

National Education Policy and Financial Literacy: A Study in the Light of Financial Inclusion

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Abstract: *The National Education Policy 2020 was adopted with the aim to have an education system by 2040 that is second to none, with equitable access to highest quality education for all learners regardless of social and economic background. The NEP has been widely discussed with great hope and aspiration of revolutionising the education system right from lower primary level to the university level. In spite of many changes in the education system of the country it seen that a great portion country's population though literate but they may be financially illiterate. Therefore the habit and knowledge of saving, investment and other financial management should be manifested as early as possible. India still lags behind western countries with regard to stock market investing. This is due to lack of stock market knowledge. Therefore, NEP 2020 has a mammoth task of bringing financial literacy to the masses which is the basic necessity of achieving the objectives financial inclusion. This paper will make an attempt to explore the scope of financial literacy in NEP 2020.*

Keywords: National education policy, financial literacy, financial inclusion

1. Introduction

The National Education Policy, 2020 has been widely discussed with great hope and aspiration of revolutionizing the education system right from lower primary level to the university level. In spite of many changes in the education system of the country it seen that a great portion of country's population though literate but they may be financially illiterate. Therefore the habit and knowledge of saving, investment and other financial management should be manifested as early as possible. NEP 2020 has a mammoth task of bringing financial literacy to the masses which is the basic necessity of achieving the objectives financial inclusion.

2. Objective

This paper is formulated with the objective of exploring the scope of financial literacy in NEP 2020.

3. Methodology

The paper is an analytical study of NEP and financial literacy in the light of financial inclusion. The paper is based on secondary materials which are collected from journals, books, govt documents on NEP and internet materials.

National Education Policy 2020:

The National Education Policy was accepted by Union Cabinet on 29th June 2020. It replaces the thirty four year old National Policy on Education (NPE), 1986. The aim of this policy is to have an education system by 2040 that is second to none, with equitable access to the highest quality education for all learners regardless of social and economic background. With this policy Ministry of Human Resource Development (MHRD) has been changed to Ministry of Education (MoE)

The vision of this policy is to instill among the learners a deep rooted pride in being Indian, not only in thought, but also in spirit, intellect and deed, as well as develop knowledge, skills, values and dispositions that support reasonable commitment to human rights, sustainable development and living, and global well being, thereby reflecting a truly global citizen. (NEP2020,MHRD,GOI)

Financial Literacy:

Financial literacy means the possession of knowledge and understanding of financial matter. Financial literacy is a very broad term, it not only includes the mere knowledge of various financial products, but it also includes monitoring and officially utilizing one's resource for economic well being and welfare of an individual and his/her family. (Neha Bhargava, 2016). The OECD (2015) defines financial literacy as 'A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well being.'

Financial Inclusion:

Financial inclusion stands for delivery of appropriate financial service at an affordable cost on timely basis to vulnerable groups who lacks access to even most basic banking service (Sanu Garg, 2014). According to the Committee on Financial Inclusion headed by C. Rangarajan (2008) defined financial inclusion as "The process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable costs.

Financial inclusion and Financial Literacy:

Financial inclusion of poor especially the women is essential requisite for poverty alleviation and sustainable development. Financial information and financial knowledge is important for financial inclusion of vulnerable section of the society because the minimum financial literacy is needed for effective financial decision making and money

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management. Financially literate individuals can make effective use of financial product and services.

Mathivathani and Velumeni (2014) in their study opined that financial literacy of marginalized rural people is very low. Development of financial literacy would help the women for better financial decision making and proper utilization of financial products. It would help them for wealth accumulation and financial well being. It will lead to their personal development as well as social development. Their financial participation would help our country's economic development.

Prahsha Padmasri Deka (2015) opined that financial literacy is an important tool for financial inclusion. Financial literacy help the customers to accept and use the financial products to which they increasingly have access. It helps to develop skills to compare and select the best products for their needs and empower them to exercise their rights and responsibilities. Financial literacy provides vulnerable section the knowledge and skill to understand financial planning, savings, basics of banking, understanding need of household budgeting, cash flow management etc.

RBI initiatives for financial literacy:

With greater financial inclusion, there is a need to enhance customer protection and financial education so that people continue to access the formal financial services without hesitation. Financial resilience of individuals and their families can also be strengthened through financial literacy. To achieve such objectives, several steps have been taken RBI. Two important steps in recent times are Setting of a National Centre for Financial Education (NCFE) and setting up of Centre for Financial Literacy (CFL) project - An innovative way to impart financial education through community approach. NCFE undertakes financial literacy campaigns across the country through seminars, workshops, conclaves, training programmes, campaigns, etc. to help people manage money more effectively and achieve financial wellbeing in the process. The CFL project has been conceptualised by the Reserve Bank in 2017 as an innovative and participatory approach to financial literacy at the Block level involving select banks and nongovernmental organisation (NGOs).

The RBI has formulated National Strategy for Financial Education (NSFE 2020-2025). The NSFE (2020-2025) has set an ambitious vision of creating a financially aware and empowered India. It focuses on various aspects of financial education across banking, insurance, pension and investments through greater role for financial institutions (both banks and non-banks), educational institutions, industry bodies and other stakeholders.(Shaktikant Das,2021)

National Education Policy and Financial Literacy:

NEP 2020 should focus on bringing much needed financial literacy in the education sector across all level and streams. It is observed that many people who are highly literate but they may not be financially literate. Again it is observed that India still lags behind western countries in terms of stock market investing. Whereas in USA almost more than 50 percent of the population participates in stock market

investing, in India this percentage is around 4 percent to 5 percent. (Tapash Kashyap,2022). Despite having a population of 1.3 billion people, about 76% of the adult population is yet to improve upon their understanding about basic financial concepts. India has the potential to be among the top financial literate country in the world as 27.6 percent of its people between the age group 25-44 continue participating in the financial inclusion program through financial education. This rate could expand by more than 20 percent in the next two decades, if the youngsters within the age group 10-19 are also provided proper financial education. This group constitutes about 21.8 percent of India's population. Financial abilities could lead to general economic growth and increase the standard of living. India's work force combined with strong financial education can take the country to great levels. (IBEF Blog on India's Growing Financial Literacy, Jan 2022)

Literally, financial literacy is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. However, this skill doesn't come naturally and must be nurtured right from childhood. Those who are financially literate do not only secure their future but are also less likely to fall prey to various scams as they have a good understanding of financial matters and thus take informed decisions. They possess skills to make sound investments, create and manage a budget and maintain a good financial portfolio.

The first classroom for this skill is the home. Parents must teach their children how to manage money in the ever-increasing complexity of shares, savings, loans, and now, digital currencies. However, schools also have a role to play and must restructure their pedagogy to nurture this skill to allow children to make financially wise decisions as they become adults. As a step in this direction, schools have to first look at changing the overall approach towards teaching Economics and Finance. As per a report by SEBI, only 27 percent of adults and 16.7 percent of teenagers in India are financially literate. The National Education Policy (NEP) 2020 identifies the need to inculcate a financial aptitude from a young age. In addition, Central Board of Secondary Education (CBSE) and the National Payments Corporation of India (NPCI) have collaborated to develop a financial literacy curriculum for students that will allow them to grasp basic financial concepts early on. (Anisha Madhukar, Financial Express, Sept 2022)

In line with the NEP, a few progressive schools have introduced Financial Literacy Programs for all grades. In some schools, the financial literacy curriculum is carefully planned for different age-groups and grades. Concepts such as the barter system, emergence of money, essential components of the market system and exchange are introduced in the primary classes. In Middle school, the basics of book-keeping, budgeting, introduction to banking systems and the magic of compounding are emphasized. As the students step into senior school, abstract concepts like choice, scarcity, cost, benefit, marginality and taxation are introduced through drama and games. In grades 11 and 12, students are able to design stock market simulations that allow them to appreciate and view the importance of

investments. (Anisha Madhukar, Financial Express, Sept 2022)

Being financially literate also encourages the entrepreneurial spirit amongst students. It helps them to understand the various ways in which they can manage and grow money, along with an understanding of running a start-up. These entrepreneurial skills enhance the overall financial knowledge and experience of the learners. The students are given the opportunity to implement their knowledge by way of projects. Against such backdrop all universities and school boards should plan financial literacy curriculum for all levels in the line of NEP 2020.

4. Conclusion

Financial inclusion enables sustainable economic and social development of the country and it is a great step for empowerment of vulnerable section of the society. The goal of financial inclusion can be achieved by financial literacy of all sections of the society, especially the marginalized people. For systematic investment and planned money management financial literacy of young population of the country is the need of the time. Therefore, financial literacy should be rigorously introduced in the education sector. Development of financial literacy will help the people, especially the youths to make better financial decision and proper utilization of financial products and services. As NEP 2020 will be implemented from the current year throughout education system of the country, therefore, school boards and the universities should incorporate financial literacy in their curriculum. Universities and other Higher education institutions should carry out extension activities on financial literacy so that marginalized people of the society are benefitted by it. NEP 2020 has ample scope for such curriculum.

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