

## A STUDY ON FINANCIAL LITERACY : WITH SPECIAL REFERENCE TO SEBI

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### *Abstract:*

*With the developing financial market in India, there is an urge need for the more financial penetration of the investors in the financial market. It is necessary that structured regulations are put in place which not only make products available to the clients but in effect enhance the knowledge of the investors, therefore achieving the financial inclusion in the financial market. The need of the hour in the financial sector is the active participation of the investors so that the equity in the financial market increases and this is possible only when proper advice is provided to these investors to enable them to make an informed decision about the investment. Thus through information and objective advice, they develop the skills and confidence to become more aware of financial risks and opportunities and make informed choices to improve their financial position.*

*" We can create confidence in market by spread financial literacy and merit of investment could be widely spread, hence time is ripe to motivate our educated upper middle class to climb from saving mode to wealth generation mode."*

*-Pranab Mukherjee*

### **Introduction :**

According to Investopedia Financial Literacy, "The possession of knowledge and understanding of financial matters. It is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving (especially for college), tax planning and retirement. It also involves intimate knowledge of financial concepts like compound interest, financial planning, the mechanics of a credit card, advantageous savings methods, consumer rights, time value of money, etc. Thus absence of financial literacy can lead to making poor financial decisions that can have adverse effects on the financial health of an individual. Financial inclusion initiatives give people access to organized financial services; the lack of knowledge has resulted in sub-optimal impact in using this opportunity and in some cases

proven counterproductive with the creation of debt traps. SEBI has taken host of measures to broad-base financial inclusion through literacy initiatives. It has plans to embark on a national strategy to create investor awareness. Mr Prashant Saran, Whole Time Member of SEBI, has addressed in ASSOCHAM conference on Mutual Fund Summit that, “The focus should be on small investors so that the base widens. Financial education should be sector-specific and product-neutral. Financial inclusion and investor education thus become crucial for equitable distribution of assets under management (AUMs).”

**Objectives of the Study:**

The study is made with the following objectives in mind:-

- To understand the concept of financial literacy and innovations by the SEBI
- To introduce financial inclusion of investors with the help of literacy initiatives.
- To study the functions of SEBI in rural areas.

**Research Methodology:**

- Primary data is collected through respondents of SEBI personnel’s.
- Secondary data is being collected through various sources such as books, magazines, journals, newspapers and websites.

**Innovative techniques adopted by SEBI:**

SEBI will launch an investor education programme through short films, TV and radio commercials in English and regional languages. It plans to hire a creative agency with an annual revenue of at least Rs 100 crore in the past three fiscal years to spread awareness in the country. SEBI plans to start a nationwide toll-free helpline and launch awareness campaigns through newspapers, radio and TV channels. It will conduct investor education programmes across India through small-scale seminars. It has also recently launched a mobile helpline number for investors. SEBI also distributes study materials in over six languages aimed at various target groups such as young investors, home makers, retirement, school children, executives and middle income group for free. It has also taken initiative through the National Institute of Securities Market where it conducts classes in schools and has covered 256 schools with a total participation of 5,783 students. In rural areas, the regulator has trained 238 teachers across 197 schools by associating with an NGO called MelJol.

### Case Study

Over the past 15 months Suneel Sharma, a Physics lecturer at the Government PG College, Gadarwara in Narsinghpur district of Madhya Pradesh has conducted 66 workshops on financial education, attended by around 4,000 participants, under the financial education programme of the Securities and Exchange Board of India (SEBI)

He had covered 30 colleges, teaching students and lecturers on various aspects of savings, investment and retirement planning, and various financial products. Mr. Sharma who has tied up with NGOs, clubs and farmers associations to mobilise people to attend such classes.

SEBI has taken up the task of educating individuals across the country on financial products. Conducting workshops on concepts of savings, investments, asset allocation, investment options and grievance redressal, SEBI has touched over 1 lakh individuals across the country and now aims to make financial education a part of school curriculum.

According to SEBI's Investor Website, over the last 18 months, the market watchdog has trained over 297 Resource Persons (RPs) throughout the country who, in turn, have conducted an aggregate of 1,881 workshops (of 2-3 hour each) each covering a minimum of 50 participants.

### The Analysis of the above case study reveals the following:-

- The SEBI can reach out rural poor with the help of such project.
- It can try to market any product in rural areas since the trust of the consumers have already developed.
- Maximisation of sale and profitability can be targeted very easily.
- Since rural consumers are also adapting to changes, introduction of a new product becomes very easy.
- The customer base can be improved without much effort from such resource persons.
- Social capital can be created while serving the bottom of pyramid.
- The reputation of SEBI also gets elevated.

### Success Stories

XLRI, the premier B-School in India, has started a financial literacy programme among the unbanked population in adjoining villages across east and west Singhbhum districts through a newly launched project called 'Sanchetana' and inaugurated the 'Financial Literacy on Wheels' initiative at Jamshedpur in association with a nationalised bank. The objective of the initiative under the Sanchetna project is to spread awareness of savings, insurance and old age [pension](#) among the villagers and urban poor, coming closer to their homes. The student

teams from XLRI would visit various public centres in remote villages to meetings and festivals, schools, community associations, etc to spread financial literacy using various forms of audio visual documents in villages in and around the district.

The project aims to educate the rural people on banking and investment options. XLRI students, research scholars and professors are organizing sessions with villagers, while, the bank, [State Bank of India](#), is assisting them by bringing the rural populace under the fold of conventional banking.

#### **Some advantages of financial education are:-**

- Helps build a secure financial future.
- By incorporating contingencies in your financial plan you are ready to face unseen circumstances head on and help them to be prepared for financial emergencies
- People who are financially literate are reluctant to buy financial products that they do not understand and thus do not buy them.
- Financial education is effective and helps people to move closer to their goals
- Makes a more responsible individual with a disciplined approach to money and helps people from overspending and inculcates a habit of savings and investments

#### **Conclusion:**

Financial inclusion is a great step to alleviate poverty in India. But to achieve this, the government should provide a less perspective environment in which SEBI is free to pursue the innovations necessary to reach low income consumers and still make a profit. Financial service providers should learn more about the consumers and new business models to reach them. One of the biggest reasons for this lack of small investor interest is low levels of financial education. The focus on educating people in handling financial resources to achieve their goals has been relatively low. India is among the world's most efficient financial markets in terms of technology, regulation and systems. Recently the Finance Minister has said it was important to focus attention on financial literacy initiatives for the masses which will help for effective financial inclusion for investors. Through information and objective advice, they develop the skills and confidence to become more aware of financial risks and opportunities and make informed choices to improve their financial position.

#### **Suggestion and Recommendations**

- Governments and all concerned stakeholders should promote unbiased and fair financial education.
- Financial Literacy programs should be focused, coordinated and developed with efficiency especially in rural areas.

- New innovative method and techniques to be used for the assess of existing financial education programs
- Financial literacy programs should start at school and colleges for people to be educated as early as possible.
- Financial literacy should be part of the good governance of financial institutions, whose accountability and responsibility should be encouraged.
- Financial Literacy should be clearly distinguished from commercial advice.
- Financial institutions should be encouraged to check that clients needs and understand information, especially when related to long-term commitments or financial investments
- Programs and delivery strategies should be oriented towards financial capacity building, and where appropriate targeted on specific groups and made as personalized as possible.
- National campaigns, specific Web sites, free information services and warning systems for financial consumers should be promoted.

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