

**Chapter 1:**  
**NEED AND SCOPE OF  
FINANCIAL LITERACY FOR  
MICROFINANCE  
BENEFICIARIES**

## **1.1. Introduction – Financial Literacy - Concept and Importance**

The concept of financial literacy has been drawing substantial attention for researchers and microfinance practitioners recently due to implementation of programs for financial inclusion and intervention programs for sustainable livelihoods, especially for women at the bottom of the pyramid. Financial inclusion and the restructuring of microfinance intervention programs, have offered microfinance beneficiaries with more financial options, but simultaneously increased the necessity of acquiring adequate financial literacy and skills for understanding the fundamentals underlying the optimal financial choices. The beneficiaries need to be financially literate to be able to understand the dynamics of financial transactions and investments and make well-informed decisions about financing, utilizing and disposing funds for micro-entrepreneurial activities and sustainable livelihoods.

Increasing participation in financial markets has intensified the competition among financial service providers to sell their products or services. As a result of which individuals can become victims of aggressive marketing and fraudulent schemes; or suffer losses due to their financial illiteracy. Hence, they need to be financially literate to be able to choose the appropriate financial instruments, understanding the features and benefits of the financial instruments and assessing their own risk appetite. “Financial literacy skills enable individuals to traverse the financial world, make informed decisions about their finances and minimize their chances of being misled on financial matters” (Beal and Delpachitra, 2003). Financial literacy can help individuals both avoid and solve financial problems, in turn, leading to financial security and well-being. Financially literate people can make better and informed financial decisions for themselves and their families, thus increasing their financial security and well-being.

In the discussions that follow, the concept and components of financial literacy have been highlighted.

### **1.1.1. Financial Literacy**

According to Van Rooij et al., (2012), “The importance of financial literacy is crucial for individuals and society because of its implications for wealth creation and financial well-being”. People need to make sound financial decisions for their financial security and well-being, and this ability to make sound financial decision develops from high levels of financial literacy. While the focus on creating educated human resources has been in vogue through decades by increasing outreach of people to educational institutions. The need to inculcate sound money management knowledge and practices among the populace, especially those at the “bottom of the pyramid” is the need of the hour and hence, the limelight on financial literacy drives in the globe and their impacts are the subjects of deep investigation of researchers.

The concept of financial literacy has been variably defined and conceptualized in several studies as “including a specific form of knowledge, the ability or skills to apply that knowledge, perceived knowledge, good financial behaviour, and even financial experiences” (Hilgert et al., 2003; Lusardi and Mitchell, 2007; Mandell and Klein, 2009). According to Noctor et al. (1992), “financial literacy is the ability to make informed judgments and to take effective decisions regarding the use and management of money”. Huston (2010) considers “financial literacy as including financial knowledge and the appropriate application of financial knowledge to make financial decisions”. Remund(2010) defines financial literacy as “a measure of the degree to which an individual understands key financial concepts and feels that he or she possesses the ability and confidence to manage personal finances”. The definition given by Organization for Economic Co-operation and Development (OECD, 2011) describes Financial Literacy as “a combination of awareness, knowledge, skill, attitude

and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being.”

Thus, the consistent ideas underlining the various definitions of Financial Literacy include:

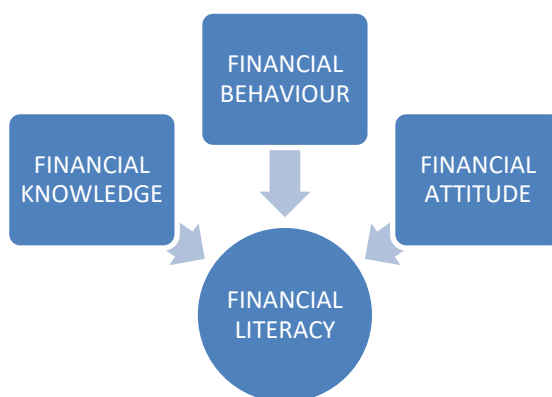
- (a) knowledge, information or understanding of the issues relating to management of finances;
- (b) behavior and attitude necessary for making well informed financial decisions; and
- (c) the ability to confidently manage the finances and ultimately achieve financial well-being.

The OECD approach is however, more comprehensive as it includes various probable dimensions which may be considered in the measurement of financial literacy.

### 1.1.2. Components of Financial Literacy

Financial literacy is a multi-dimensional construct and measuring its different dimensions is important. As identified by the OECD’s International Network on Financial Education (OECD, 2011) financial literacy is a combination of Financial Knowledge, Financial Behaviour and Financial Attitude. Hence, it makes sense to explore these three dimensions of Financial Literacy in combination.

*Figure 1.1 Components of Financial Literacy*



*Source: OECD*

a) **Financial Knowledge** includes knowledge regarding some basic financial concepts like division, simple and compound interest, time value of money, inflation etc. (Lusardi and Mitchell, 2011). It also includes an understanding of risk-return relationship, risk diversification and awareness of various financial products and services, fraudulent schemes, etc. (Atkinson and Messy, 2012). A financially literate person will possess some knowledge of these financial concepts and will be able to solve simple numerical problems relating to interest rates, compounding interests, inflation, etc. Understanding of various financial products and services, making simple calculations related to bills, interpretation of bank statements etc., becomes easy for those who have adequate financial knowledge. With better knowledge and information of the financial products and services, individuals can compare the features and benefits, and make wise financial choices.

Possessing knowledge of risk diversification may be very helpful while considering the investment avenues (Guiso and Jappelli, 2008). Also, important financial decisions like savings, investments, retirement planning, mortgages, debt management, etc. can become more accessible, and be taken with less confusion by possessing adequate level of financial knowledge. While, inadequate financial knowledge may result in poor financial choices increasing the chances of people getting trapped into fraudulent schemes or falling into vicious cycle of debt. Thus, individuals need to possess financial knowledge not just to make wise financial decisions but also to be able to protect them from financial frauds and keep their money safe.

A number of factors influence the level of financial knowledge acquired by an individual. Studies have reported differences in the levels of financial knowledge of men and women in most countries of the world (Lusardi,2008; Lusardi and Tufano, 2009; Atkinson and Messy, 2012; Agarwalla et al., 2015, Azeez and Akhtar, 2020, Lind et al., 2020). Women

show less interest in learning financial concepts and report lower levels of financial knowledge than men. According to Hogarth and Hilgert, 2002, “individuals having more experience with financial products and services are found to possess higher level of financial knowledge”. Gender gap in the level of financial knowledge is observed as the less significant participation of women in household financial decisions in a patriarchal society like ours restricts their learning from financial experiences. As men more often specialize in household financial decision making, they acquire greater financial knowledge than women (Hogarth and Hilgert, 2002).

Age and income also have been found to influence the level of financial knowledge. It can be argued that high income earners can invest in financial markets and learn from their experiences, while individuals with low income may not have the investment prospects and opportunity to learn from experiences (Guiso and Jappelli, 2008). Shim et al. (2009) and Hogarth and Hilgert (2002) have analysed the impact of financial socialization on financial knowledge and observed that among the three primary socialization agents, parental teaching has the most influential contribution to financial knowledge.

In attempt to measure the financial knowledge of individuals, studies have used two measures – objective and subjective. Objective measure includes the assessment of individual’s knowledge of financial concepts related to interest, inflation, relation between bond prices and interest rates, portfolio diversification, risk-return relationship, basics of mortgage etc. (Hilgert et al., 2003, Lusardi and Mitchell, 2006, 2007). While, subjective knowledge measures the confidence of individuals in management of their financial affairs and includes self-assessment of ability to deal with day-to-day financial activities, mathematical ability, knowledge of financial events and news etc. (Robb and Woodyard, 2011). However, individuals generally lack a better understanding of their own level of financial knowledge. Objective financial knowledge cannot be regarded as the sole factor in

determining whether individuals take good financial decisions or not. Subjective financial knowledge could influence the financial behaviour of individuals differently. The study by Courchane et al., 2005, suggests that objective knowledge and self-assessed knowledge when interacted has strong impact on financial behaviour of individuals. Undeniably, individuals need to possess adequate financial knowledge in order to deal with financial issues and make better financial decisions. Thus, an improvement in financial knowledge can contribute to improvement in financial behaviour (Robb and Woodyard, 2011).

**b) Financial Behaviour**, an important element of financial literacy, includes a whole set of activities like saving, following a weekly or monthly budget, planning for retirement, paying bills on time, planning for achievement of short-term or long-term financial goals, etc. It refers to “human behavior relevant to money management” (Xiao, 2008) and includes behavior related to earning, spending, saving and borrowing.

Behaviour relating to credit such as the selection of the credit source (lender), purpose of loans, repayment of loans and the ways in which the borrowed money is utilized, exhibit the credit or borrowing behaviour of individuals, which can influence the cost, associated risk and the availability of credit. Availing credit from money lenders or non-institutional credit agencies are generally considered as undesirable due to the abnormally high interest rates and unfavorable loan agreements. While, borrowing from formal financial institutions provides loans at comparatively lower interest rates, minimizing the chances of default in repayment and risk of getting into vicious cycle of debt trap. Repayment of loans in time and the utilization of credit for productive purpose signify positive credit behavior. Prompt repayment of loans also improves the credit scores and motivates the credit agencies to lend money to the households. Negative credit behavior, on the other hand, increases the cost of borrowings. Though it is not always possible for households to prevent deficit in income, but reliance on credit for meeting the basic livelihood expenses could be very dangerous and

inescapable (Almenberg et al., 2018). Hence, inculcating a habit of saving is imperative for the financial well-being of individuals.

Savings behavior is regarded as an important and responsible financial behavior. Lack of savings can have serious consequences on the financial health of individuals and households. Savings help building financial reserves that can be relied upon during emergency situations, reducing the reliance on credit and ensuring financial security (OECD, 2016). Regular savings can also build-up capital which can be invested in stocks, bonds or mutual funds for financial gains in the future. Preparing budgets to keep a track of income and expenses of the household is considered as a sound financial behavior and an important tool for money management (OECD, 2016). Behavior such as delaying payment of bills, not making considerations before purchases or failing to plan for the future financial goals may negatively impact the financial situation and well-being of individuals. Active participation in the household financial decision making also improves the understanding of finances and helps in learning financial management behavior. Falahati and Paim (2011) have stated that “Financial behavior is learned principally from parents through observation and participation in financial experiences like shopping”.

The positive relationship between financial knowledge and financial behavior has been confirmed through various studies (Hogarth and Hilgert, 2002; Hogarth et al., 2002; Hilgert et al., 2003; Perry and Morris, 2005; Grable, Park and Joo, 2009, Rai et al., 2019, Morris et al., 2022). According to Hogarth and Hilgert (2002), “Consumers who are financially knowledgeable are more likely to behave in financially responsible way”. Hilgert et al., (2003) reported a strong relationship between financial knowledge and the likelihood of individuals being engaged in a number of financial behaviors, like paying bills on time, tracking expenses, budgeting, paying credit card bills without default, saving every month, maintaining an emergency fund, diversifying investments and setting financial goals. Calvet

et al. (2007) and Van Rooij et al. (2007) found that “individuals with low levels of financial knowledge do not invest in risky assets, which in turn could lead to under-diversification resulting in lower long-term returns”. Financial knowledge reduces the likelihood of individuals getting engaged in risky credit behavior (Hayhoe et al., 2005; Xiao et al., 2006). A study by Zakaria et al. (2012) confirmed financial knowledge as an influential factor of sound financial behavior and suggested that equipping households with financial knowledge can encourage sound financial behavior and help in improving their financial well-being.

After extensive research, Lusardi and Mitchell (2007, 2008, 2009, 2011), suggest that “those who have basic financial knowledge are known to plan for retirement and are more likely to plan and succeed in their planning in financial matters and accumulate more wealth”. But the cause-effect relationship cannot be established with certainty. Though increased financial knowledge may lead to active participation in financial market, but it may also happen that the intention to participate in the financial markets may motivate people to seek information and consequently improve their financial knowledge. Thus, financial knowledge and financial behavior may be mutually reinforcing, resulting in improved knowledge and more responsible behavior in a continuous cycle. Though knowledge plays an important role, it alone is insufficient in driving responsible financial behavior. The way people exhibit financial behavior is to a great extent influenced by their financial attitude (Lusardi and Mitchell, 2007).

**c) Financial Attitude** can be considered as “the psychological tendency expressed when evaluating recommended financial management practices with some degree of agreement or disagreement” (Parrotta and Johnson, 1998). “Financial attitudes are established through economic and non-economic beliefs held by a decision-maker about the outcome of certain behaviour, and therefore are a key factor in the personal decision-making

process.” (Ajzen, 1991). Attitudes are considered to be an important element of financial literacy.

A number of studies have highlighted the important role of financial attitudes in determining a person’s financial behaviour (Davis and Schumm, 1987; Shih and Ke, 2014). Parrotta and Johnson (1998) found a positive relationship between financial attitudes and financial behaviour. Financial attitude affects an individual’s behaviour towards borrowing, saving, money management and risk-taking; and determines their way of spending, saving, hoarding or wasting money. If people have negative attitude towards saving for their future, they would prefer to prioritise short term wants and most likely lack emergency savings or any plans for long-term financial security. On the contrary, “people with positive financial attitudes tend to save for the future uncertainties, set long term financial goals and be more successful in managing their finances” (Joo and Grable, 2004). Attitudes like preference for short-term and inconsiderate spending can lead to behaviour that adversely affects the financial well-being of individuals and households.

The attitude towards risks also influences the financial behaviour of individuals. An investor who is comfortable with the volatility or variance in returns of an investment in the market is said to be risk tolerant. Higher risk tolerance is found to be correlated with an individual’s motivation to invest in standard and sophisticated financial products (Guiso and Jappelli, 2008; Almenberg and Dreber, 2015). Risk tolerance has a significant influence on optimal investment portfolio decision of a household. Trone et al. (1996) have suggested that “an ability to achieve desired investment objectives is influenced most significantly by an investor’s emotional ability to accept possible losses in portfolio value”.

Financial risk tolerance can be affected by demographic and socio-economic characteristics and financial knowledge as well. Gender gap in the level of risk tolerance is reflected by the comparatively more active participation of men in the stock market (Lusardi

and Mitchell, 2008; Van Rooij et al., 2012). Women generally being risk averse hesitate to invest in risky financial products and may miss the opportunity of gaining more experience in investment and accumulating more wealth. Also, younger and highly educated individuals tend to be more risk tolerant than older individuals with low educational level. While, individuals with low risk tolerance may suffer loss of opportunity to accumulate more wealth through investment in stocks, the willingness of individuals to risk their savings in investments that offer abnormally high rates of interests could increase their likelihood of getting trapped into fraudulent schemes and suffer unnecessary losses (Guiso and Jappelli, 2008).

Grable and Lytton (1999) found positive association between financial knowledge and risk tolerance. Adequate knowledge of basic financial concepts and awareness of the financial products and services enhances an individual's ability to evaluate risks and therefore improves the risk tolerance. Hence, sound financial knowledge appears to be a prerequisite for an attitude towards financial risk taking. Studies have observed significant positive association between financial knowledge, financial attitude and financial behavior of individuals (Mien and Thao, 2015; Atkinson and Messy, 2012). Financial knowledge facilitates informed decision making and better financial management. Also, positive financial attitude towards long-term is related with positive financial behavior like retirement savings, provision for financial emergencies and careful spending. According to Moore (2003), "when an individual demonstrates better financial knowledge and financial attitude as well as more positive financial behavior it is expected that the individual would be more financially literate and consequently more effective in financial management".

Further, studies have documented the influence of demographic and socio-economic factors on the level of financial literacy of individuals (Chen and Volpe, 1998, 2002; Lusardi and Mitchell, 2007; Lusardi and Tufano, 2009; Agarwalla et al., 2015). Lusardi et al. (2014)

observed that financial literacy levels are higher in the middle age and lower in the young and old ages of an individual. It could be assumed that as people age, they gain more knowledge and experience, and their attitudes and behavior change accordingly, which enhances their level of financial literacy. Cameron et al. (2014) stated that “among the young people, financial literacy gets better with age at a decreasing rate”. The extent to which older individuals can retain and apply financial knowledge and keep themselves updated to the changes in the financial market, may be affected by the cognitive deterioration of individuals with age.

Also, gender gap in the levels of financial literacy has been observed in several studies (Lusardi and Mitchell, 2008; Atkinson and Messy, 2012; Fonseca et al. 2012; Agarwalla et al., 2015). As men are mostly involved in the financial decision making of the household, they gain more financial knowledge and experiences than women. “Women generally tend to develop financial knowledge much later in life than men as they are not often responsible for financial matters until the death of their spouse or divorce” (Bucher-Koenen et al., 2017). Chen and Volpe (2002) observed that female students were less interested in learning financial topics than the male students.

Significant influence of education, income and marital status has also been reported in studies (Agarwal et al., 2015; Potrich et al., 2018) relating to financial literacy. Although, individuals with higher income were generally found to exhibit positive financial behavior (Ahmad et al., 2014), higher income does not necessarily correlate with higher financial literacy levels. However, low income can often constrain certain positive behavior like saving or making long-term plans. Individuals may have adequate financial knowledge and positive financial attitude yet unable to exhibit positive financial behavior due to insufficient or low income.

Marital status is also found to influence the financial behavior of individuals. Fonseca et al. (2012) found that married women were more financially literate than unmarried ones. Single women with lower levels of education and low family and own incomes had the highest tendency of possessing low financial literacy levels (Potrich et al., 2018). As marriage increases the responsibilities of couples, their obligation to spend carefully and manage their finances well increases. So, higher levels of financial literacy are observed in married individuals than single individuals. Higher education and courses in economics or business has been found to be correlated to higher levels of financial literacy of individuals (Chen and Volpe, 1998; Beal and Delpachitra, 2003; Guiso and Jappelli, 2008). Studies have also explored the effect of several other variables like family structure, number of dependents, financial self-efficacy, work experience, financial socialization, etc. on financial literacy (Beal and Delpachitra, 2003; Shim et al., 2009; Kiliyanni and Sivaraman, 2016).

The concepts of Financial Behavior, Financial Knowledge and Financial Attitude aim towards better money management practices, and ultimately help people lead a better life. Since one of the determinants of well-being is centered around financial resources, it is logical to say that once a person learns to manage his/her money better through financial literacy, a sense of comfort or “Financial Well-being” develops. A growing consensus, in consistent with the vision of OECD’s INFE, is emerging that the ultimate measure of success for financial literacy efforts should be individual financial well-being.

Financial well-being can be perceived as individuals’ sense of financial security and freedom of making financial choices, in the present and in the future. It includes feeling in control of one’s finances, being financially resilient, striving for achieving long-term financial goals, and yet being able to make financial choices that allow life to be enjoyed (CFPB, 2015). Researchers such as (Sabri and Falahati, 2003; Joo and Grable, 2004; Joo, 2008; Lusardi and Mitchell, 2011; Adam et al., 2017) have explored the relationship between

financial literacy and financial well-being and have found that increased financial literacy leads to a better quality of life and financial well-being.

The concept and importance of financial well-being have been discussed in details in Chapter 6.

## **1.2. How Financial Education builds up Financial Literacy?**

Although, in some cases, financial literacy and financial education are often used interchangeably, both are different but related concepts. Financial literacy is achieved through the process of financial education. The Organization for Economic Cooperation and Development (OECD) 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” (OECD, 2005). As obvious from the OECD’s definition of financial education, financial well-being is identified as an important outcome of the financial education process.

Through financial education the awareness, knowledge and skills of money management can be imparted to the common people enabling them to make sound financial decisions and enhance their financial security and well-being. They can learn how to keep a track of income and expenses by preparing budgets; understand the importance of saving and investing for securing their financial future. The awareness of various financial products and services can help them to identify the avenues for investment to get optimum returns, and protect themselves from financial frauds. They can understand the importance of setting aside funds for financial emergencies to increase their resilience and avoid running into debts.

Enhancing financial literacy through financial education empowers people to make wise financial decisions and enhance their well-being.

The need for financial education is felt across the globe, both in developed and developing countries. In developed economies, the complexity of financial markets, rising levels of debts leading to bankruptcies and foreclosures, and the growing importance of individual retirement planning augments the value of financial education (Lusardi, 2012). Likewise, in developing countries, rapid growth of financial sector, increasing complexity of financial products and services, and the inclusion of more people into the financial landscape increases the need for promoting financial education especially among the new entrants. Thus, coupling financial inclusion with financial education can help inclusion of the masses into the financial system and guide them towards their financial goals.

However, the efficacy and impact of financial literacy programs has been a questionable issue for the researchers and agencies across the globe. Although there has been significant promotion of financial literacy programs through various agencies and the governments across the world, the impact of financial education on the financial behavior of individuals has found to be limited in research studies (Cole et al., 2011). Contrarily, the study conducted by Carpena et al. (2011) revealed significant impact of financial literacy programs on financial awareness of the respondents, leading to change in their attitude towards financial products and services and consequently changing their financial behavior. In their study, Bernheim and Garrett (2003) found significant effects of financial education provided by the employers at workplace on the rate of employees' participation in retirement plans, their savings and wealth accumulation. Financial education is believed to provide relevant knowledge that creates an impetus to save and stimulates retirement savings significantly. As understood from various studies conducted to assess the impact of financial education, the ultimate goal of financial education should be to bring a positive change in

financial behavior of the individuals besides increasing their financial knowledge. The effectiveness of financial education programmes in bringing significant positive changes in the financial behavior of individual undeniably depends on the way the programs are designed and implemented. Hence, designing financial education programmes effectively, integrating with financial product and services and disseminating through effective delivery channels to reach the target populations are equally important for the financial education programs to be successful.

The next section discusses the initiatives taken by the Governments and various agencies to promote financial education across the world.

### **1.3. Financial Literacy Drives in the Globe and in India**

As posited from various studies, the lack of financial literacy may result in poor and uninformed financial choices that could have negative consequences on financial well-being of individuals and their households (Lusardi and Mitchell, 2011; Van Rooij et al., 2012), and in the long run on the financial stability of the countries. A financially literate population well understands the importance of savings and investments, and has the capability of making the optimum use of financial resources to enhance the real economic growth and reduce poverty (Widdowson and Hailwood, 2007). Aiming at improvement of financial literacy of the poorest and vulnerable sections of the society can help them to identify better ways to manage and increase their income, increase their likelihood of making informed financial decisions, enhance their financial well-being and subsequently lead to welfare of the economy as a whole. Creating financial literacy interventions is thus, an obvious response to the increased complexity of the financial world.

The significance of financial literacy has widely been perceived across the globe and has been substantiated by the existence of various centers or bodies dedicated to enhance

financial literacy through financial education strategies. International organizations like the World Bank, Organization for Economic Cooperation and Development (OECD), National Endowment for Financial Education (NEFE), Financial Literacy Advisory Body (FLAB), etc., have taken the lead on assessment and promotion of financial literacy around the world. Global Regulatory bodies such as Financial Consumer Agency (FCA), Consumer Financial Protection Bureau (CFPB), Securities and Exchange Commission (SEC), Financial Services Authority (FSA) and the like have taken initiatives to enhance financial literacy of the population through various financial education campaigns.

In 2006, the United States launched its first ever national strategy to improve financial literacy (U.S. Department of the Treasury, Office of Financial Education, 2006). Programs like the Start Right Coalition for Financial Literacy (Canada), the Jump\$tart Coalition for Personal Financial Literacy (USA) and the Money Management Council in the United Kingdom are also involved in various projects targeted at improving the financial literacy of consumers. Besides the government and financial institutions, significant role in promoting financial literacy especially at the grassroots level, has been played by the non-government organizations (NGOs). The Voluntary organizations/NGOs help in increasing awareness through financial literacy programs for different sections of populace and facilitate the connection between the government and the common masses.

Having a majority of population with low financial literacy levels has long-term implications on the development of an economy, and this issue has alarmed the governments and concerned stakeholders across the world. Recognising the importance of financial education in facilitating financial inclusion, ensuring consumer financial protection and supporting financial stability, the leaders of G20 nations endorsed the OECD/INFE High level Principles on National Strategies for Financial Education (NSFE) in June 2012 (OECD, 2012). The principles on NSFE provide international guidance to policy makers for

developing evidence-based and co-ordinated national strategies which are tailored to the needs of the country's population and the situation of its financial and market regulatory system, both in developed and developing economies.

Following this, a significant number of both developed and developing countries have formulated and revised their national strategies, most of which are aimed at improving financial literacy to promote healthy financial behaviors and enhance financial well-being. The national strategies for financial education are designed as standalone policies or in combination with other policies such as financial inclusion, consumer financial protection, etc. However, the fundamental and leadership role being played by the OECD in facilitating a global coordinated approach to address the financial literacy issues around the world cannot be contradicted.

### **1.3.1. Initiatives of the Organization for Economic Co-operation and Development (OECD)**

The Organization for Economic Co-operation and Development (OECD) is an international organization consisting of 37 member countries, focussed to shape better policies for fostering prosperity, equality, opportunity and well-being for all. The member countries coordinate their efforts with other countries, organizations and stakeholders worldwide to deal with pressing global issues and suggest relevant policy measures. The OECD was founded in 1961 to stimulate economic progress and world trade. With more than six decades of its active participation in making the lives of people better, OECD has addressed a number of challenging issues globally relating to economy, health, education, development, corruption, social welfare etc.

Global financial literacy has always been an important issue for the OECD. However, the importance of financial literacy in the development of an economy was officially recognized

by the OECD governments in 2002 with the launch of a comprehensive project on addressing financial literacy issues. The OECD's Financial Education Project of 2003 started as an international assessment of the level of people's financial literacy in the member countries and selected non-member countries of OECD (OECD, 2004). The 2005 study on Improving Financial literacy: Analysis of Issues and Policies (OECD, 2005) was the first assessment of financial literacy at international level. The project was further enhanced through the creation of the International Network on Financial Education (INFE) in 2008.

The OECD/INFE comprising of members from more than 125 countries and administered by an Advisory Board, promotes and facilitates international cooperation between policy makers and other stakeholders on financial education and financial inclusion issues globally. The working groups of OECD/INFE are engaged in conducting studies and developing reports related to financial education. It has developed and publicized findings from the working groups which include, core competencies for financial literacy (OECD, 2015), national strategies for financial education (OECD, 2012); financial literacy measurement (OECD, 2011, 2012, 2016, 2020), financial inclusion (OECD, 2022); financial education for youth and in schools (OECD, 2012), for women (OECD, 2012) and, for micro, small and medium-sized enterprises (OECD, 2018). The OECD/INFE disseminates its work by producing global and regional reports and by organizing high-level seminars and roundtables and technical workshops. Currently, four key policy areas related to financial education are being addressed by the working groups (OECD, 2012):

- Standard setting, implementation and evaluation
- Financial education in the workplace
- The impact of ageing populations and the needs of older consumers
- Financial education and the impact of digitalisation

To strengthen global cooperation OECD extends its relationship with some big economies of the world defined as Key partners. India, as one of the key partners of OECD, interacts and collaborates with other partners to address the critical issues of the country and other members of the organization. Indian policy makers and experts are actively involved in the OECD works and are enhancing the country's role in developing international standards on various issues like financial literacy and consumer protection, corporate governance, international taxation, trade and investments, steel and energy etc. OECD also provides its support and expert guidance to India in promoting financial literacy and accelerating financial inclusion through policies on financial education.

### **1.3.2. Financial Literacy Initiatives in India**

For a rapidly developing nation like India, there is a considerable need for financial literacy interventions to ensure inclusive and sustainable growth prospects. The coordinated efforts of the Government of India and the Reserve Bank of India has brought majority of the Indian population into the formal financial system providing them access to the banking services even in the remotest areas of the country. The 2021 Global Findex Database shows that the percentage of the adult population in India holding a bank account has increased to 78% compared to 53% of the adult population in 2014 (The Global Findex Database 2021). Financial inclusion facilitates easy access to formal credit and mitigates the exploitation of the vulnerable poor sections by the loan sharks. Though, financial inclusion starts-off with providing a bank account to the people, it does not ensure their responsible financial behaviour in the form of active use of the accounts for saving, receiving payments or availing of the bank's products or services. Financial inclusion works from the supply side by providing access to various financial products and services to the people, while financial education meets the demand side by making people aware of the needs and benefits of those financial products or services offered by the banks and other institutions. Thus, financial

inclusion and financial education strategies together in the long run can promote greater stability to the country's financial system. In order to educate the new entrants into the formal financial system, creating awareness about the various financial products and services, enabling them to make informed financial decisions, the formulation and implementation of the National Strategy for Financial Education became a main concern for all the stakeholders including the Central and State Governments, financial regulators, financial institutions, educationists and others.

### **1.3.2.1. Initiatives by the National Centre for Financial Education (NCFE)**

The first National Strategy for Financial Education (NSFE 2013-18) was prepared by the NCFE in consultation with all the Financial Sector regulators (RBI, SEBI, IRDAI and PFRDA) under the guidance of the Technical Group on Financial Inclusion and Financial Literacy (TGFIFL) and the Chairmanship of Deputy Governor of RBI, M.K. Jain. The NCFE, a Not for Profit Company promoted by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA) aims at promoting financial education across India for all sections of the population to improve their financial literacy and help people effectively manage their finances by choosing appropriate financial products and services and in the long run achieve financial well-being. The NCFE intends to create financial awareness and empowerment through financial education campaigns across the country by conducting seminars, workshops, conclaves, trainings, discussion forums and creating financial education material in electronic and non-electronic formats, worksheets, pamphlets, booklets etc. NCFE also carries out surveys on financial inclusion and financial literacy to assess the level of financial literacy of the population in the country.

Since the release of the first NSFE in 2013, a number of financial inclusion and social security schemes such as the Pradhan Mantri Jan-DhanYojana (PMJDY), Pradhan Mantri Suraksha BimaYojana (PMSBY), Pradhan MantriJeevan Jyoti BimaYojana (PMJJBY), Atal Pension Yojana (APY), etc. have transformed the financial landscape of India bringing the financially excluded population into the financial mainstream. The need for promoting financial education increases as to enable the people to avail maximum benefits from these schemes. After the review of the progress of the first NSFE, the strategy for the next five years (NSFE 2020-25) prepared by the NCFE has been released by the RBI, under which a ‘**5-Core Actions**’ approach has been recommended by the Central bank for dissemination of financial education in the country. The 5-C Approach emphasizes on (<https://rbidocs.rbi.org.in>):

- (i) development of financial literacy **Content** specifically designed for various sections of population,
- (ii) developing the **Capacity** of various intermediaries involved in providing financial literacy,
- (iii) leveraging the facilitating role of **Community** led model for disseminating financial literacy,
- (iv) using appropriate and innovative **Communication** strategy for wider dissemination of financial literacy messages, and
- (v) enhancing **Collaboration** among various stakeholders through integration of financial education in the school curriculum and various professional and skill development courses

In addition to the basic financial education, sector-specific education imparted by the financial sector regulators aims to help people choose financial products and services according to their requirements, and enable them to make informed and prudent financial

decisions. It also focuses on process education, which includes creating awareness on some practical aspects such as using an ATM card or UPI transaction, performing financial transactions safely, filling-up various banking forms, purchasing insurance or pension plans, grievance redressal mechanism, etc.

The NSFE of India is consistent with the OECD's High-Level Principles on National Strategies for Financial Education (OECD/INFE 2012) and aims to introduce financial literacy concepts through financial education, encourage participation in financial markets, inculcate positive financial behaviour such as savings, retirement planning, etc., and improve consumer financial safety and grievance redressal. The NSFE supports the vision of the Government and the financial sector regulators to develop financial literacy and financial management skills of the various segments of population to enhance their financial well-being.

### **1.3.2.2. Initiatives of the Reserve Bank of India (RBI)**

With the objective of strengthening financial inclusion and creating a financially empowered population in India, the Reserve Bank of India (RBI), together with other financial sector regulators like SEBI (NISM), IRDAI and PFRDA have been developing training modules, guides and financial education programs to inculcate financial literacy concepts among the various sections of population. The "Project Financial Literacy" undertaken by the RBI aims at dissemination of information regarding the importance and functions of the central bank and create awareness on general banking concepts among various target groups, including school and college going children, individual investors, women, defence personnel, senior citizens, Self-help Groups, etc. RBI prepares and uploads financial literacy guides, financial diary and posters on its website ([www.rbi.org.in](http://www.rbi.org.in)) in different languages to educate people and make them aware of the importance of savings, advantages of borrowing from banks and the ways of managing money. RBI also prescribes

special camps booklet prepared by the NCFE for educating the new financially included population about the basic financial concept such as interest, inflation, time value of money, savings, borrowing, risk-return relationship etc. A Financial Awareness Messages (FAME) booklet comprising of messages for the general public and posters on financial literacy have been made available on the financial education webpage of RBI's website. 'Financial Literacy Week' is observed with different themes every year and messages focussing on those themes are disseminated during that week. Public awareness regarding the functions of banks is created through press releases, regulatory guidelines, statements and videos in social media platforms such as twitter, Facebook, YouTube etc.

RBI has directed banks to impart financial literacy education through Financial Literacy Centres (FLCs), especially in the rural areas (RBI circular RPCD.CO.MFFLBC.No.86/12.01.18/2008-09 dated February 4, 2009). The FLCs and rural branches of banks are required to conduct financial literacy camps from time to time to educate the beneficiaries and create awareness on various issues relating to financial management and consumer protection. To improve the effectiveness of financial literacy camps, the FLCs and rural branches of banks are encouraged to use hand-held projectors to show audio-visual messages and posters to display messages on financial awareness (RBI circular FIDD.FLC.BC.No.11/12.01.018/2017-18 dated July 13, 2017). The audio-visual messages include contents on KYC norms, functions of business correspondents (BCs) and use of electronic payment systems like NEFT/RTGS. The messages encourage Unified Payments Interface (UPI) through BHIM and persuade people to go digital and cashless. The messages also emphasize on consumer protection from falling prey to fictitious emails/calls and Ponzi schemes. Over the years RBI has been constantly trying to widen its outreach to the majority of population through financial literacy programmes and information dissemination through various mass and social media channels. "RBI Kehta Hai", a public awareness initiative creates awareness through newspapers, television, radio, digital channels,

SMS and hoardings on various financial issues to enhance consumer protection and experience with the banking system (<https://rbikehtahai.rbi.org.in/>).

Though RBI plays the pivotal role in promoting financial literacy in the country, the valuable support received from the other stakeholders cannot be overlooked.

### **1.3.2.3. Initiatives of the Securities Exchange Board of India (SEBI)**

Securities Exchange Board of India (SEBI), the regulatory body of securities markets in India, established the National Institute of Securities Markets (NISM) in 2006. NISM is a public trust which imparts financial education and conducts capacity building activities for improving the quality standards in the securities markets. Resource Persons (RPs) who are trained and empanelled individuals conduct free workshops in local languages, covering basic concepts of finance, banking, insurance, pension and investments, targeting five groups viz. home makers, Self Help Groups, Executives, Middle-Income Groups, Retired personnel. Financial Education Booklet issued by SEBI provides information on savings, borrowing, financial planning, insurance, investment, retirement planning, tax saving, caution against Ponzi schemes, grievance redressal, etc. Investor awareness programs, regional seminars, mass media campaigns are also conducted by SEBI to provide sector-specific financial education. The dedicated website of SEBI (<https://investor.sebi.gov.in>) provides relevant educational material and information on financial literacy programs and other important issues. SEBI's toll-free helpline services and SEBI Complaint Redressal System (SCORES) handle and expedite the grievances redressal of investors all over India.

### **1.3.2.4. Initiatives of the Insurance Regulatory and Development Authority of India (IRDAI)**

The Insurance Regulatory and Development Authority of India (IRDAI) since its inception in the year 2000, has taken various initiatives to promote financial literacy in India. Awareness programs in 13 different languages to convey messages on rights and duties of

policyholders, grievance redressal mechanism, etc. are conducted regularly through various communication channels. IRDAI carries out surveys on insurance awareness levels and has launched the insurance awareness campaign 'BimaBemisal' under the tagline "Promoting Insurance Protecting Insured" to increase insurance penetration and awareness among the population. A dedicated website on consumer education in insurance has been launched to effectively extend to more policyholders. The central repository of grievances Integrated Grievance Management System (IGMS) facilitates registration of policyholders' complaints and track its progress. IRDAI also conducts seminars, metro rail campaigns, quizzes, etc. to educate consumers.

#### **1.3.2.5. Initiatives of the Pension Fund Regulatory and Development Authority (PFRDA)**

The Pension Fund Regulatory and Development Authority (PFRDA) was established by the Government of India in August, 2003. It aims at promoting financial literacy by creating awareness on the significance of retirement planning for secured financial future. The dedicated website of PFRDA provides information on important financial topics such as interest rates and compounding, investments, financial decision making and risk diversification. Subscriber awareness programs are conducted through its central record keeping agencies across the country. PFRDA also organizes Annuity Literacy Program in coordination with the NPS Trust and Annuity Service Providers to provide information on the annuity options available to the subscribers.

#### **1.3.2.6. Initiatives of the Development Financial Institutions and Banks**

(a) ***National Bank for Agriculture and Rural Development (NABARD):*** NABARD's initiatives include creating financial awareness among the masses through financial literacy camps, street plays, mobile demo vans fitted with ATMs, and printed and audio-visual materials. Financial Literacy Awareness Programmes (FLAPs) are conducted to

educate the target groups which include school children, adults, farmers, senior citizens, entrepreneurs and self-help groups. NABARD also emphasizes on capacity development of stakeholders like RRBs, Rural Cooperative banks, etc. for effective delivery of financial literacy.

(b) ***Small Industrial Development Bank of India (SIDBI)***: SIDBI identified as one of the key stakeholders in the implementation of the NSFE, encourages entrepreneurship through financial assistance and education. The Poorest State Inclusive Growth (PSIG) programme of SIDBI supported by the Department for International Development (DFID), UK, with the objective of enhancing income and employment opportunities of the poor, especially women, offers microfinance interventions including financial literacy programs integrated with capacity building of women on social, gender, legal rights and entitlements. The pilot project on Financial Literacy and Women Empowerment (FLWE) has imparted trainings on financial literacy and women empowerment issues among microfinance beneficiaries to increase their involvement in household financial decision making and enable them to make better financial choices. Films on financial literacy and women empowerment are also made available on social media platforms to provide information on household planning, savings, investment, budgeting, digital payment modes, loans, borrowings etc. SIDBI launched the virtual assistant ‘Samridhi’ on its UdyamiMitra portal on April 02, 2018 to provide guidance to potential entrepreneurs on the loan options and support services. Certified Credit Counsellors empanelled on the portal assist entrepreneurs in enhancing their financial knowledge and connect them appropriately to the lenders. In association with TransUnion CIBIL, SIDBI has also launched a comprehensive financial education and knowledge platform ‘MSMESaksham’ for guiding MSMEs in accessing finance and providing support to entrepreneurs in managing their credit obligations. SIDBI creates financial awareness amongst masses through road plays, puppet shows, financial literacy

videos, entrepreneurship awareness campaigns and disseminates information on SIDBI offerings and various financial and social security schemes of the Government of India.

(c) **National Payment Corporation of India (NPCI):** NPCI, a “Not for Profit” company u/sec 8 of Companies Act, 2013, is an initiative of the Reserve Bank of India (RBI) and the Indian Banks’ Association (IBA) to provide infrastructure to the Indian banking system for physical as well as electronic payment and settlement systems. NPCI works with both public and private sector banks to create financial literacy and increase awareness on digital transactions and frauds. Through literacy and awareness sessions, posters, SMS, emails, web banners etc., NPCI disseminates information on digital payment options and products such as RuPay, IMPS, AePS, UPI, USSD etc. State Bank of India, Punjab National Bank, Canara Bank, Bank of Baroda, Union Bank of India, Bank of India, ICICI Bank, HDFC Bank, Citibank N.A. and HSBC are the ten core promoter banks of NPCI who are actively involved in promoting digital payment literacy in the country.

As directed by the RBI, banks are required to set up Financial Literacy Centres (FLCs) to impart financial literacy, especially in the rural areas (RBI circular RPCD.CO.MFFI.BC.No.86/12.01.18/2008-09 dated February 4, 2009). These FLCs conduct financial literacy camps, seminars and workshops to create awareness on the importance of saving, insurance, investment and retirement planning and the various financial products and services offered by the banks.

(d) **State Bank of India (SBI):** Country’s largest lender, SBI has opened Financial Literacy and Credit Counselling Centres (FLCCs) to impart financial literacy and provide free counselling on various financial issues such as calculation of interest on deposits, investment options, customer rights, loans and advances, etc. Endorsing the agenda of the Central Government and the RBI to ensure ultimate financial inclusion, SBI conducts

awareness camps, workshops and seminars to create awareness on the various bank schemes and the social security and other initiatives of the GOI such as PMJDY, PMSBY, PMJJY, APY, KCC, etc. The FLCCs also organize KisanMela as outreach program and to enhance financial literacy of the farmers. Kisan Credit Cards (KCCs) are offered to the farmers and they are educated on the benefits of holding the card, timely renewal of the KCC and the use of KCC RuPay card for convenient transactions. SBI creates awareness on the bank schemes, digital transactions and banking safety measures through literature, handbills, posters and audio-visual material available both online and offline.

#### **1.4. Self Help Groups (SHGs) as Target Organizations for Financial Literacy Programmes**

Microfinance services, which include micro-loans, micro-insurance, micro-savings and micro-remittances, are mainly delivered through two channels in India- the Self Help Group – Bank Linkage Programme (SHG-BLP) and Microfinance Institutions (MFIs). The need for financial inclusion of the rural, poor and underserved population of India, especially women gave ignition to the SHG-Bank Linkage Programme in 1992. The pilot project by NABARD aimed at inclusion of initially 500 SHGs into the formal banking system for delivering collateral-free loans and microfinance services to the economically under-privileged rural masses. Further, the inclusion of SHG-Bank Linkage Programme as Priority Sector Lending Activity of the banks in 1996, facilitated the outreach of the microfinance services to millions of rural poor households through SHGs.

The SHG-Bank Linkage Programme has now emerged as the largest global microfinance programme, as evident from the exponential growth in the number of SHGs reaching to 12 million in 2022-2023. As reported in the NABARD's report on Microfinance,

2021-22, the SHG-Bank Linkage Programme covers 14.2 crore households with saving deposits of Rs 47,240 crore. Around 87% of the SHGs in India are all-women SHGs, who have now easy and affordable access to microfinance services for meeting their credit requirements for household or economic activities, have coverage through micro-insurance and are saving regularly for building the group corpus. Undoubtedly, the women SHGs and their members can be considered as the major beneficiaries of microfinance services in India. The following sections have discussed the evolution and the growth of the SHG-Bank Linkage Programme through the years.

#### **1.4.1. The Roll Out of Self Help Groups (SHGs) in India**

Self Help Groups are groups of 10-20 individuals, especially women, which are normally promoted by an NGO or a bank or a government agency. The groups are formed with women belonging to similar social, economic or cultural background, who agree to work together, regularly contribute to a collective fund and provide social and financial support to each other in difficult situations. Self Help Groups (SHGs) have emerged as an effective tool for financial inclusion and empowerment by providing microfinance services, especially to the marginalized sections of society; meeting their credit requirements, generating livelihoods and leading to empowerment (Sundaram, 2012). SHGs play an important role in reducing vulnerability of the rural poor through self-employment and income generation, asset creation, provision of financial assistance in emergency situations, and empowering women by increasing their knowledge and self-esteem (Bijli, 2012).

SHGs in India became popular and grew exponentially through the microfinance programs introduced in India by National Bank for Agriculture and Rural Development (NABARD) in 1992. The pilot project known as Self-Help Group-Bank Linkage Programme (SHG-BLP) aimed at delivering financial products and services to the poor and underserved

rural population in India. The project facilitated the building of financial capabilities and self-confidence of the SHG members through internal savings and lending from their own funds. It was mainstreamed in 1996 and included in the normal activity of banks to extend the coverage to the rural poor. The SHG-Bank Linkage Programme which started as a pilot project in 1992 to link 500 SHGs of economically weaker to the formal financial institutions by 1994, eventually turned out to become the largest microfinance programme in the world. The project facilitated the strategic transition of individual lending to group lending approach for poverty alleviation and rural development (i.e., from IRDP to SGSY).

The Swarnajayanti Gram Swarozgar Yojana (SGSY) launched by the Ministry of Rural Development, Government of India became operational in the rural areas of the country from 1<sup>st</sup> April, 1999. The objectives of the scheme were to organize the people below poverty line into self-help groups, train them, and provide them credit, technology, infrastructure and marketing facilities, to encourage self-employment. The SGSY was restructured and implemented as the National Rural Livelihoods Mission (NRLM) in June 2011, with the aim “To reduce poverty by enabling the poor households to access gainful self-employment and skilled wage employment opportunities, resulting in appreciable improvement in their livelihoods on a sustainable basis, through building strong grassroots institutions of the poor.”

NRLM is based on demand driven strategy which enables the states to formulate their own livelihood-based perspective plans and action plans for poverty reduction. It focuses on mobilizing poor households into functionally effective women SHGs and their federations, and enhancing access to institutional credit and financial, technical and marketing services. It also encompasses building capacity and skills for gainful and sustainable livelihoods development, and facilitates convergence of various schemes for efficient delivery of social and economic support services to poor households.

As the full scale roll out of the programme across the country in one go was not possible, it was implemented in phases over the period of 10 years targeting coverage of 7-8 crore rural poor households. The blocks and districts in which all the components of NRLM are implemented are treated as ‘intensive’ blocks and districts, whereas the remaining as ‘non-intensive’ blocks and districts. In a typical intensive block, the initial years are spent in building the organizations of the poor by mobilizing them into SHGs which are federated at Village, Gram Panchayat and Block level. The SHG federation at village level comprising of 10-15 SHGs is known as Village Organizations (VO)/ Upa-sangha. 10-12 Upa-sanghas form the Cluster/Sangha at Gram Panchayat level and a group of 10-12 Sanghas is known as Mahasangha at the Block level. The federations at the village and Gram Panchayats are the Primary level federations (PLFs), Secondary level federations (SLFs) at block level and Apex level federations (ALFs) at district level. The main objective of promoting SHG federations is to overcome the inherent limitations of the SHGs such as limited resources, capacity, and negotiation and bargaining powers; facilitating forward and backward linkages to the SHGs. Federations play an important role in strengthening existing SHGs and promoting new ones, building their capacity, resolving conflicts and providing a sense of solidarity among the members of different SHGs in an area (Reddy, 2012).

Starting with linking a pilot of 500 SHGs by NABARD in 1992, to the formal financial system, the journey of SHG-Bank Linkage Programme has been a remarkable one. The following table (Table 1.1) shows the progress of the SHG-Bank Linkage Programme in India in past two decades. Absolute figures presented in the table are self-explanatory. However, year-to-year growth percentages have been calculated for comprehending the growth patterns of the groups. The percentage of women SHGs have been calculated to show the percentage of women in the microfinance journey in India.

**Table 1.1 Growth of SHGs in India**

Year	No. of SHGs having savings linkage with banks	YoY growth (%)	No. of Exclusive Women SHGs	YoY growth (%)	Percentage (%) of Women groups to total groups
1999-2000	1,14,775	-	1,03,298	-	90
2000-01	2,63,825	129.9	2,37,443	129.9	90
2001-02	4,61,478	74.9	4,15,330	74.9	89.99
2002-03	7,17,360	55.4	6,45,624	55.4	90
2003-04	10,79,091	50.4	9,71,182	50.4	90
2004-05	16,18,456	50.0	14,56,610	49.98	89.99
2005-06	22,38,565	38.3	20,37,094	39.85	90.99
2006-07	41,60,584	85.9	37,02,920	81.77	89
2007-08	50,09,794	20.4	45,08,815	21.76	90
2008-09	61,21,147	22.2	55,09,032	22.18	89.99
2009-10	69,53,000	13.6	62,57,700	13.58	90
2010-11	74,61,946	7.3	67,15,751	7.3	89.99
2011-12	79,60,349	6.7	71,64,314	6.67	89.99
2012-13	73,17,551	-8.1	61,46,743	-14.2	84
2013-14	74,29,500	1.5	64,63,665	5.16	87
2014-15	76,97,469	3.6	69,27,722	7.18	89.99
2015-16	79,03,002	2.7	71,12,702	2.67	90
2016-17	85,76,875	8.5	77,19,188	8.5	90
2017-18	87,44,437	1.9	78,69,993	1.95	89.99
2018-19	1,00,14,243	14.5	90,12,819	14.52	90
2019-20	1,02,43,323	2.3	91,16,557	1.15	88.99
2020-21	1,12,23,000	9.6	98,76,240	8.33	88
2021-22	1,18,93,000	6.0	1,03,46,910	4.77	87
2022-23	1,34,03,000	12.7	1,12,92,000	9.13	84.25

*Source: NABARD and researcher's computation*

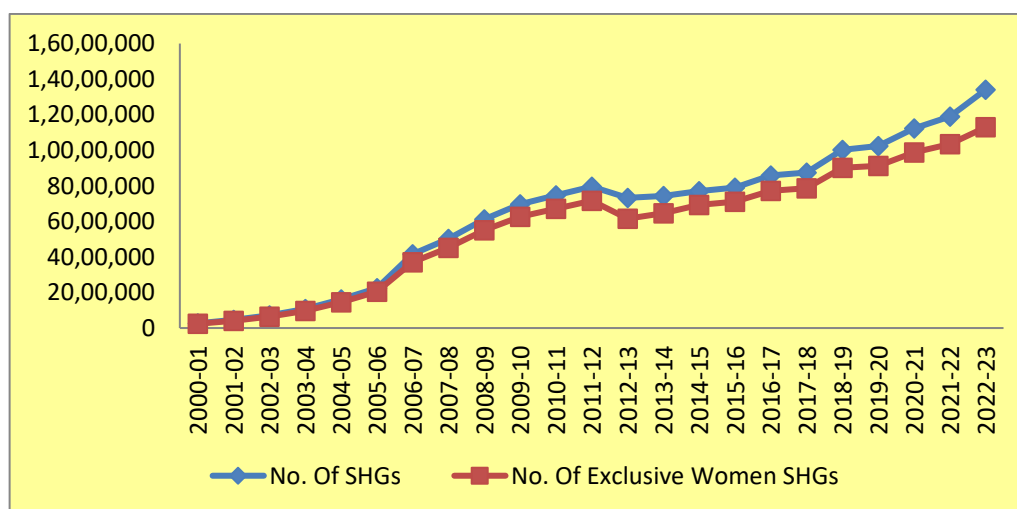
Although there was a continuous growth in the number of SHGs savings-linked to the bank every year through SHG-Bank Linkage Programme, a decline in the numbers to an extent of 8.1 % was observed for the first time in 2012-13 after the implementation of the programme. As reported by NABARD, in its report “Status of Microfinance in India, 2013-14”, the successful performance of the pilot project raised the confidence of the Government in implementing the programme as an effective financial inclusion and poverty alleviation intervention. But, the emphasis on increasing number of SHG formation for covering more and more rural households ignored the quality aspects. As a result, cases of multiple SHG

membership to avail the government subsidies and entitlements were reported (NABARD, 2013-14). There was a lack in monitoring and control of the SHGs which led to dormancy or inactivity of a large number of SHGs and their inability to repay back the loans taken from the banks. The same report highlighted that from 100% loan recovery till 2011-12, the banks reported 7-10% of NPAs in the year 2012-13. Due to closing down of the savings accounts of dormant SHGs and the reporting of only those SHGs which were operating, the number of SHGs savings linked with the banks shows a decline of 8.1 % for the year 2012-2013.

The SHG-Bank Linkage Programme, with active cooperation from the Government, banks, NGOs and the NRLM, has indeed traversed a long way. 30 years since its inception, the programme has been able to reach 16.2 crore families through 134 lakh SHGs (84% are WSHGs) with savings deposits of Rs. 58,892.68crore (NABARD, 2022-23).

Most of the SHGs formed during the years did not remain constrained to fund raising activities from their own members and inter-lending between them. Efforts from the Government officials, NGOs and banks could successfully include them in the formal financial system by linking them to public and private sector banks, and opening savings accounts for their groups. This further paved the way to obtain credit from the banks. Figure 1.2 shows the growth of SHGs through the SHG-Bank Linkage Programme in India.

**Figure 1.2 Growth of SHGs in India**



Source: NABARD and researcher's computation

The number of SHGs in India increased from 1,14,775 SHGs in 1999-2000 to 1,34,03,000 SHGs in 2022-23 (Table 1.1). There has also been a growth in the number of exclusively women SHGs from 1,03,298 SHGs in the year 2000 to 1,12,92,000 SHGs in 2022-23. The growth of 116% in the number of SHGs and 108% growth in the number of exclusively women SHGs since the year 2000, acclaims the potential of the SHGs in promoting inclusive development, especially of the rural poor women. However, the growth in numbers should not be the sole criteria of appraising the success of the SHG-Bank Linkage Programme. Merely forming SHGs to bring in rural poor women together, delivering them microfinance services and catering to their financial requirements, can neither improve the quality of SHGs nor enhance the financial well-being of its members. To improve the quality of SHGs, the women SHG members should be imparted financial literacy not just through trainings but also with opportunities to learn through financial experiences. Focus should be shifted to enhance their financial knowledge, develop positive financial attitude and encourage sound financial behavior. Enhancing the financial literacy levels of SHG members will increase their financial self-efficacy which will help them in making wise financial decisions to improve their financial resilience and ultimately achieve financial well-being.

#### **1.4.2. Growth of Self-Help Groups in West Bengal**

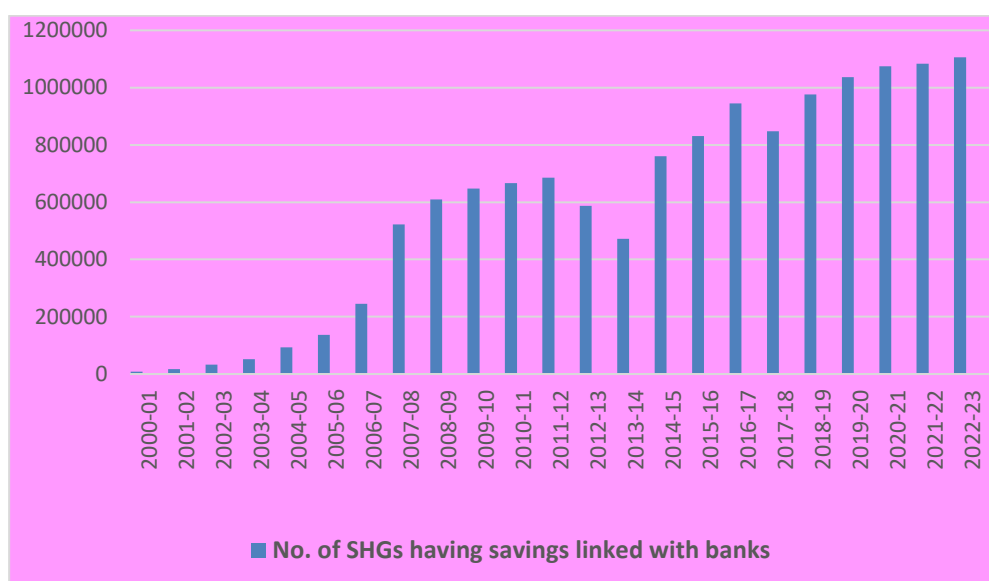
In West Bengal, NRLM was launched as Anandadhara on 17<sup>th</sup> May, 2012. Anandadhara or the West Bengal State Rural Livelihood Mission (WBSRLM) registered under the Society Registration Act XXVI of 1961 aims at providing institutional support to the rural poor through formation and strengthening of women SHGs and their networks, helping them to enhance their household income through sustainable livelihood developments and improving their access to financial and other public service entitlements. Unlike many other states, the SHG movement in West Bengal precedes NRLM. The SHGs that were nurtured by the District Rural Development Cells (DRDC) in Zilla Parishads in the districts

under the SGSY, have been brought under the NRLM fold. The activities of WBSRLM include and cover support to the women SHGs formed and nurtured under SGSY as well as new groups formed under NRLM itself. The following table shows the growth of SHGs in West Bengal.

**Table 1.2: Growth of SHGs in West Bengal**

Year	No. of SHGs having savings linked with banks	YoY growth (%)	No. of Exclusive Women SHGs	YoY growth (%)	Percentage of Women groups to total groups (%)
2000-01	8739	-	7341	-	84
2001-02	17143	96.2	14570	97.2	84.99
2002-03	32647	90.4	28405	95	87.00
2003-04	51685	58.3	46155	62.5	89.3
2004-05	92698	79.4	82408	78.5	88.9
2005-06	136251	47.0	121264	47.2	89
2006-07	245019	79.8	220520	81.9	90
2007-08	522201	113.1	460981	109	88.3
2008-09	609439	16.7	548495	19.0	89.99
2009-10	647059	6.2	574580	4.8	88.8
2010-11	666314	3.0	599010	4.3	89.89
2011-12	685448	2.9	616903	3.0	89.99
2012-13	586821	-14.4	516402	-16.3	88
2013-14	472554	-19.5	420575	-18.6	89
2014-15	760941	61.0	684845	62.8	90
2015-16	831011	9.2	739600	8.0	89
2016-17	945056	13.7	846770	14.5	89.6
2017-18	847269	-10.3	760848	-10.1	89.8
2018-19	976358	15.2	878722	15.5	90
2019-20	1036985	6.2	912547	3.8	88
2020-21	1074714	3.6	927478	1.6	86.3
2021-22	1083052	0.8	942255	1.6	87
2022-23	1105742	2.1	950938	0.9	86

*Source: NABARD*

**Figure 1.3 Growth of SHGs in West Bengal**

*Source: NABARD and Researcher's computation*

### 1.4.3. Growth of SHGs in Darjeeling District

Post launch of the West Bengal State Rural Livelihood Mission (WBSRLM), popularly known as the Anandadhara scheme, the SHGs which were covered under SGSY were brought under WBSRLM. The scheme in Darjeeling district is managed and monitored by two district mission management units (DMMU) – Darjeeling GTA and Siliguri Mahakuma Parishad. There has been an extraordinary growth of 200% in the number of women SHGs from 5891 to 17690 SHGs in the district since 2009. Table 1.3 below shows the growth of women SHGs in Darjeeling district from 2009-2023.

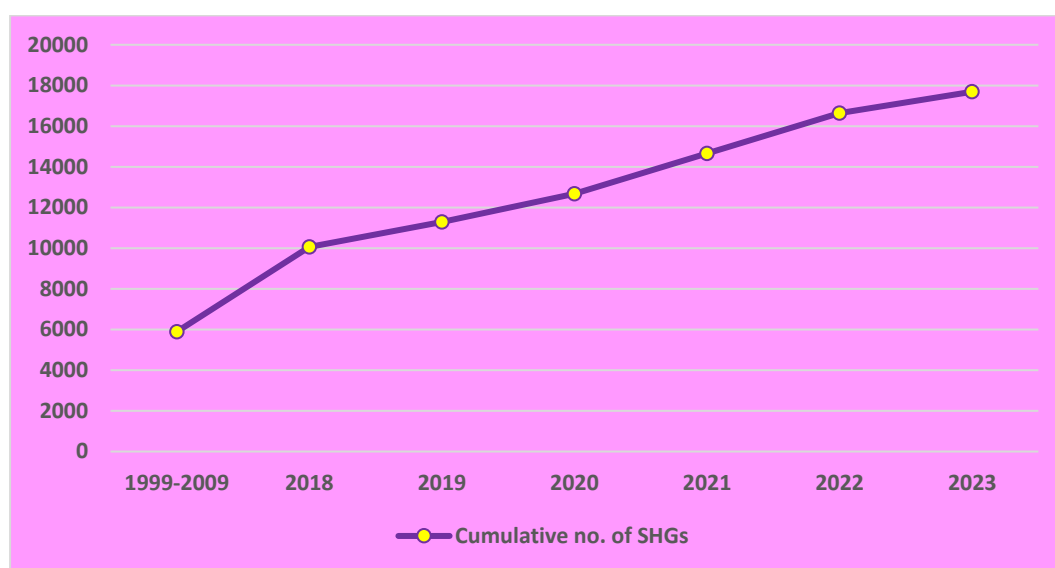
**Table 1.3: Women SHGs in Darjeeling District**

Year	1999-2009	2018	2019	2020	2021	2022	2023
<b>Cumulative no. of SHGs</b>	5891	10063	11284	12672	14655	16647	17690
<b>No. of SHG members</b>	60088	104948	116921	127988	148651	168672	175811

*Source: DRDC*

As reported by District Rural Development Cell (DRDC), around 99 percent of the total SHGs in the district are exclusively-women SHGs. As observed from the data, the number of women included in the financial system through SHGs has nearly doubled since 2009. Considering the increasing participation of women in the financial domain, the need to enhance their levels of financial literacy is extremely important to make them financially confident and self-sufficient.

**Figure 1.4 Growth of Women SHGs in Darjeeling District**



*Source: DRDC and researcher's computation*

## 1.5. Statement of the Problem

The initiatives of the Government and other stakeholders have facilitated the extensive coverage of financial inclusion through SHGs, substantiated by the enormous growth in the number of SHGs in India and in West Bengal. Yet, the smooth and effective infusion of the microfinance intervention programmes, has been affected by the numerous problems as experienced and reported by the SHGs and their members.

As stated before, the quantity or number of groups formed and linked to banks in the country, in a state and in a district, do reflect the initiatives of the policy makers, regulators,

executive authorities and also the stakeholders in fostering the cause of financial inclusion of women informal financial systems. However, quantitative assessments do not always reflect the success of these efforts and a qualitative assessment through thorough observation primarily is required to dig out whether the women beneficiaries acquire and possess the financial knowledge and skills to handle financial activities which emanate as a result of their groups being linked with banks.

As observed during interactions with the SHG members, the responsibility of opening bank accounts, maintaining records of the group, handling transactions related to bank and credit linkages, maintaining financial linkages with the sanghas (clusters), inter-loan disbursements and maintaining records, etc., is to be borne by few active members in the group, mainly the cashier and leader. Since they had more exposure to the financial world through the banking and financial management activities of the group, they had greater scope of enhancing their financial literacy through financial experiences.

However, majority of the women members were highly dependent on those few active members, as they were either comparatively less educated, apprehensive or simply reluctant to shoulder the responsibilities of the group. As stated by the groups, there was no convention of assuming the responsibilities of the group activities on a rotation basis. A large group of SHG members never had to perform the financial activities of the groups, and hence, they never had the opportunity to learn through financial experiences. Through in-depth interviews, it could be understood that most of the women SHG members lacked knowledge regarding the calculation of interest on inter-loans, monthly installments to be paid on loans, concept of interest compounding on their savings, features and benefits of different financial products and services, etc. They knew very little about the features, benefits and risks associated with various financial products and services. Also, positive financial attitude and sound financial behavior such as planning for the long-term future, keeping a track of family

and business expenditures, setting aside money for future financial emergencies, paying bills on time, etc., were found to be lacking in them. To investigate whether these observations are linked to the problems in proper functioning of the SHGs, an assessment of the levels of financial knowledge, financial behavior and financial attitude of the women SHG members is essential.

While interactions, members reported that the groups were provided with two-day financial literacy training, attended by two or three members only. Training methods were generalized and conventional with no scope for learning by doing. The members with low levels of education had difficulty in comprehension and often lacked interest in learning the things taught in the training camps. Moreover, the assessment of the financial literacy levels of the members is not done by the Government, NGOs or any agencies. Hence, the members do not know what level of financial literacy they possess. The assessment of levels can help in identifying the need for financial literacy programs, which can then be customized according to the distinct needs of the SHGs. So, here lies a big problem which will be addressed in this study.

Some of the members also acknowledged the boost in their self-esteem through active participation in the SHG activities. They stated that they were now more confident in conducting banking activities such as opening of accounts, filling-up deposit or withdrawal forms, creating credit linkages, maintaining records of loans and repayments, etc., which earlier triggered anxiety in them. Moreover, understanding the significance of saving regularly, keeping track of income and expenses, timely repayment of loans, etc. had increased their self-confidence in their personal financial management and decision-making abilities. But this increase in self-confidence in managing household and business finance was found in only few active members and not all.

The active group members who were engaged in economic activities also affirmed the improvement in their household financial situation and standard of living. They felt happy to be able to contribute to household income and cater to their personal and household financial needs. However, the members who were passive could not share the same views. According to them, the financial and social support from the group, easy access to credit in times of financial emergencies and the insurance coverage through micro-insurance had increased their financial resilience and financial well-being. However, no assessments of the financial well-being, financial resilience or financial efficacy of the women SHG members in Darjeeling district have yet been made to understand how financial literacy, financial resilience and financial self-efficacy influence financial well-being.

Financial inclusion of the rural poor women through SHGs has accommodated them into the financial system and offered them a wide range of financial products and services. However, the supply of financial products and services needs to be matched by adequate financial knowledge and skills of the beneficiaries who use these products. This can only be developed when the microfinance beneficiaries have proper understanding of the features, benefits and associated risks of the financial options. Assessing the levels of financial literacy and designing the training programs according to the distinct financial literacy needs of the SHGs can make the women SHG members financially self-efficient and capable of managing their financial activities. Further, providing them with entrepreneurial skill development trainings and encouraging them to take up income-generating activities can make them financially resilient and increase their financial well-being.

Thus, the problems that have been identified through the observational research stimulate the need for the assessment of the levels of financial literacy, financial self-efficacy, financial resilience and financial well-being of the members, which will be addressed in the thesis.

## **1.6.Conclusion**

Considering the phenomenal growth of SHGs, development of Clusters and Federations, it is imperative that the members of the SHGs need to handle financial transactions for thrift and credit linkages, investing in economic activities and managing revenue generations. Such activities, especially for women in rural areas can be executed efficiently if the women have some knowledge and training in finance. Detailed discussions in these contexts are made in Chapter 3.

## References

- Adam, A.M., Frimpong, S., & Boadu, M.O. (2017). Financial Literacy and Financial Planning: Implication for Financial Well-being of Retirees. *Business and Economic Horizons*, 13(2), 224-236.
- Agarwalla, S.K., Barua, S.K., Jacob, J., & Varma, J., (2015). Financial Literacy among Working Young in Urban India. *World Development*, 67, 101–109.
- Agarwal, S., Amromin, G., Ben-David, I., Chomsisengphet, S., & Evanoff, D.D. (2015). Financial Literacy and Financial Planning: Evidence from India. *Journal of Housing Economics*, 27, 4–21.
- Ahmad, Z., Simun, M., & Masuod, M.S. (2014). Determinants of Financial Behaviours among Malaysians. *Indonesian Capital Market Review*, II(2), 121-132.
- Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processes*, 50, 179-211.
- Almenberg, J., & Dreber, A., (2015). Gender, Stock Market Participation and Financial Literacy. *Economics Letters*, 137, 140–142.
- Almenberg, J., Lusardi, A., Söderbergh, J.S., & Vestman, R., (2018). Attitudes toward Debt and Debt Behavior. NBER Working Paper No. 24935, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. <http://www.nber.org/papers/w24935>
- Atkinson, A., & Messy, F., (2012). “Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study”, OECD Working Papers on Finance, Insurance and Private Pensions, No. 15, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5k9csfs90fr4-en>

- Azeez, A.N.P., & Akhtar, S.M.J. (2020). Gender Differences in Financial Literacy: Evidence from India. *Saudi Journal of Economics & Finance*, 4(11), 521-528.
- Beal, D., & Delpachitra, S. (2003). Financial Literacy among Australian University Students. *Economic Papers: A Journal of Applied Economics and Policy*, 22(1), 65-78.
- Bernheim, B.D., & Garrett, D.M. (2003). The Effects of Financial Education in the Workplace: Evidence from a Survey of Households. *Journal of Public Economics* 87, 1487–1519.
- Bijli, H.K. (2012). Financial Literacy: An Essential Tool for Empowerment of Women through Micro-finance. *Stud Home Com Sci*, 6(2), 77-85.
- Bucher-Koenen, T., Lusardi, A., Alessie, R., & Van Rooij, M. (2017). How Financially Literate are Women? An Overview and New Insights. *The Journal of Consumer Affairs, Summer*, 255–283.
- Calvet, L., Campbell, J., & Sodini, P. (2007). Down or Out: Assessing The Welfare Costs of Household Investment Mistakes. *Journal of Political Economy*, 115, 707-747.
- Cameron, M.P., Calderwood, R., Cox, Ashleigh, Lim, Steven, & Yamaoka, M. (2014). Factors Associated with Financial Literacy among High School Students in New Zealand. *International Review of Economics Education*, 16, 12–21.
- Carpena, F., Cole, S., Shapiro, J., & Zia, B. (2011). Unpacking the Causal Chain of Financial Literacy. Policy Research Working Paper 5798. The World Bank, Development Research Group, Finance and Private Sector Development Team, September, 2011.
- CFPB (2015). Financial Well-being: The Goal of Financial Education. Consumer Financial Protection Bureau, PO Box 27170, Washington, DC 20038.
- Chen, H., & Volpe, R.P. (1998). An Analysis of Personal Financial Literacy among College Students. *Financial Services Review*, 7(2), 107-128.
- Chen, H., & Volpe, R.P., (2002). Gender Differences in Personal Financial Literacy among College Students. *Financial Services Review*, 11, 289-307.

- Cole, S., Sampson, T., & Zia, B. (2011). Prices or Knowledge? What drives demand for financial services in emerging markets? *The Journal of Finance*, 66(6), 1933-1967.
- Courchane, M., & Zorn, P., (2005). Consumer Literacy and Credit Worthiness. Presented at Federal Reserve System Conference, Federal Reserve Bank of Chicago.
- Davis, E.P., & Schumm, W.R., (1987). Savings Behavior and Satisfaction with Savings: A Comparison of Low and High-Income Groups. *Home Economics Research Journal*, 15(4), 247-256.
- Falahati, L., & Paim, L.H., (2011). Gender Differences in Financial Well-being, Financial Socialization and Financial Knowledge among College Students. *Life Science Journal*, 8(3), 173-178.
- Fonseca, R., Mullen, K.J., Zamarro, G., & Zissimopoulos, J. (2012). What Explains the Gender Gap in Financial Literacy? The Role of Household Decision Making. *The Journal of Consumer Affairs*, Spring, 90-106.
- Grable, J., & Lytton, R.H. (1999). Financial risk tolerance revisited: the development of a risk assessment instrument. *Financial Services Review* 8, 163-181.
- Grable, J.E., Park, J.Y., & Joo, S.H., (2009). Explaining Financial Management Behavior for Koreans Living in the United States. *The Journal of Consumer Affairs*, 43(1), 80-107.
- Guiso, L., & Jappelli, T., (2008). Financial Literacy and Portfolio Diversification, EUI Working Papers ECO2008/31, European University Institute, Badia Fiesolana, I-50014, San Domenico di Fiesole (FI), Italy.
- Hayhoe, C.R., Leach, L.J., Allen, M.W., & Edwards, R. (2005). Credit Cards Held by College Students. *Financial Counseling and Planning*, 16 (1), 1-10.
- Hilgert, M.A., Hogarth, J.M., & Beverly, S.G., (2003). Household Financial Management: The Connection between Knowledge and Behavior. *Federal Reserve Bulletin*, (July), 309-322.

- Hogarth, J.M., & Hilgert, M.A., (2002). “Financial Knowledge, Experience, and Learning Preferences: Preliminary Results from a New Survey on Financial Literacy.” Paper published in the Consumer Interest Annual, Proceedings of the American Council on Consumer Interests 2002 Annual Conference, March, 2002. <http://www.consumerinterests.org/public/articles/\public\articles\FinancialLiteracy-02.pdf>
- Hogarth, J.M., Hilgert, M.A., & Schuchardt, J., (2002). “Money Managers -- The Good, the Bad, and the Lost.” Paper published in the Proceedings of the Association for Financial Counseling and Planning Education, November, 2002, 12-23.
- Huston, S.J. (2010). Measuring Financial Literacy. *The Journal of Consumer Affairs*, 44(2), 296-316.
- Joo, S., & Grable, J.E., (2004). An exploratory framework of the determinants of financial satisfaction. *Journal of Family and Economic Issues*, 25, 25-50.
- Joo, S. (2008). Personal Financial Wellness. In: Xiao, J.J. (eds) Handbook of Consumer Finance Research. Springer, New York, NY. [https://doi.org/10.1007/978-0-387-75734-6\\_2](https://doi.org/10.1007/978-0-387-75734-6_2)
- Kiliyanni, A.L., & Sivaraman, S. (2016). The perception-reality gap in financial literacy: Evidence from the most literate state in India. *International Review of Economics Education* 23, 47–64.
- Lind, T., Ahmed, A., Skagerlund, K., Strömbäck, C., Västfäll, D., & Tinghög, G. (2020) Competence, Confidence, and Gender: The Role of Objective and Subjective Financial Knowledge in Household Finance. *Journal of Family and Economic Issues*, 41, 626–638. <https://doi.org/10.1007/s10834-020-09678-9>

- Lusardi, A., & Mitchell, O.S., (2006). "Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education Programs," Working Papers wp144, University of Michigan, Michigan Retirement Research Center.
- Lusardi, A., & Mitchell, O.S. (2007). Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education Programs. *Business Economics*, (January), 35-44.
- Lusardi, A.,& Mitchell, O.S., (2008). Planning and Financial Literacy: How Do Women Fare? *The American Economic Review*, 98(2), 413-417.
- Lusardi, A. (2008). Financial Literacy: An Essential Tool for Informed Consumer Choice? NBER Working Paper No. 14084, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138.<http://www.nber.org/papers/w14084>
- Lusardi, A., & Tufano, P., (2009). Debt Literacy, Financial Experiences, and Overindebtedness, NBER Working Paper No. 14808, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA. <http://www.nber.org/papers/w14808>
- Lusardi, A., & Mitchell, O.S., (2009). How do Ordinary Consumers Make Complex Economic Decisions: Financial Literacy and Retirement Readiness. NBER Working Paper No. 15350, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138. <http://www.nber.org/papers/w15350>.
- Lusardi, A., & Mitchell, O.S. (2011). Financial Literacy around the World: An Overview NBER Working Paper No. 17107, National Bureau of Economic Research, 1050 Massachusetts Avenue, Cambridge, MA 02138.<http://www.nber.org/papers/w17107>
- Lusardi, A. (2012). Numeracy, Financial Literacy, and Financial Decision-Making. *Numeracy*, 5(1) (2), 1-12. DOI: <http://dx.doi.org/10.5038/1936-4660.5.1.2>

- Lusardi, A., Mitchell, O.S., &Curto, V., (2014). Financial Literacy and Financial Sophistication in the Older Population.*Journal of Pension for Economic and Finance*, 13(4), 347–366. doi:10.1017/S1474747214000031.
- Mandell, L., &Klein, L.S., (2009).The Impact of Financial Literacy Educationon Subsequent Financial Behavior. *Journal of Financial Counseling and Planning*,20(1),15-24.
- Mien, N.T.N., & Thao, T.P. (2015). Factors Affecting Personal Financial Management Behaviors: Evidence from Vietnam. Proceedings of the Second Asia-Pacific Conference on Global Business, Economics, Financeand Social Sciences (AP15Vietnam Conference) Danang-Vietnam, 10-12 July, 2015. Paper ID: VL532
- Moore, D. (2003). Survey of Financial Literacy in Washington State: Knowledge, behavior, Attitudes, and Experiences. Social and Economic Sciences Research Center Technical Report No. 09-39, Washington State University.
- Morris, T., Maillet, S., &Koffi, V. (2022). Financial knowledge, financial confidence and learning capacity on financial behavior: a Canadian study. *Cogent Social Sciences*, 8: 1996919. <https://doi.org/10.1080/23311886.2021.1996919>
- Noctor, M., Stoney, S. & Stradling, R. (1992). ‘Financial Literacy: A Discussion of Concepts and Competences ofFinancial Literacy and Opportunities for its Introduction into Young People’s Learning’,Report prepared for the National Westminster Bank (1992), National Foundation for EducationResearch, London.
- OECD (2004), “OECD’s Financial Education Project”, Financial Market Trends, 2004/2.
- OECD (2005), Improving Financial Literacy: Analysis of Issues and Policies, OECD Publishing, Paris, <https://doi.org/10.1787/9789264012578-en>.
- OECD INFE (2011). Measuring Financial Literacy: Core Questionnaire inMeasuring Financial Literacy: Questionnaire and Guidance Notes for conductingan Internationally Comparable Survey of Financial literacy. Paris: OECD.

OECD/INFE (2012), High-level Principles on National Strategy for Financial Education, [www.oecd.org/finance/financialeducation/OECD\\_INFE\\_High\\_Level\\_Principles\\_National\\_Strategies\\_Financial\\_Education\\_APEC.pdf](http://www.oecd.org/finance/financialeducation/OECD_INFE_High_Level_Principles_National_Strategies_Financial_Education_APEC.pdf)

OECD (2012), OECD INFE Guidelines on Financial Education in Schools.

OECD (2012), Empowering Women through Financial Education and Awareness.

OECD (2015), OECD/INFE Core competencies framework on financial literacy for youth.

OECD (2016), “OECD/INFE International Survey of Adult Financial Literacy Competencies”, OECD, Paris, [www.oecd.org/finance/OECD-INFE-International-Survey-of-Adult-Financial-Literacy-Competencies.pdf](http://www.oecd.org/finance/OECD-INFE-International-Survey-of-Adult-Financial-Literacy-Competencies.pdf)

OECD (2018), OECD/INFE Core competencies framework on financial literacy for MSMEs.

OECD (2020), OECD/INFE 2020 International Survey of Adult Financial Literacy.

[www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm](http://www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm)

OECD (2022), OECD/INFE Toolkit for Measuring Financial Literacy and Financial Inclusion 2022, [www.oecd.org/financial/education/2022-INFE-Toolkit-Measuring-Finlit-Financial-Inclusion.pdf](http://www.oecd.org/financial/education/2022-INFE-Toolkit-Measuring-Finlit-Financial-Inclusion.pdf)

Parrotta, J.L., & Johnson, P.J. (1998). The impact of financial attitudes and knowledge on financial management and satisfaction of recently married individuals. *Financial Counselling and Planning*, 9(2), 59-75.

Perry, V.G., & Morris, M.D. (2005). Who is in control? The role of self-perception, knowledge, and income in explaining consumer financial behavior. *The Journal of Consumer Affairs*, 39(2), 299-313.

- Potrich, A.C.G., Vieira, K.M., & Kirch, G., (2018). How well do women do when it comes to financial literacy? Proposition of an indicator and analysis of gender differences. *Journal of Behavioral and Experimental Finance* 17, 28–41.
- Rai, K., Dua, S., & Yadav, M. (2019). Association of Financial Attitude, Financial Behaviour and Financial Knowledge Towards Financial Literacy: A Structural Equation Modeling Approach. *FIIIB Business Review*, 8(1), 51-60.  
<https://doi.org/10.1177/2319714519826651>
- Reddy, C.S. (2012). SHG Federation: An Institutional Innovation to Sustain SHGs, NewsReach September–October 2012, 11-24. <http://www.pradan.net/sampark/wp-content/uploads/2019/07/SHG-Federation-An-Institutional-Innovation-to-Sustain-SHGs.pdf>
- Remund, D.L. (2010). Financial Literacy Explicated: The Case for a Clearer Definition in an Increasingly Complex Economy. *The Journal of Consumer Affairs*, 44(2), 276-295.
- Robb, C.A., & Woodyard, A.S., 2011. Financial Knowledge and Best Practice Behavior. *Journal of Financial Counseling and Planning Volume*, 22(1), 60-70.
- Sabri, M.F., & Falahati, L. (2003). Predictors of Financial Well-Being among Malaysian Employees: Examining the Mediate Effect of Financial Stress. *Journal of Emerging Economies and Islamic Research*, 1(3), 1-16.
- Shih, T.Y., & Ke, S.C., (2014). Determinates of financial behavior: insights into consumer money attitudes and financial literacy. *Service Business*, Springer; Pan-Pacific Business Association, 8(2), 217-238.
- Shim, S., Xiao, J.J., Barber, B.L., & Lyons, A.C. (2009). Pathways to life success: A conceptual model of financial well-being for young adults. *Journal of Applied Developmental Psychology*, 30, 708–723.

Sundaram, A. (2012). Impact of Self-help Group in Socio-economic development of India. *IOSR Journal of Humanities and Social Science (JHSS)*, 5(1), 20-27.

Trone, D. B., Allbright, W. R. & Taylor, P. R. (1996). The management of investment decisions. Chicago: Irwin

Van Rooij, M.C.J., Lusardi, A., & Alessie, R.J.M. (2007). Financial Literacy and Stock Market Participation, Working Paper no. 2007-162, Michigan Retirement Research Center, University of Michigan, P.O. Box 1248, Ann Arbor, MI 48104.

Van Rooij, M.C.J., Lusardi, A., & Alessie, R.J.M. (2012). Financial Literacy, Retirement Planning and Household Wealth. *The Economic Journal*, 122 (May), 449–478.

Widdowson, D., & Hailwood, K., (2007). Financial literacy and its role in promoting a sound financial system. Reserve Bank of New Zealand: Bulletin, 70(2), 37-47.

Xiao, J.J., Sorhaindo, B., & Garman, E.T., (2006). Financial behaviours of consumers in credit counselling. *International Journal of Consumer Studies*, 30(2), 108–121.

Xiao, J.J. (2008). Applying Behavior Theories to Financial. *Handbook of Consumer Finance Research*, 69-81.

Zakaria, R.H., Mohd Jaafar, N.I., & Marican, S. (2012). Financial Behavior and Financial Position: A Structural Equation Modelling Approach. *Middle-East Journal of Scientific Research* 12 (10), 1396-1402.

Anandadhara scheme. <http://www.wbprd.gov.in>

Consumer Financial Protection Bureau (CFPB). <http://www.consumerfinance.gov/>

Insurance Regulatory and Development Authority of India (IRDAI). <https://www.irdai.gov.in>

National Bank for Agriculture and Rural Development (NABARD). <https://www.nabard.org>

National Centre for Financial Education (NCFE). <https://www.ncfe.org.in>

National Payments Corporation of India (NPCI). <https://www.npci.org.in>

National Rural Livelihood Mission. <https://www.nrlm.gov.in>

National Rural Livelihood Mission (NRLM). <https://aajeevika.gov.in>

Organization for Economic Cooperation and Development (OECD). <https://www.oecd.org>

Pension Fund Regulatory and Development Authority (PFRDA). <https://www.pfrda.org.in>

Reserve Bank of India (RBI). <https://rbidocs.rbi.org.in>

<https://rbikehtahai.rbi.org.in/>

SEBI - National Institute of Securities Markets (NISM). <https://www.nism.ac.in>

SEBI. <https://investor.sebi.gov.in>

SEBI. <https://www.sebi.gov.in>

Small Industries Development Bank of India (SIDBI). <https://www.sidbi.in>

State Bank of India (SBI). <https://sbi.co.in>

The Global Findex Database 2021. [www.worldbank.org](http://www.worldbank.org)