

## **Deepali Pant Joshi: Moving financial capability forward – innovation scale and impact**

Intervention by Dr Deepali Pant Joshi, Executive Director of the Reserve Bank of India, at the 10th Anniversary of the Citi-FT Financial Education Summit, Hong Kong, 7 December 2013.

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Dear friends , I am honoured to be here today at the tenth anniversary of the summit on financial literacy and thank Citi and FT for having me here, and of course, my friend David Pilling for the opportunity to share the India experience. David we are out of the woods! I confirm this. As all the people in this room know, financial literacy has emerged as a focus area for policy makers all across the globe, in the wake of the global financial crisis.

Financial literacy means different things to different people. We in India understand financial literacy differently depending upon the underlying objective to build greater financial inclusion through financial literacy, for maximising welfare, both individually and for society generally. Although, we have progressively promoted financial literacy, many challenges remain. These include (i) the large excluded sections many of whom may be illiterates especially in the rural or remote areas with difficult physical access; (ii) the need for better supervisory capacity among financial regulators; and (iii) addressing the pervasive “informal” markets that handle lending, insurance, and remittances for those unable to tap into the formal system.

This is a tenth anniversary of the summit. In these ten years, India has seen significant changes. As you know, we have a large banking system which comprises besides Public Sector Banks, Private Sector Banks, Regional Rural banks and Cooperatives with significant penetrative outreach. Well, these banks are now all on interoperable Core Banking System platforms which enables us to significantly leverage technology to leapfrog the barriers of geography and distance and tackle issues of voluntary access. We have significantly liberalised our rules on bank branching, we have enabled the use of Banking Correspondents (BCs), some of the mobile companies, such as, AIRTEL and Vodafone, partner with banks as BCs. We have also liberalised the dreaded KYC norms to make it easier for a poor person or a migrant to open a bank account. We have enabled E-KYC. Our unique identity card, the Aadhar, is enabling digitisation of social benefit transfers which will also lead to steady revenue streams for service providers and we have a big push on building financial capability.

### **Role of financial education in India**

Greater financial access combined with financial education creates financially responsible citizens. This mix of financial access and financial education provides a foundation for appropriate market conduct and prudential regulation. Improving individuals’ financial behaviour is a long-term policy priority. Financial education needs to commence early and continue through adulthood.

In order to achieve the objective of financial inclusion, our financial literacy efforts are primarily directed towards dissemination of simple messages of financial prudence, in vernacular languages, through large awareness campaigns across the country combined with vigorous roll out of financial inclusion plans by banks, insurance and pension funds, and others. It is important to note that being literate is not a necessary prerequisite for attaining financial literacy as the basic financial messages can be conveyed through various alternate means without relying on written inputs. Some of the basic messages we seek to deliver through our financial literacy drives are:

- Why save

- Why save regularly and consistently
- Why save with banks
- Why borrow within Limits
- Why borrow from banks
- Why borrow for income generating purposes
- Why repay loans
- Why repay loans in time
- Why do you need insurance
- Why you will need regular stream of income post working life—pension
- Why you should keep money aside regularly and consistently during your earning life for pension in old age
- What is interest? How moneylenders charge very high interest rates?

Since the challenge in India is to link a larger number of financially excluded people to the formal financial system, the focus of our strategy at the base level is to create awareness of basic financial products. Some of the steps that have been taken by the Reserve Bank of India and other stakeholders to promote financial literacy in India are:

**Outreach visits** by Senior Executives of Reserve Bank of India to remote villages: The objective of these visits is to understand the ground level position, spread awareness about benefits of being connected to the formal financial system and disseminate information about the functioning of RBI.

**RBI website** – We have created a link for Financial Education on the RBI website, containing material in English, Hindi and 11 vernacular languages, which includes comic books on money and banking for children, films, messages on financial planning, games on financial education and link for accessing the Banking Ombudsman Scheme for customer grievance redress. Some of the popular comic books brought out by the department of communication are Money Kumar, Raju and the Money Tree and some films which very simply impart messages on financial education to children. The department of communication also hosts groups of school children and explains the working of RBI to them and imparts simple financial concepts to them.

**Inter School Quiz.** In line with the “catch them young” strategy for our financial education initiatives, the Reserve Bank launched the RBIQ, an all India inter school quiz competition, in 2012. The quiz seeks to be an effective platform for disseminating financial education by creating awareness and sensitisation about the history and role of the Reserve Bank, about banking and finance, economics, current affairs, etc., besides seeking to build a “connect” between the Reserve Bank and the young student community enrolled in schools across the country.

**Financial Literacy Centres (FLCs)** have been opened by various banks with a sharp focus on the spread of Financial Literacy, to create awareness about financial products and provision of counselling facilities for customers of banks. There are more than 800 FLCs in the country as on September 30, 2013. Use of mobile Financial Literacy vans is done by banks in the difficult terrains.

**Town Hall events:** These are conducted across the country, including in Tier II and smaller cities, bringing together commercial banks and other stakeholders.

**Mass media campaign are launched through** tie ups with educational institutes, financial awareness workshops/helplines, books, pamphlets and publications on financial literacy by NGOs, financial market players, etc.

**Capacity Building** is attempted through the Conduct of Financial Literacy programs by Rural Self Employment Training Institutes.

**Awareness campaigns:** By distributing pamphlets, comic books, enacting plays and skits, arranging stalls in local fairs, exhibitions, participating in information/literacy programs organised by Press. Similarly, in these times of financial uncertainty and risk, the importance of educating people about the advantages of Life and Non-life insurance products is important.

### **Institutional framework in India for spreading financial education**

Now coming to the institutional framework created in India for the spread of financial literacy, I would like to mention that we are among the very few countries where an apex body namely the Financial Stability and Development Council (FSDC) chaired by the Union Finance Minister with heads of all financial sector regulators as members has been mandated, *inter alia* to focus on spread of financial inclusion and financial literacy. So we have a buy in of our strategies at the highest levels Under the aegis of the FSDC, a National Strategy for Financial Education (NSFE) for India has been prepared. The Strategy envisages ways of creating awareness and educating consumers on access to financial services; availability of various types of products and their features; changing attitudes to translate knowledge into responsible financial behaviour; and enabling consumers of financial services understand their rights and obligations. The Strategy necessitates active involvement of individuals, financial sector regulators, educational institutions, NGOs, financial sector entities, multilateral international players and the Governments both at Centre and State levels.

### **National strategy for financial education**

Our National Strategy envisages a time frame of five years for its massive financial education campaign and aims at establishing initial contact with 500 million adults, educating them on key saving, protection and investment related products so that they are empowered to take prudent financial decisions. It also seeks to create awareness about the consumer protection and grievances redress machinery available in the country. Basic financial education is aimed to be included in school curricula up to senior secondary level. This is based upon the premise that the most effective way is to weave financial education into the normal content of curriculum. Accordingly, we are engaging with the curriculum setting bodies like the National Council of Educational Research and Training (NCERT), Education Boards like the Central Board for Secondary Education (CBSE), Central and State Governments to try and embed such concepts in the school curriculum.

One of the objectives of the NSFE is to standardise the messages that various stakeholders seek to disseminate through their financial education initiatives. The NSFE document identifies certain simple messages I mentioned earlier in my speech such as why save; why invest; why insure; why save with banks; why borrow within limits; why repay loans in time; why borrow for income generating purposes, what is interest and how moneylenders charge very high interest rates, etc. It is a well-recognised fact that standardisation will help in ensuring consistency in the messages which reach the target audience from various sources and making them more focused and powerful.

### **Integrated approach – financial inclusion through financial education**

We have already done some work in this direction. We have designed a mass scale Financial Literacy Program to integrate the financially excluded population with low level of income and low literacy level with the formal financial system. The program is run through our Financial Literacy Centres set up by banks, nearly 800 in numbers. About 40000 rural branches of the banks would scale up these efforts by conducting one outdoor literacy camp

in a month. In addition to this we leverage the infrastructure created at the state level, comprising of State Level Bankers Committee (SLBC) at the Apex which is ably supported by the Lead District Managers (LDMs) at the District level. Financial Literacy Centres organise Outdoor Literacy camps which are spread over a period of three months and delivered in three phases wherein along with creating awareness, accounts are also opened in the Literacy camps. The program has been received well on the ground as an integrated approach of financial inclusion through creating awareness and providing access simultaneously.

In order to ensure consistency in the messages reaching the target audience of financially excluded people during the Financial Literacy Camps, we have issued comprehensive Financial Literacy Material containing a financial literacy Guide, Financial Diary and a set of 16 posters which contain very simple messages of How To Save. For instance, we are a nation of tea drinkers. So we just explain graphically that everyone can drink two cups of tea less! Walk into a bank walk into prosperity and so on and so forth.

## **Conclusion**

While it is important to begin teaching financial skills at school level, achieving and maintaining financial know-how is a lifelong undertaking. The types of financial decisions that people have to make vary through the course of their lives, and thus we are trying to ensure that access to financial education is readily available at all stages of life with the help of other stakeholders. Moreover, relevant, accurate, and reliable financial information must be readily available to consumers at the time they are making their decisions.

Through financial education, we try to provide individuals with the knowledge and skills they need to make better choices about finances. Through consumer protection, we can safeguard individuals against harmful practices and bad information that lead to poor financial choices. Accomplishing these two goals we believe will result in economic empowerment for all concerned.

While a number of measures have been taken and are being taken in India, given the enormity of the task, a lot of ground still needs to be covered. Apart from the Government and the regulatory bodies, there is a need for involving the civil society and all other stakeholders in spreading financial literacy. The widespread existence of financial illiteracy indicates that we need to do a lot more. There is a lot of skepticism on whether Financial literacy actually leads to changes in behaviour and some recent papers which suggest that this does not and it is the classic conundrum of being able to take the horse to the water but not being able to make him drink! Bilal Zia our world Bank researcher and colleague and I discussed this thoroughly at dinner and we concluded that the trick vests in the right delivery model so targeted interventions do work.

I once again thank the organisers of this Conference for providing me the opportunity to share with you the Indian experience and some of the work we have been doing to move financial capability forward Innovation scale and Impact of the process. We are model neutral. We do believe that technology has an important role to play we are seriously looking at innovative models. Summits, such as, the present one, are important in generating new ideas leading clarity of thought and definition of purpose among the various stakeholders. I do believe that the summit offers a special opportunity to learn from mutual experience and sincerely hope that with our collective efforts financial literacy would be widely disseminated. The common man would be empowered to take informed financial decisions and in the process, the global financial marketplace would become a more stable arena.

I wish the Summit great success and hope that you have extremely enriching deliberations over the course of the Summit and hope these processes of engagement continue to the building of a better world.

Thank You Jeff Wagner of FT, Stefen Bird CEO Asia Pacific Citi and David Pilling Asia editor Financial Times for having me here this beautiful afternoon and thanks for the patient hearing.