

# TOWARDS DIGITAL AND FINANCIAL LITERACY

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Digital literacy is the understanding and navigation of several digital platforms and analysing their potential as a medium of communication. Digital literacy brings within its ambit, an array of new technological advancements to be used for effective and safe communication. On the other hand, financial literacy is the ability to understand different areas and concepts of finance like financial planning, budgeting, investment, savings and much more. If one does not possess financial literacy then one is susceptible to making wrong financial choices that can negatively impact one's financial stability. For a fast growing and promising economy like India, it is very important that initiatives be taken by the government in order to achieve last-mile reach in terms of financial education so that the citizens can make informed choices and contribute to the larger economic growth. The first ten years in the twenty-first century have witnessed global acknowledgment of the fact that it is necessary for the development of any country to spread financial literacy amongst its people. Combining the digital platform and financial facility, the digital-financial interface is the new medium that has revolutionised the experience of financial connectivity and interaction the world over. Introducing Universal Payments Interface (UPI) in India has been a remarkable endeavour in this direction. This interface is regulated by the Reserve Bank of India and functions by immediate, real-time transference of funds among two bank accounts on a mobile platform. The ease of transaction, time efficient transfer and all at the comfort of an individual's location of choice make UPI an important tool in the achievement of an efficient and smooth financial network.

## Financial Literacy in India

According to the Organisation for Economic Co-operation and Development (OECD) financial



education means "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". In simple language, financial literacy means awareness about the schemes, policies and all the other services that the banks and financial stakeholders offer. India is rapidly progressing economy where financial inclusion plays a major role. Similarly, financial inclusion means ensuring the inclusion of the vulnerable groups of the society, who are in need of state financial assistance, by ensuring their access to pertinent financial products and services. To achieve this, financial education assumes a critical position as it will enable the

dissemination of information and establishing of understanding regarding the suitable products and services made available by banks and other financial institutions.

### Importance of Financial Literacy

The importance of financial literacy is:

- a) **Inclusive Growth and Financial Inclusion:** Financial education assumes a crucial role in making the consumers respond to the initiatives of the supply or the service provider side. It has always been the prime concern of the government to achieve social inclusion, of which financial inclusion forms the greatest part. Financial literacy, and education, plays a critical role in making available the services and benefits that the weaker groups need so as to achieve the agenda of inclusive growth and sustainable prosperity.
- b) **Familiarity and Ability:** There are a vast amount of products and services available in the market. It has made it difficult for the layman to discern what option would best suit them. Hence, to make an informed choice, it is necessary to have financial literacy. Knowing about the schemes and options develops confidence, familiarity and skills to administer.
- c) **Freedom from exploitation:** Financial literacy will assist in safeguarding individuals and the general public against manipulative financial schemes and inflated interest rate charged by moneylenders.
- d) **Prevention of over indebtedness:** Financial education will help to avoid over-indebtedness, improve quality of services and make wise financial decisions.
- e) **Promotion of entrepreneurship:** The educated entrepreneurs who have small scale businesses can benefit a great deal if a systematic national plan to impart specific financial knowledge is properly implanted. This is owing to the fact that making them aware of the new financial ventures and products will guide them in understanding the workings of market mechanism and improve their business dealings.
- f) **Positive Spill-over effects:** when individual and group are made to have proper of financial education, it can lead to multiplier effects in the economy. A household with a substantial amount



of financial education would make regular savings and invest in correct channels to generate income. The financial well being of persons will in turn augment the societal welfare.

- g) **Making the Pension Responsibility an individual or personal affair and not that of the State / Corporations:** An individual who is financially literate would be in a superior situation to evaluate his/her own necessities and make savings in suitable schemes. This leads to a reduced strain on social programs and pension plans, and promote an economy that is tougher.
- h) **Behavioral Change:** The outburst of many financial products has made their usage grow quite rapidly without any refrain from the larger financial implications. There can be brought about certain degree of behavioral change by means of financial education. The latest global financial crisis has raised the question of whether the individuals' lack of financial knowledge can result in making debt traps that a country cannot survive for long.
- i) **More and better input in Financial Markets:** In India, the need of the hour is to 'convert savers into investors'. It is mentioned in the National Strategy for Financial Education that more participation from the of domestic retail investors in securities market will increase the strength and depth is needed of the same and "will give dividends by Increasing depth of securities market, reducing reliance on foreign investors and domestic savers reaping benefits of Corporate Growth and reducing strain on Government Treasury for investment in National Infrastructure."<sup>1</sup>

### Government Endeavours To Strengthen Financial Literacy in India

There have been numerous initiatives taken by the government to spread financial literacy in the country:

## **National Strategy for Financial Education (NSFE):**

The ultimate goal is to develop India as a financially aware and empowered nation so as to seek progress and smooth co-ordination between the people and the government in developing the economy of the nation. National Strategy for Financial Education has been prepared in 2012 to bring about a massive financial education campaign that would create awareness and would educate the consumers on how to gain access to financial services, what are the products available and how a change in the attitude of people can be brought about so as to “translate knowledge into behavior”.

As per the National Strategy for Financial Education, the key elements of financial literacy module should be as follows:

- a) To understand the main financial products that one might need in the course of one’s life like the “bank accounts, insurance, retirement savings plans and securities market investments like stocks, bonds and mutual funds.”
- b) Getting to learn about the fundamental financial concepts like investment return, compound interest, annuity, diversification, present and future value of money, so on and so forth.
- c) Being more aware of financial risks and prospects and developing skills and self-reliance to gain profit from them.
- d) Making well informed financial choices about “saving, spending, insurance, investing and managing debt throughout one’s life.”

## **Project Financial Literacy**

This is a central bank (RBI) endeavor that aims to disseminate information regarding its basic banking concepts to schools, colleges, economically weaker sections residing in the rural and urban areas, senior citizens, defense personals, and many more in the specific target group. Under this initiative, RBI organizes trips of school and college students to the RBI headquarters and also conducts banking and insurance related quizzes in schools (for classes VII to XIV) to create awareness about general economy and bring about financial literacy. It also creates modules on General Indian Economics for the same purpose. There is also a Financial Literacy Week that is observed by RBI to create awareness and

understanding on key topics every year “through a focused campaign.”

## **Digital Literacy in India**

The modern day technical advancement and large scale consumption of mobile phones as the consumer market, India is a country where awareness and literacy regarding the digital aspect of communication is utmost necessary. Computers, internet and mobile phones have become a seminal part of our existence. Thus, the degree of familiarity with the technological and digital platform decides how effectively can the communication of content, ideas, information and entertainment takes place in this generation take place.

## **Importance of Digital Literacy**

It is imperative to develop an effective and competent framework of digital organisation, since the world is only a click away and information has been digitised and compressed. To get ready for the surge of digital transformation, India needs to build its digital skills, beginning from digital awareness and education of its citizens. To stay well-connected with the world and be in effective communicating developmental ideas and translating the vision of rapid growth into reality, digital literacy is a must in today’s world.

## **Government Endeavours To Strengthen Digital Literacy in India**

Under the Digital India campaign, the government has taken numerous initiatives to bring about digital literacy in the country. Some of the endeavours are:

### **Digital Saksharta Abhiyan (DISHA)**

National Digital Literacy Mission (NDLM) Scheme has been initiated by the government in order to impart IT training to citizens who are not literate in the IT sphere. This scheme aims at making target groups like the Angawadis, ASHA workers, sanctioned ration dealers, etc IT literate and enable them to effectively and actively participate in the national developmental course of action, by augmenting their livelihoods through digital literacy.

### **Digitize India Platform (DIP)**

This is an initiative of the Union Government under the Digital India Programme. DIP is an interface that provides digitisation services for

scanned images of documents or physical copies for any organisation. This scheme aims at creating a digital repository of all existing content, which includes the certificates and degrees of people, in various formats and media in a digitised pattern.

### Direct Benefit Transfer (DBT)

DBT was brought underway with the objective to identify beneficiaries and accurately target them by directly transferring funds into their account, doing away with any sort of middlemen in the process. It is an initiative to reform the delivery system of the government and ensure efficient, effective, non-duplicable, faster and simpler transfer of information/funds in order to achieve the goal of "Maximum Governance, Minimum Government". DBT promotes greater transparency and lesser frauds so as to make the government accountable and inspire more confidence of the people in governance.

### AADHAR and AADHAAR Enabled Payment System

AADHAR platform is one of the main pillars of the Digital India Platform. AADHAR number or the unique identity number is generated by using a person's biometric specifications. This platform has the largest biometrics based recognition system, and is "a strategic policy tool for social and financial inclusion, public sector delivery reforms," to "promote hassle-free people-centric governance."<sup>3</sup> Similarly, the AADHAR enabled payment system lets the customer use his/her AADHAR card as the identity proof and link the bank to AADHAR to carry digital payment activities. This model brings into force "financial inclusion=".

### Saugamya Bharat Abhiyan

It is a pan-India flagship campaign that is also known as the Accessible India Campaign. This campaign aims at achieving "universal accessibility" for people with disabilities in order for them to have an access to equal opportunity, independent living and inclusive socio-economic development.

### AGRIMARKET App

This app has been created to enable the farmers to stay updated with the crop prices in order to ensure best market for the sale of their crop and assess the market conditions beforehand. This app automatically traces the location of the farmer

through GPS and fetched the market prices of the crops within a range of 50km. the app has been helpful in preventing the farmers from carrying out "distress sale."

### Bharat Interface for Money (BHIM)

This app makes the bank transactions simple, swift and uncomplicated. It enables bank to bank direct transfer, which is done using a mobile phone.

### Cyber Swachhta Kendra

Under this initiative of the government, the main task of the centre is to quarantine and safeguard the cyber space by spotting botnet infections and subsequently notify the end-users to prevent further damage. This falls within the purview of 'National Cyber Security Policy' that aims to ensure clean cyber ecosystem iindo8.

### Vittiya Saksharta Abhiyan (VISAKA)

Launched by the Ministry of Human Resource Development, VISAKA is said to be "biggest digital transformation of country after Independence"<sup>4</sup>. The principle of the 'Vittiya Saksharta Abhiyan' is to energetically connect the Higher Education Institutions and their students and encourage all payers and payees to use a "digitally enabled cashless economic system"<sup>5</sup> for their fund transfer.

### Conclusion

To keep abreast of the evolutionary shifts that the modern age technical innovations bring with itself, it is necessary that individuals are provided with apt resources and information that would create awareness and make practical use effective and easy. Educating people about various facets of socio-economic and developmental concepts is a step taken towards efficient and productive governance. The concept of financial and digital literacy is important in the present day scenario and India has already started moving towards realising the value the digital and financial transformation and taping into the benefits form them.

### Footnote

<sup>1</sup> <http://cashlessindia.gov.in/vittiya-saksharta-abhiyan-visaka.html>

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