Regulation and Supervision to ensure strict compliance

**State of the Financial Markets in India**

The financial sector in India currently comprises financial institutions, financial markets and financial instruments.

- While the money, Government securities and foreign exchange markets are regulated by the Reserve Bank of India (RBI);
- the capital market, commodity market and derivatives market falls under the purview of Securities and Exchange Board of India (SEBI);
- the debt market is jointly monitored and supervised by both RBI and SEBI;
- the insurance market is regulated by the Insurance Regulatory and Development Authority (IRDA) and
- the pension market is regulated by Pension Fund Regulatory and Development Authority (PFRDA).

Post-Independence several measures have been taken by RBI over the years and by SEBI, IRDA and PFRDA (from 1992 and onward) for promoting and developing these markets.

**Reforms in Capital Market of India**

The major reforms undertaken in capital market of India include establishment of SEBI. The SEBI was set up with the fundamental objective: "to protect the interest of investors in securities market and for matters connected therewith or incidental thereto." Following are few important functions of SEBI:

- To regulate the business of the stock market and other securities market.
- To promote and regulate the self-regulatory organizations.
- To promote awareness among investors and training of intermediaries about safety of market.
- Establishment of Creditors Rating Agencies: Three creditors rating agencies viz. CRISIL (1988), ICRA (1991), and CARE were set up in order to assess the financial health of different financial institutions and agencies related to the stock market activities. It is a guide for the investors also in evaluating the risk of their investments.

**Investors Protection**

Under the purview of the SEBI the Central Government of India has set up the Investors Education and Protection Fund (IEPF) in 2001. It works in educating
Research in Indian Securities Market

In order to deepen the understanding and knowledge about capital and financial markets, and to assist in policy-making, SEBI has been promoting high quality research in capital market. In collaboration with NCAER, SEBI brought out a ‘Survey of Indian Investors’, which estimates investor population in India and their investment preferences. SEBI has also tied up with reputed national and international academic and research institutions for conducting research studies/projects on various issues related to the growth and participation of capital market.

In pursuance of the announcement made by then Finance Minister in his Budget Speech in February 2005, SEBI has established the National Institute of Securities Markets (NISM) in Mumbai to promote securities market education and research. Towards accomplishing the desire of Government of India and vision of SEBI, NISM has established six distinct schools to cater the educational needs of various constituencies, such as investor, issuers, intermediaries, regulatory staff, policy makers, and academia and future professionals of securities markets. The 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 Centre for Financial Education (NCFE). 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). NCFE 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 well-being by accessing appropriate financial products and services through regulated entities with fair and transparent machinery for consumer protection and
grievance redressal. This will help in achieving their Vision i.e. a financially aware/informed and empowered all her citizens, i.e. one of the purposes.

Research evolves on a continuous basis either to create some new products, new features, add-on benefits, combination of asset-class, or to cater to ever changing needs/requirements of an investor.

P. Chidambaram, then union finance minister, indicated in the Budget that “out of the total number of cultivated households only 27 per cent receive credit from formal sources and 22 per cent from informal sources. According to 59th round of survey of NSSO (report no. 498) India has nearly 150 million rural households out of which around 90 million are farmer households. At the all India level around 49 per cent of farmer households were indebted.

In India ‘financial exclusion’ is being identified as chief barrier for unleashing fortune at the bottom of pyramid. Financial exclusion is a confluence of multiple barriers:

- lack of access,
- lack of physical and social infrastructure,
- lack of understanding and knowledge,
- lack of technology;
- lack of support,
- lack of confidence, among others.

Overcoming these barriers is, in a nutshell, the challenge of financial inclusion.

### Index of Financial Inclusion

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<tr>
<th>Degree of Financial Exclusion</th>
<th>Status</th>
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<tbody>
<tr>
<td>High (0.5 &lt;IFI ≤ 1)</td>
<td>Kerala, Maharashtra, Karnataka</td>
</tr>
<tr>
<td>Medium (0.3 &lt;IFI &lt; 0.5)</td>
<td>Tamil Nadu, Punjab, Andhra Pradesh, Sikkim, Himachal Pradesh, Haryana</td>
</tr>
<tr>
<td>Low (IFI ≤ 0.3)</td>
<td>West Bengal, Uttar Pradesh, Gujarat, Tripura, Bihar, Assam, Nagaland, Manipur, Mizoram, Madhya Pradesh, Arunachal Pradesh, Odisha, Rajasthan</td>
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**Source:** Chattopadhyay (2011)

The study, a footprint enterprise survey in 2013 found a large extent of informality among survey respondents.

- 90 per cent of the respondents never filed income taxes,
- 67 per cent had maintained no book of accounts and
- 65 per cent had no enterprises registration of any form.

*(Source: Jana Foundation, 2013)*

Not surprisingly, a majority of respondents accessed informal sources of finance for their credit needs. Over the previous two years the average credit requirement for micro enterprises in sample was estimated to be Rs. 439,911. With the estimated number of urban microenterprises to be 420813 this would translate into an aggregate demand for credit of Rs. 189 billion. Since banks alone would not be able to meet this demand, other regulated local players like
MFIs need to be facilitated to contribute to the process of financial inclusion of urban micro and tiny enterprises.

Financial literacy an inclusion survey conducted by National Centre for Financial Education (NCFE), a part of NISM, under overall guidance of Financial Stability and Development Council (FSDC), in Financial Year 2013-14 observed and found:

- Sample size: 75000
- No. of States and Union Territories: 35
- Rural (52%); Urban (48%)
- Male (56%); Female (44%)
- OECD/INFE Methodology Used:
  - Financial Attitude: 67%
  - Financial Behaviour: 57%
  - Financial Knowledge: 39%
  - Financial Literacy Score: 20%

Some important features of the strategic initiatives for spreading financial inclusion in India included

- A roadmap for providing banking services covering villages in a structured way. In the first phase villages with population above 2000 was targeted. The focus has now shifted to villages with population less than 2000.
- Introduction of New Products – Making available a minimum of four banking products through the ICT based BC model.
- One of the strategies has been to create an ecosystem comprising of a combination of branches and ICT based BC outlets for evolving an effective financial inclusion delivery model.
- In order to further facilitate financial inclusion, interoperability was permitted at the retail outlets or sub-agents of BCs (i.e. at the point of customer interface), subject to certain conditions, provided the technology available with the bank.

Financial Inclusion Plan-Achievements So Far

Snapshots of the progress in certain key parameters in the period (March 2010 – June 2012) are given below:

- Banking connectivity to more than 1,88,028 villages up to June 2012 from 67,694 villages in March 2010.
- All unbanked villages with population of more than 2000 persons, numbering around 74,000 are now connected with banks.
- Number of BCs increased to 120,098 from 34,532.
- More than 70 million basic banking accounts have been opened to take the total number of such accounts to 147 million.
- About 36 million people/families have been credit-linked.
Major Barriers to Financial Inclusion Identified As

Demand Side Barriers are
- Low literacy levels, lack of awareness and/or knowledge/understanding of financial products;
- Irregular income; frequent micro-transactions;
- Lack of trust in formal banking institutions; cultural obstacles (e.g., gender and cultural values).

Supply Side Barriers are
- Outreach (low density areas and low income populations are not attractive for the provision of financial services and are not financially sustainable under traditional banking business models);
- Regulation (frameworks are not always adapted to local contexts);
- Business models (mostly with high fixed costs); Service Providers (limited number and types of financial service providers);
- Services (non-adapted products and services for low income populations and the informal economy);
- Age Factor (Financial service providers usually target the middle of the economically active population, often overlooking the design of appropriate products for older or younger potential customers. There are hardly any policies or schemes for the younger lot or the old people who have retired, as the banks do not see any business from them);
- Bank charges (In most of the countries, transaction is free as long as the account has sufficient funds to cover the cost of transactions made. However, there are a range of other charges that have a disproportionate effect on people with low income).

Opportunities for Expanding Financial Inclusion among the Unbaked

Globally, 38 per cent of adults remain unbanked. India is home to 21 per cent of the world’s unbanked adults and about two-thirds of South Asia’s. Yet among the survey respondents who do not have an account, only 4 per cent said that the only reason for not having one is that they do not need one. The Global Findex data point to several promising opportunities for expanding account ownership among the unbanked. (Source: The World Bank Policy Research Working Paper No.7255 – 2014).

The reasons reported by people themselves for not owning an account already suggest ways in which policy makers might be able to remove barriers. By providing a regulatory framework conducive to expanding account ownership through such actions as licensing bank agents, introducing tiered documentation requirements, requiring banks to offer basic or low-fee accounts, and allowing the evolution of new technologies such as mobile money—governments can both help lower the cost of financial services and help reduce the distance to financial institutions by making it cost-effective for them to locate outlets in
more remote areas. The challenge in each case is to design appropriate financial products that meet the needs of the unbanked and make using an account at least as easy, convenient, and affordable as the alternatives.

- One promising opportunity to expand financial inclusion among the unbanked is to digitize payments by moving cash payments into accounts.
- Digitizing wages and government transfers is an obvious way of rapidly expanding financial inclusion because the decision of a single actor—such as the government or a large private sector employer—can affect many recipients.
- Payments for the sale of agricultural products offer another opportunity for increasing account ownership among the unbanked. Just as the wages and government transfers, digitizing agricultural payments could therefore contribute to rapid expansion in account ownership.
- Channelling domestic remittances through accounts. In developing economies 14 per cent of unbanked adults—270 million of those without an account send or receive domestic remittances only in cash. In Sub-Saharan Africa 22 per cent of unbanked adults—almost 80 million—do so. These figures suggest an enormous opportunity for designing appropriate, affordable, and convenient financial products to enable unbanked adults to send or receive remittances through an account.
- Shifting semiformal savings into accounts across the developing world, only about 4 per cent of adults—160 million people—are unbanked but save by using a savings club or a person outside the family. Shifting their savings from savings clubs into accounts could increase account penetration in the region from 34 per cent to up to 47 per cent and add up to 70 million adults to the ranks of those with an account.
- Paying utility bills and school fees through accounts. In developing economies more than 1.3 billion adults who have an account nevertheless use cash to pay their utility bills or school fees. Some 56 per cent of account holders—1.3 billion adults—make utility payments in cash, and 24 per cent—more than 500 million adults—pay school fees in cash. And 22 per cent of adults with an account pay both utility bills and school fees in cash. Shifting these payments to accounts represents an enormous opportunity for increasing the use of accounts and for enhancing the efficiency of payments.

6. Conclusion

Two decades ago, ‘financial inclusion’ would likely have referred to an institutional issue such as portfolio growth, mirroring a common question “How many clients do you have?” Today the term is more centered on clients, encompassing both access (the institutional responsibility) and use -clients’ ability to choose and use the services available to them.
It implies financial capability. Financial education is essential to both of these overlapping concepts.

Yet, two decades ago, few in the developing world had ever heard of financial education. Today, it is coming to your TV; your bank will send text messages reminding you to save; local newspapers run weekly financial advice columns; governments are mandating that financial institutions publish transparent product prices. The return of the consumer that these developments indicate is welcome.

A more definite interpretation of the factors affecting access will have to await better data on access and use at both the micro and the macro level. This will require actions by national and international agencies to develop more comparable data on use and access barriers. Data on use will have to come from different sources:

- Providers of financial services (directly and from national statistics);
- Users of financial services (from surveys); and
- Experts (to identify constraints).

However, there exist challenges in terms of further growth of various markets with greater depth and width to reach across all segments of investors/participants with broad spectrum of choices. Below mentioned are few areas that need development:

- Spreading of awareness, literacy and education about financial markets, different assets and products so as to empower common man/investor to participate in the market with required knowledge, thus gain ultimately.
- Administrative reforms to help facilitate entry into market for on-boarding of first time investor with standard KYC norms in a transparent, user-friendly environment.
- The need for a well-developed bond market with a sizeable corporate debt segment which will offer an alternative to banks for raising capital by corporates, leading to an improvement in efficiency of capital market.

Engaging with different stakeholders of society through various platforms which will include:

- Collaboration with educational institutions of all kinds to carry out further research and development for enhancing market role with greater participation of stakeholders;
- Organising research conferences and conducting seminars thereby inviting more & more new participants fostering deliberation and feedback for overall improvement;
- Organisation of award ceremony for sharing of best practices.
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