Financial Access: Inclusion and Literacy

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ABSTRACT

Financial inclusion efforts have been recognised as an effective strategy to ensure access to financial services all over the globe. During the last ten years, countries – both developed as well as developing have been engaged in efforts ensuring financial inclusion to all, enabling access to financial services. Financial access helps the citizens to participate in the economic opportunities and derive the fruits of development which lead them to economic well-being.

This paper traces the importance of financial access in the financial sector development of an economy. Financial education or literacy has been identified as a key factor influencing the demand side of the financial inclusion. Financial education as a key element to enhance inclusion is explored in detail and the national and international experiences in this regard are documented.

Keywords: Financial Access, Financial Education, Financial Inclusion, Financial Literacy

Introduction

The role of financial access in the economic development and growth of an economy has been debated by researchers, and various studies in this regard have substantiated the positive contribution between financial access

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and inclusive growth. To ensure financial access, financial inclusion policies have been put in place by policy makers, banking and financial institutions all over the world. Financial inclusion paves the way for mobilization of untapped savings in the society and channelizing these savings towards investment and results in growth of different sectors of the economy. Researchers have identified various reasons for financial exclusion. Financial Inclusion has the ability to generate positive externalities – it leads to enhancement in savings and investment and thereby, spurs the process of economic growth. It also provides a platform for inculcating the habit of saving money, especially amongst the lower income category that has been living under the constant shadow of financial distress. Availability of banking services and products aim to provide a critical tool to inculcate savings habit. Likewise access to credit is an important issue among the small borrowers, micro and small enterprises. Access to insurance and pension services need to be mainstreamed.

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Methodology

The objective of this paper is to trace out the extent of financial exclusion experienced by countries across the globe and India in particular. An extensive literature review approach is undertaken to reveal the gravity of the situation. The financial inclusion strategy has been debated in terms of the demand side factors and supply side factors. The demand side factors influencing financial inclusion have been illustrated with reference to various studies in the field, citing the examples wherever possible. Likewise the supply side factors affecting financial inclusion are discussed. To what extent financial literacy and education as a determinant to financial inclusion is debated in detail tracing out the methodology, target segment, content, etc., in designing a well though financial education programme.

Literature Review

Rodrik and Rosenzweig (2009) argue that expanding financial access holds the promise of increasing economic growth by promoting investment in underfunded enterprises. Expanding access to reliable low cost savings accounts promise to increase the capital stock and helps to reduce the poverty and inequality. The authors illustrate the transformative power of financial access by citing experience in microfinance programs in Asian countries. The power of access to financial services has transformed the fortunes of poor households, as access to micro credit and other financial services enable households to enhance their income and avail the long denied opportunities.

The Centre for Financial Inclusion (2011) offers comprehensive views on the dreams of achieving *full financial inclusion* a reality.

> *Full financial inclusion is a state in which all people who can use them, have access to a suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients. Financial services are delivered by a range of providers, most of them private, and reach every one who can use them, including disabled, poor and rural populations.*

The above definition rests financial inclusion on five pillars, viz., (i) a full product suite, (ii) quality, (iii) reaching all who can use the services, (iv) in diverse competitive market place, and (v) to an informed clientele. All the five pillars are equally significant as success in one area may produce the social and economic benefits desired if accompanied by good progress in other areas.

The organisation of Economic Cooperation and Development (OECD) defines financial inclusion as the “process of promoting affordable, timely and adequate access to a wide range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches including financial awareness and education with a view to promote financial well being as well as economic and social inclusion". OECD, thus relies its focus on three elements, viz., affordability, timeliness and adequacy of the financial services. Likewise the definition focuses on the need for creating awareness or educating the masses on the features or characteristics of financial services.

Kempson and Whyley (1999) discuss five forms of financial exclusion in the society, viz., access exclusion, condition exclusion, price exclusion, marketing exclusion and self exclusion. The financial service providers restrict the access to members of the public in the name of risk management and the access is denied. Under condition exclusion, the service providers impose different terms and conditions which make the public ineligible to make use of the financial services. Due to high level prices, some segment of the public are unable to afford the financial services which make them excluded. The service providers undertake different marketing strategies and often focus on middle and high income clients and leave the lower segment of the population neglected. Owing to the indifferent attitude and policies of service providers, many of the people especially those belonging to the lower strata of society decide not to opt for a financial product because of the fear of refusal to access by service providers.

Greg Fischer (2011) relates finance to financial inclusion by linking access to finance as central to risk management. Finance allows firms and farms to protect against loss of productive assets and insure against shocks arising out of natural disasters like flood or drought. A household that cannot respond to an investment opportunity for want of finance loses out on earning income and growth.

Vijay Kelkar (2008) explains the need for financial inclusion in terms of risk management or risk mitigation services vis-à-vis economic shocks. People especially the vulnerable community are affected by shocks due to adverse weather conditions or natural disasters or due to a high level of unexpected expenditure, etc. Financial inclusion provides economic security to this segment of population. The author argues that access to financial services enables the poor to save money, prevents concentration of economic power with a few individuals and helps in mitigating the risks that the poor face as a result of economic shocks. While the financial sector reforms carried out in the economy succeeded in achieving the objectives of financial sector stability, Kelkar advocates for the second wave of financial sector reforms to reach the whole community in coverage of financial services and achieve financial inclusion.

Miriam Bruhn et al. (2013) argues that during the global financial crisis, low level financial literacy is an important factor that made the home owners in the U.S. to avail mortgage loans exceeding their means.

Demand Side Factors in Financial Inclusion

Ghatak (2013) identifies the factors – Accessibility, Culture, Assets, Income and Literacy as the key factors that influence the demand for financial inclusion. The study observed that Accessibility has the highest correlation (0.650) which is followed by Literacy (0.447), Income (0.442), Culture (0.303) and Assets (0.054). To ensure accessibility the author suggests branch expansion policies in rural areas, penetration of ATMs and technology adoption, expansion of mobile banking and BC facilities etc. The level of financial literacy is to be enhanced to create an awareness among the younger generation about the several benefits of being financially included. The school curriculum should take care of the financial literacy needs.

Tuesta and Others (2013) in the 'ENIF Survey on Demand factors that influence financial inclusion in Mexico' finds income as the most important criteria as demand factor that influences financial inclusion as 62% of adults in Mexico aged between 15 and 70 are not included in the financial system. In other words they do not have a current, payroll or savings account, or credit at a formal financial institution. The main access barrier to the financial system is income as 77% of the people excluded say they do not have sufficient income or that their income is variable and do not allow them to have an account or credit at a formal institution. The second reason suggested by 47% of those not using banking services is that they are not interested or do not need a financial product, which could be considered a position of self exclusion. Personal reasons are argued by 24% of those who are not linked to the financial system, and reasons of access are those alleged by fewest, at 21%. The study mentions education level as one of the factors as the extensive use of the informal market may be related to the lack of financial literacy and the lack of knowledge regarding formal saving and credit products. This throws light that awareness has to be raised with respect to the advantages of the financial system and financial literacy for being able to take informed decisions on participating in formal financial markets.

Shankar (2013) argues that financial literacy and financial capability are regarded as important demand side factors that influence financial inclusion efforts. While financial literacy refers to the basic understanding of financial concepts, financial capability refers to the ability and motivation to plan financials, seek out information and advice and apply these to personal circumstances. The author cites the examples of microfinance institutions that maintain close relationship with the community and spread knowledge and literacy among the clients on the prudent usage of financial resources.

The Centre for Social Impact, Australia explains four major causes that lead to financial exclusion viz. self exclusion by individuals, low levels of financial literacy, exclusion due to limited resources and new technologies. Self exclusion exists when individuals and households voluntarily decide not to participate in the formal financial system. Financial capability or education is an essential skill that leads to inclusion. Resource exclusion exists where low income households are unable to use specific financial products due to limited access to funds. The ability to use new technology to engage in financial services is also found to be a hurdle as many low income households are not used to adapt technology.

Chakraborty (2012) analyses the barriers as (a) Low literacy levels, lack of awareness and understanding of financial products, (b) Irregular income, (c) frequent micro-transactions, (d) Lack of trust in formal banking institutions, (e) cultural obstacles (e.g., gender and cultural values) as the demand side factors for financial exclusion.

Supply Side Factors in Financial Inclusion

The supply side factors are equally significant like the demand side factors in determining financial inclusion. Chakraborty (2012) cites a list of supply side barriers and this include Outreach, Regulation, Business models, Services, Age factor, Bank charges etc. Commercial banks show less enthusiasm in spreading financial services to low density areas and low income population as they feel the services are not financially sustainable under traditional banking business models. The regulatory practices followed by countries are often not adapted to local contexts and more often it is the macro character that is reflected in policies. The business models practised by commercial banks and service providers are often with high fixed costs and to recover the cost, they rely to serve on profitable zones. On age factor, the financial service providers often focus on middle of the economic actively population, 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 profitable business from this segment. Banks often pass on the transaction cost to the clients irrespective of the income status and this result in distancing the low income households in availing the services.

Researchers cite the non availability of suitable products as supply side factor in financial exclusion. This is often visible in loan products as banks attach lots of conditions, fix the rate of interest and charge uniform across all types of loans. The micro and small entrepreneurs are the worst hit in this situation and they often depend on informal sources for their credit needs. Physical barriers also cause exclusion and it is unviable for banks to spread its wings to rural and far flung areas. The stringent 'know your client' (KYC) rules also distances migrant labourers and other segments in accessing formal financial institutions.

Shankar (2013) narrates solution to the supply side factors in financial inclusion by citing the experiences of microfinance institutions. MFIs provide financial products more or less tailored to the requirements of low income groups. In the case of micro credit disbursements, collateral is not usually insisted upon and loan repayment amounts are small and frequent. MFIs usually provide door step services at the convenience of the borrowers. Further, MFIs do not insist on elaborate documentation procedures. Loan officers in MFIs generally rely on address checks and neighbour references rather than documents.

Burkett & Sheehan (2009) study report has been quoted by the Centre for Social Impact, Australia in analysing the supply side causes of financial exclusion. The five key dimensions are termed as five A's of financial exclusion. These are Availability, Access, Awareness, Appropriateness, and Affordability. Availability means issues regarding the lack of financial products which are in demand but do not exist at all in the vicinity of the individual. Poor credit record, language issues or physical barriers etc limits the access. The lack of awareness of individuals of financial services due to poor promotion measures is a significant cause of exclusion. Many times, the financial products are not appropriate to some individuals' needs.

It is well recognized that the supply side and demand side factors are to be analysed carefully to understand its role in achieving inclusion and driving inclusive growth. Commercial banks and other financial services players are largely expected to mitigate the supply side processes that hamper poor and disadvantaged social groups from gaining access to the financial system. Access to financial products is constrained by several factors which include lack of awareness about the financial products, unaffordable products, high transaction costs and products which are inconvenient, inflexible, not customized and of low quality.

Programs to Achieve Financial Inclusion

In India, various programmes have been designed and implemented by commercial banks with the objective of ensuring financial access to all the households in India. However, one reason or other, meaningful inclusion could not take place. An inclusive financial system should ensure access, availability and usage of financial services by all the concerned. The commercial banks have been involved with various strategies and programs to make the households rely on institutional agencies for their financial services requirements.

The recent policy level prescription to launch Pradhan Mantri Jan Dhan Yojana (PMJDY) is praiseworthy in the context of financial inclusion. The PMJDY was announced by our Hon'ble Prime Minister in his independence day address on 15th Aug 2014. The scheme envisages universal access to financial services to each household in India. Towards this end, at least one basic banking account for every household would be opened and access to credit, insurance and pension would be made available. The account holder would be entitled to a Ru Pay Debit Card with in built accident insurance cover of one lakh rupees. The PMJDY comprises of six pillars.

Six Pillars of Prime Minister's Jan Dhan Yojana

Pillar	*Description*
Universal access to banking services	Every habitation has access to banking services within a distance of average 5 kms
Providing basic banking accounts with Overdraft Facility and RuPay Debit Card to all households	Ensuring opening of savings bank accounts, providing overdraft after six months of satisfactory operation of the account
Financial Literacy Program	Financial literacy programs to be provided to households so as to make best use of the financial services
Creation of Credit Guarantee Fund	To cover the defaults in overdraft accounts, Credit Guarantee Fund is to be created
Micro Insurance	To provide micro insurance services to all willing and eligible persons by 14 Aug 2018
Pension Scheme for unorganised sector	To implement pension to unorganised sector in line with Swavalamban scheme by 14 Aug 2018.

As on Dec 26, 2014, the number of accounts opened under PMJDY scheme stood at 10.08 crores, as against the target of 7.5crores by 26 January 2015, thanks to the efforts taken by commercial banks in a mission mode.

In 2011, the government launched Swabhiman scheme targeting to bring 74,000 villages with population below 2000 under the banking network. The programme focussed on providing basic banking services like no-frills savings account, micro credit, remittances, micro insurance, and micro pension through multiple banking channels including banking correspondents. Thus, PMJDY is an improved version of Swabhiman scheme.

To deepen and further financial inclusion, in November 2014, Reserve Bank of India has issued norms for setting up Payment Banks, and Small Finance Banks in the country. Payment banks would be allowed to accept deposits, with a cap of rupees one lakh per individual customers and they would be allowed to issue ATM/Debit cards. They are not allowed to undertake lending activities. The Small Finance Banks would undertake basic banking activities of acceptance of deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries etc. A minimum of 50 per cent of the loan portfolio of small finance banks should constitute loans and advances of upto Rs 25 lakhs.

Financial Literacy

The financial education or financial literacy as the key demand side factor enabling financial inclusion is recognised by researchers. The literature on development studies often use the terms – financial literacy, financial education, and financial capability to describe the situation of the need for acquiring more knowledge and skills in dealing with personal finance. Financial literacy is associated with the consumer who is supposed to know the features of the product he purchases and understands the contracts he signs. It needs knowledge, skills and attitudes. Financial education is a key tool to reach this goal of financial literacy. Financial capability, on the other hand, relates to the ability and opportunity to use the financial knowledge and skills to appropriate decision making.

Huston (2010) opines that spreading financial literacy is a public policy objective and in U.S., recent incidents on financial sector vouch for the increasing attention given to the financial education. The mortgage crisis, consumer over indebtedness and household bankruptcy rates are the evidences to substantiate the statement.

The US Government Accountability Office (GAO) defines financial literacy as *"the ability to make informed judgements and to take effective actions regarding the current and the future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely, and manage the challenges associated with life events such as job loss, saving for retirement, or paying for a child's education*". This definition takes care of the ability to make informed choices on the decisions on management of personal finance is concerned. Financial planning, prudent management of expenditure, situation to deal with contingencies, retirement planning needs, etc., are taken care. The US based non profit Jumpstart defines financial literacy as "an evolving state of competency that enables each individual to respond effectively to ever changing personal and economic circumstances". This definition relates the capability to manage personal finance depending on the circumstances of life cycle event of a household.

Financial education is the ability to make appropriate decisions in managing the personal finance of an individual or household. Financial education is often synonymous with financial literacy and both the terms are used interchangeably to explain the situation of acquiring more knowledge and skills in dealing with personal finance. Financial education enables one to understand the basic financial concepts like interest, risk, reward, etc., understand the key financial products like savings accounts, deposit accounts, loan accounts, insurance schemes, pension products, etc., and make good financial choices about saving, investment and managing debt, and respond competently to changes that affect everyday financial well being.

Financial education is the process of building knowledge, skills, and attitudes to become financially literate. It introduces people to good money management practices with respect to earning, spending, saving, borrowing, and investing. The role of financial education is to enable people to shift from reactive to proactive decision making and work towards fulfilling their financial goals. When linked to the financial inclusion agenda, the implicit argument is that financial education will motivate the learner to understand the products and adopt available formal financial services.

Financial capability includes the ability and opportunity to use the knowledge and skills implied in financial literacy. Financial capability is a broader concept that takes care of an individuals' capacity to make use of the financial product and its availability. Thus, the concept financial capability warrants building the capacity for an individual to make use of the financial services together with the required knowledge, skills and attitudes. Cohen and Nelson (2011) argues that while consumers have a responsibility to inform themselves about products they are purchasing, financial service providers have a responsibility to understand their market, and respond with a range of appropriate and affordable services. Financial capability brings together informed clients and appropriate products in the market place together.

OECD (2005) 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*". Thus, OECD look forward to achievement of financial well being as an ultimate goal of financial education and to achieve this, advocate the need for understanding the financial products in terms of its features and take a decision based on the risks and opportunities.

OECD (2006) justifies the need for financial education across all countries. "For emerging economies, financially educated consumers can help ensure that the financial sector makes an effective contribution to real economic growth and poverty reduction. But financial literacy is also crucial for more developed economies, to help ensure consumers save enough to provide an adequate income in retirement while avoiding high levels of debt that might result in bankruptcy and foreclosures".

Cohen and Nelson (2011) has made an enquiry into the emerging elements of financial education and list five elements in an effective financial education. These include (a) target audience, (b) relevance, (c) Use, (d) Quality, and (e) Delivery Channels. Target groups for financial education can be categorised by age, gender, and employment status. Financial education targeting youth is more likely to derive more benefits as they negotiate with parents on spending money and its prudent management. Aflaton, an NGO headquartered in Netherlands had introduced financial education available to school children and has been campaigning in 75 countries. The education to be imparted on personal finance would yield its maximum result when the design is made relevant. The basic tenets of personal finance management are save often, spend carefully, borrow cautiously and invest wisely. However, this can be practiced keeping in mind the specific needs or stresses that the target group faces. To ensure the relevance of financial education, the financial behaviours of the target groups are to be understood carefully. The characteristics of the groups in terms of their sources of income, their spending habits, influencing factors on their expenditure, controlling forces, beliefs or cultural practices shaping their decisions etc are to be understood to decide on the relevance of the financial education. People are adaptable to the benefits of financial education when they are exposed to real use of some of the products. When people start to open savings bank account or use mobile banking, or becomes a recipient of a government cash transfer programme, this is an opportunity to put in practice the benefits of new knowledge acquired out of financial education. The quality of financial education is related to the training methodology and the availability of good trainers. Participatory training methodologies are to be used widely to impart financial education. The delivery channels as an element of financial education assumes importance when financial education is to be scaled up. The mix of dissemination methods, viz., print, mass media and technology are to be explored. The various elements as discussed above can serve in achieving the objectives of a financial education programme.

Benefits of Financial Education

Financial education, if organised and conducted in a serious manner, derives good number of benefits. The financial education programmes benefits an individual through enhancing his money management skills, assisting him manage his debt more effectively and enable to develop consumer skills, knowledge and behaviour in relation to money. Russian Trust Fund (2013) lists out six benefits of financial education for the unbanked community. Firstly, financial education enables improved understanding of mainstream financial services and encourages to avoid the services availed from informal sources. Secondly, the community is benefited with a deeper understanding of risks and benefits of financial services such as credit. This is true in the case of many cases in Indian villages where the members approach the informal sources resulting into higher pay out of interest and other charges. Thirdly, education results into getting right information to the community with no cost or lesser cost. Fourthly, the education drives the community towards higher level savings, as the habit of savings is inculcated among the members of the community. Fifthly, consumer education on personal finance protects against unfair, discriminatory practices, etc. Finally, financial education results into reduced cost of money transfers. Money transfers as a financial service is much required for migrant workers and not only cost, but the risks, security, etc., is very much significant.

Lusardi (2008) observes that low financial literacy affects financial behaviour, and literacy is to be carried out in mass scale to influence saving and wealth accumulation. Two avenues pointed out by the author in this regard are delivering financial literacy through schools and workplaces.

From a macro perspective, Chakraborty (2013) writes, financial literacy together with financial Inclusion and consumer protection form a triad which, collectively, has an important bearing on financial stability. The three legs of the triad have strong inter-linkages, with each element having a vital bearing on the others. The absence of any one would make it difficult to attain the remaining goals.

Financial Education – International Experience

Research conducted for the OECD's study on financial education (OECD 2006) indicates that the level of financial literacy is low in most countries, including in developed countries. In Japan, for instance, 71% of adults surveyed knew nothing about investment in equities and bonds, while surveys in the US and Korea found that high school students failed a test designed to measure students' ability to choose and manage a credit card or save for retirement. Consumers often over estimate how much they know. In an Australian survey, 67% of those taking part claimed to understand the concept of compound interest but only 28% could find the correct answer to a problem using the concept. The commitment of respective government in countries is required before planning, devising and implementing financial education programmes. The level of financial literacy tends to vary according to education and income levels, but the actual situation shows that highly educated consumers with high incomes can be just as ignorant about financial issues as less educated lower income consumers.

The financial education experience in some of the countries viz. Australia, UK, USA, Uganda and New Zealand are enumerated below.

Financial Education Methodologies Across Select Countries

Country	*Methodologies*
Australia	• New consumer Websites – Moneysmart and Understanding Money • Curriculum on Financial Capability for Schools • Financial Literacy Options for Vocational Education & Training (VET) • Indigenous Education – Department of FaHCSIA targeting indigenous Australians • Education at Work Place • Australian Defence Force on Financial Literacy to its Members

United Kingdom	• Education – Schools and Colleges • Young Adults • Partnership Programme with Non Profit Organisations • New Parents • Work Place Programme • Consumer Communications
United States	• National Financial Education Website • Dedicated Hotline • Work Place Financial Education • Public Private Partnership
Uganda	• Annual financial Literacy Weeks – Seminars and Workshops • Civil Society Initiatives • Financial Education to Adolescent Girls
New Zealand	• *Children*: Imparting education to senior secondary student level. • *Adults*: Adults graded into three groups on knowledge, and financial education imparted each group.

Financial Education – Indian Experience

In India, financial education has been taken as priority by all the financial regulators. Apart from this, the commercial banks in the country and many civil society organisations have also embarked on initiatives on financial education. The initiatives of Reserve Bank of India, Securities and Exchange Board of India, commercial banks and civil society are documented below.

Financial Education Initiatives in India

Institution	*Activities*
Reserve Bank of India	• A link on Financial Education on RBI Website providing financial education materials in 13 languages • Project Financial Literacy – disseminating information on banking system to the public • Undertaking outreach programme wherein top executives of RBI interact with villagers • Young Scholar Award on Financial Literacy for undergraduate students
Securities and Exchange Board of India	• Project titled as 'SEBI Financial Education Resource Persons Programme' wherein around 900 Financial Education Resource Persons involving in organising workshops on financial education to various segments, viz., School children, College children, Middle income group, Executives, Retirement Community, SHGs, etc.

Institution	Activities
Commercial Banks	• Commercial Banks engage in financial literacy through setting up Financial Literacy Counselling Centres (FLCs) by all lead banks in the country
Civil Society	• SEWA Bank's initiative on Financial Literacy • National Financial Literacy Alliance (NAFiL) by Indian School of Microfinance for Women

Findings

The unbanked and under banked population in the world is huge, to the extent of two to three billion. Rodrik and Rosenzweig (2009) explain the gaps in financial access across the globe. While more than 80 per cent of households in Western Europe and North America have an account with a financial institution, 60 to 80 per cent households maintain account in Central Asia and Eastern Europe. The situation is worse in Latin America, with less than 20 percent adults in Nicaragua, covered under banking network. In Asian countries, the inclusion figures range from 40 per cent to 60 per cent. Citing World Bank study report, the authors say that in rural India, 20 per cent of households have loan accounts, 40 per cent have deposit accounts and 15 per cent have insurance in their names. Financial access is good for the poor as the result is yielded both through trickle down effects and individual gains in economic wellbeing.

Rama Pal and Rupayana Pal (2012) explain the financial exclusion situation in India by estimating the percentage of households using formal financial services. The study based on All India Debt and Investment Survey 2002-13 identifies Kerala (73.5%), Chandigarh (66.9%), Himachal Pradesh (62.5%) Andaman Nicober (62.3%), and Dadar Nager Haveli (57%) as top five states in financial inclusion. On the flip side, the study reveals Bihar (18.4%), Mizoram (22.4%), Arunachal Pradesh (22.4%), Meghalaya (22.7%), and Manipur (25.5%) performing poorly in financial inclusion standards. The study also reveals that rich households also suffer from financial exclusion even though the poor households are badly affected.

The demand side factors responsible for financial inclusion are lack of financial literacy, less financial capability, lack of regular income streams, psychological barriers, cultural barriers, lack of trust, etc. The supply side factors responsible for exclusion are lack of customised products and services, distance from the bank branch, stringent Know Your Client rules, rigid terms and conditions, age factor, faulty business model, cumbersome documentation procedures etc. Of the various demand side factors, financial literacy or education is the foremost one that determines the extent of financial inclusion. This is well visible in the Alliance for Financial Inclusion (AFI) global survey 2010 wherein financial education tops in the enabling factors for financial inclusion, the other factors being product range, technology enabled delivery channels, credit bureaus, client protection, institutional capacity building and a sound regulatory framework.

The benefits of financial education/literacy range from enhancement of money management skills, effective and prudent management of debt, inculcating the habit of savings, sound financial behaviour, effective financial planning, less dependence on informal sources, etc. Financial literacy along with financial inclusion and consumer protection is advocated for financial stability.

Various countries have deployed financial education measures in order to enhance the level of financial literacy. Countries – UK, US, Australia, Newzealand, Uganda etc. have focussed attention and activities under financial education and the target segments covered for literacy are school and college students, working people, young adults, housewives, retired community etc. In India, dedicated effort are made by financial sector regulators especially RBI and SEBI in designing and implementing financial education programme.

In designing financial education programmes, five issues are to be dealt with, these being, target segment, relevance, methodology, quality and delivery channel.

Financial access, inclusion and literacy are very important aspects to be dealt in to arrive at a holistic view of financial inclusion. Access of financial services is to be ensured by policy makers, practitioners and civil society. Financial inclusion policies of government and banking institutions should include ensuring infrastructure to all the places so that access is ensured. Along with access, usage of financial services by the public is to be ensured and this can be accelerated through financial literacy efforts. One significant pillar of the Jan Dhan Yojana is financial literacy where public is to be educated on the benefits of opening and using bank accounts, the need for relying institutional finance, the significance of insurance as a risk management tool, and pension service as social security measure. JDY find many solutions to the problems of access, inclusion and literacy.

Conclusion

Financial Literacy education which is aimed at enhancing a person's level of knowledge or ability should be tailored to suit different demographics, life stages and learning styles and not to be treated as a one-size-fits-all approach.

In a world of increased individual financial responsibility, where workers are in charge of their financial well-being and where financial markets offer new and complex financial products, financial literacy is essential. It has proven to be impossible to succeed in the modern world without the ability to read and write, so it will be impossible to succeed in the present-day financial system without knowing the abc's of economics and finance.

Financial education should go hand-in-hand with improving access to financial markets and services. Financial Literacy aids financial inclusion initiatives as it creates awareness about the benefits of linking with the formal financial system and hence, creates demand for financial products. Financial literacy supports consumer protection as it aids consumers better understand the features and risks inherent in financial products, thereby reducing the risk of mis-selling. It also generates awareness and willingness to approach the grievance redressal system available, in case of disputes connected with the financial products.

This paper makes a new contribution to the existing literature through bringing to light the gravity of the incidence of financial exclusion and justifying the need for better financial education programmes. The findings of the study would enable the policy makers to focus added attention to financial literacy and education. At a time when the nation is implementing Prime Minister's Jan Dhan Yojana (PMJDY) to achieve meaningful financial inclusion, efforts are to be made to pursue financial education efforts so that the public at large understand the benefits of accessing and using financial services.

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