

**FINANCIAL INCLUSION THROUGH FINANCIAL LITERACY: RECENT INITIATIVES IN INDIA**

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**Abstract:**

*Financial literacy plays an important and fundamental role in financial decision-making. Financial inclusion and financial literacy are two important keys for the economic development of any country. Financial literacy is the road map for the success of efforts put forward by government for the financial inclusion in the country. Financial literacy is the awareness, knowledge, attitude, behavior, and skill needed to understand and use financial tools to make informed financial decisions and achieve personal financial well-being.*

*Financial inclusion is an essential driver to accomplish financial development. Financial education can be an effective way to promote financial inclusion. It boosts the understanding of financial and insurance products, encourages responsible financial behaviour and gives people the confidence to take control of their finances. Improving the level of financial literacy is one of the keys to increasing financial inclusion. This paper covers the concept of Financial Literacy and Financial Inclusion, the relationship between the Financial Literacy and Financial Inclusion.*

*The main objective of the study is examine the financial literacy initiatives that are taken for the development of financial inclusion in India.*

**Keywords:** *Financial Literacy, Financial Inclusion, Financial Development*

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**Introduction:**

Economic growth and development of any country depends upon Sound financial system. Financial system comprises, a set of sub system of financial institution, financial markets, financial instruments, and services, which help the formation of capital. It provides a mechanism through which saving are transformed to investment. For centuries India has been a “saving” country that conventionally or unconventionally invest in cash or kind. However this saving may not be in formal manner. It could have been in the household piggy bank. The most preferred Investment Avenue for the people of our country from generations are in gold and land . One of the reasons for the investment in gold and land compared to other financial products could be financial exclusion and lack

of financial knowledge. Financial inclusion and financial literacy are two important keys for the economic development of any country. Financial literacy is the road map for the success of efforts put forward by government for the financial inclusion in the country. Financial inclusion refers to efforts to make financial products and services accessible and affordable to all individuals and businesses, particularly marginalized and low-income groups. In recent years, interest in understanding financial literacy has grown across all countries (OECD, 2020). Financial literacy not only improves people’s lives but also contributes to a country’s economic growth and development (Hogarth, 2006; Jariwala, 2015; Lusardi, 2019).Financial literacy is the knowledge of various aspects of personal finance and the ability to make

smart decisions about money. It is the awareness, knowledge, attitude, behavior, and skill needed to understand and use financial tools to make informed financial decisions and achieve personal financial well-being. It can be developed through reading, listening to finance podcasts, following financial content, or consulting a financial expert. It includes preparing a budget, knowing how much to save, recognizing favorable (and unfavorable) loan terms, understanding what impacts your credit score, and choosing investment options that can be used to save for your long-term goals.

According to the National Centre for Financial Education, only 27% of Indian adults are financially literate. Financial inclusion is an essential driver to accomplish financial development. Therefore, for economic development, there should be enough flow of financial and credit facilities. But this is not possible until and unless financial literacy is achieved in this respect. Financial literacy is the key to the development of financial inclusion in India. In this backdrop, the present study is an attempt to examine the financial literacy initiatives that are taken in the Indian context.

#### **Objectives of the Study :**

- To study the concept of Financial Literacy and Financial Inclusion
- To examine the financial literacy initiatives that are taken for the development of financial inclusion in India.
- To know the Challenges to Financial Literacy and Inclusion in India

#### **Research Methodology :**

The present study is descriptive in nature. It is mainly based on secondary information which has been collected from various sources i.e., report on trend and

progress of banking in India, RBI bulletin, and Ministry of Finance, Government of India.

#### **Conceptual Framework:**

##### **1.Financial Literacy:**

Financial literacy is the set of skills needed to handle money wisely, invest effectively, and plan for a comfortable future. Financial literacy forms the foundation for managing money effectively throughout life. Knowing the basics of money management, budgeting, saving, and investing contributes to a more successful and less stressful life.

##### **2.Components of Financial Literacy**

- Budgeting: Understanding how to create and maintain a budget.
- Saving and Investing: Knowing the importance of saving and the basics of investing.
- Credit Management: Understanding how credit works and how to manage debt.
- Financial Planning: Setting financial goals and developing plans to achieve them.

##### **3.Financial Inclusion:**

Financial inclusion is the effort to make financial services accessible and affordable to all individuals and businesses, particularly those who are underserved or marginalized. Financial inclusion is important. Some of the key reasons include:

- Financial inclusion reduces poverty and inequality.
- Financial inclusion promotes economic growth.
- Financial inclusion promotes small businesses.
- Financial inclusion empowers otherwise marginalized demographics.
- Financial inclusion promotes innovation.
- Financial inclusion may foster digital inclusion.

#### 4. Components of Financial Inclusion:



Source: compiled by researcher

#### Initiatives for Financial Literacy and Financial Inclusion in India:

Financial literacy programs in India are largely driven by the National Centre for Financial Education (NCFE) and regulatory bodies (RBI, SEBI, IRDAI, PFRDA) under the National Strategy for Financial Education. Key initiatives include the Financial Literacy Training Program (FETP), Money Smart School Program, and targeted workshops for adults and rural communities.

##### 1. NCFE INITIATIVES:

✚ Financial Education Programme for Adults (FEPA)-

FEPA was launched by the NCFE in 2019. FEPA is a Financial Literacy Programme designed and implemented to spread financial awareness among the adult population such as Farmers, Women groups, Asha Workers, Anganwadi Workers, Self Help Groups, Employees of Organization, Skill Development Trainees etc.,

✚ Financial Education Training Program (FETP)

Through FETP, NCFE envisages to provide impartial personal financial education to individuals and organizations, thereby enhancing financial literacy across the nation. FETP is specifically designed for school teachers handling classes 6 to 10 throughout India. The program is built on two foundational pillars: education and awareness,

intending to establish a sustainable financial literacy campaign that can positively impact people's lives.

✚ SEBI's Investor Education:

The Securities and Exchange Board of India (SEBI) runs workshops through Resource Persons (RPs) on banking, insurance, and investment, specifically warning against Ponzi schemes.

✚ National Strategy for Financial Education (NSFE):

A 5-year plan designed to foster a financially aware, empowered India by integrating financial education into daily life, targeting vulnerable sections, and enhancing digital financial literacy.

##### 2. RBI'S INITIATIVES:

✚ National Centre for Financial Education (NCFE):

The National Centre for Financial Education (NCFE) was established in 2013 in collaboration with the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA). It promotes financial education through workshops, seminars, and campaigns with the aim to reach all sections of society, including children, youth, women, and senior citizens.

✚ Financial Literacy Centers (FLCs):

The RBI has established over 1,500 Financial Literacy Centres (FLCs) across India, particularly in rural and semi-urban areas. These centers offer free financial education, including debt management, savings, and investment advice. FLCs play a critical role in bridging the financial literacy gap, especially in underserved regions.

✚ Financial Literacy Week:

Each year, the RBI organizes Financial Literacy Week to promote awareness about key financial concepts. This event includes workshops, seminars, and public outreach programs aimed at educating

people on various aspects of personal finance, such as budgeting, insurance, and digital banking.

#### ✚ **RBI Kehta Hai Campaign:**

The initiative educates the public on topics such as digital banking, fraud prevention, and grievance redressal. By leveraging media platforms, this campaign has reached a broad audience, enhancing trust in the financial system and encouraging safe banking practices.

#### ✚ **Financial Education Microsite:**

The RBI has launched a dedicated financial education microsite that provides resources, tools, and information to help individuals improve their financial literacy. The site offers specific sections targeting women, children, and young adults, ensuring that financial education is accessible to diverse groups.

#### ✚ **Project Financial Literacy:**

The project targets various groups, including school children, women, and senior citizens, through workshops and campaigns. It seeks to enhance financial awareness and promote responsible financial behavior.

### 3. FINANCIAL INCLUSION SCHEMES BY GOVERNMENT OF INDIA

#### ✚ **Pradhan Mantri Jan Dhan Yojana (PMJDY):**

This flagship scheme was launched to provide affordable access to financial services such as bank accounts, credit, insurance, and pensions for the unbanked population. The initiative has successfully opened over 40 crore bank accounts, significantly reducing the reliance on cash transactions and ensuring broader participation in the formal financial system.

#### ✚ **Atal Pension Yojana (APY):**

Atal Pension Yojana is a universal social security scheme launched in 2015 to provide a minimum guaranteed pension of Rs 1000-Rs 5000 to all Indians, especially the poor and unorganized sector

workers. The scheme provides lifetime pension to the subscriber's spouse and entire corpus to the nominee in case of death of both. By encouraging people to save for their retirement, APY promotes financial literacy, especially among low-income groups, and empowers them to plan for their financial future.

#### ✚ **National Pension System (NPS):**

NPS is a voluntary retirement savings scheme introduced by the Central Government in 2004 (except for armed forces) that encourages individuals to save for their retirement through regular contributions.

#### ✚ **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY):**

PMJJBY is a life insurance scheme that provides coverage in case of death, irrespective of the cause. The scheme is available to individuals aged between 18 and 50 years, with a minimal annual premium of Rs 436. By offering affordable life insurance, it promotes financial protection among individuals who might otherwise not be able to afford such coverage.

#### ✚ **Pradhan Mantri Suraksha Bima Yojana (PMSBY):**

PMSBY provides two types of insurance coverage to individuals at a minimal premium of Rs 20 per year. It covers accidental death, complete disability, and partial disability, with coverage amounts up to Rs 2 lakh for death or complete disability, and Rs 1 lakh for partial disability. This scheme is designed to make insurance accessible to the masses, particularly those in the lower income groups.

### 4. OTHER KEY INITIATIVES:

#### ✚ **Securities and Exchange Board of India (SEBI):**

SEBI has developed a mobile app called Saaṛthi to educate investors about the securities market.

The app provides information on topics such as the KYC process, trading, mutual funds, and investor

grievances redressal mechanisms. It is available in Hindi and English and aims to empower investors with knowledge about the stock market.

#### ✚ **Investor Education and Protection Fund Authority (IEPFA):**

The IEPFA, under the Ministry of Corporate Affairs, organizes Investor Awareness Programs (IAPs) to educate individuals about savings, investments, and the benefits of capital formation. The authority also offers educational resources to help people make informed investment decisions.

#### ✚ **School Curriculum Integration:**

Recognizing the importance of financial literacy as a life skill, the National Education Policy (NEP) 2020 emphasizes integrating financial education into school curricula.

#### ✚ **The Money Smart School Program (MSSP)**

MSSP by the National Centre for Financial Education (NCFE) aims to provide unbiased financial education in schools for improving financial literacy which is an important life skill for the holistic development of students.

#### ✚ **Diksha+ (Ujjivan Small Finance Bank):**

A specialized, game-based, and storytelling-driven financial literacy program for low-income women, covering budgeting and banking.

#### ✚ **NISM Courses:**

The National Institute of Securities Markets (NISM) offers a 22-hour "Financial Literacy for Bharat" course to educate the public on financial, insurance, and retirement planning.

#### ✚ **NFLAT:**

The National Financial Literacy Assessment Test for school students (Classes VIII to X), conducted by NCFE to evaluate financial knowledge.

#### ✚ **Corporate & NGO Programs:**

Organizations like NIIT Foundation implement training in rural/semi-urban areas, focusing on digital transactions.

#### ✚ **NFLQ**

SEBI and NISM are driving financial literacy in India through the National Financial Literacy Quiz (NFLQ) 2025-2026, a premier nationwide competition designed for undergraduate and postgraduate students to showcase their knowledge of financial literacy and securities markets. NFLQ 2026 is currently underway

#### **Challenges to Financial Literacy and Inclusion in India:**

✚ **Financial Illiteracy:** Financial literacy is a crucial skill in India, but only a small percentage of the population is financially literate.

✚ **Digital Divide:** India's rural population faces limited access to digital financial services due to low smartphone penetration, internet connectivity, and infrastructure gaps like poor road access and electricity. This digital divide restricts financial inclusion in underserved areas, impacting economic empowerment.

✚ **Non-Universal Access to Bank Accounts:** As of 2024, approximately 22% of adults in India remain unbanked, despite the significant strides made under the Pradhan Mantri Jan Dhan Yojana (PMJDY). This translates to around 19 crore adults still lacking access to formal banking services.

✚ **Gender Disparity:** Social and cultural barriers limit women's financial inclusion in India. Only 33% of women use the internet compared to 57% of men, reflecting lower digital access. Additionally, limited asset ownership and lower financial literacy rates among women widen this gap, hindering their economic empowerment and access to formal financial services.

✚ **Informal Economy and Cash Dominance:** A substantial portion of India's economy operates informally, with about 90% of workers engaged in informal sector jobs. The reliance on cash transactions, coupled with limited formal credit

access, further inhibits the adoption of digital payments and financial services in this segment. According to an RBI, as of March 2024, cash accounts for 60% of consumer expenditure, but its share is rapidly declining, accelerated by the post-Covid-19 shift to digital payment.

- ✚ **Lack of Credit Penetration:** Providing affordable credit to low-income individuals and informal businesses still remains a challenge. Due to the lack of formal credit history and reliable data, lenders face difficulties in assessing creditworthiness. This results in high borrowing costs and limited credit availability for underserved segments .
- ✚ **Implementation Challenges:** Schemes like the Pradhan Mantri Jan Dhan Yojana (PMJDY) have achieved success in opening bank accounts, but many of these accounts remain dormant.
- ✚ **Lack of meaningful usage** due to limited financial literacy, low trust in formal banking systems, and the high cost of maintaining these accounts have undermined their intended benefits .
- ✚ **Cybersecurity Concerns:** The rapid expansion of digital financial services has heightened cybersecurity risks. Increasing digital fraud and users' limited awareness of cybersecurity best practices remain major challenges to secure financial inclusion.

#### **The Importance of Financial Literacy in Promoting Financial Inclusion:**

Financially literate individuals are more capable of making sound financial decisions, reducing vulnerability to exploitation. Financial inclusion boosts economic growth by mobilizing savings, generating employment, and enhancing productivity. A financially literate population can lead to greater financial stability, as individuals are better prepared to handle economic uncertainties.

#### ✚ **Promoting Financial Inclusion:**

Financial literacy bridges the gap between citizens and financial services, empowering people to participate in the formal economy. Understanding banking, insurance, and pension schemes enables people from diverse backgrounds to access and benefit from these essential services.

#### ✚ **Reducing Poverty and Inequality:**

Financially literate individuals make informed decisions about savings, investments, and borrowing, which can enhance economic security and reduce reliance on high-cost borrowing.

#### ✚ **Supporting Small Businesses:**

Micro, Small and Medium Enterprises (MSME), which contribute 30% to India's GDP and provide employment to over 11 crore people are crucial for India's economic growth, yet they often face challenges due to financial mismanagement. Financial literacy equips entrepreneurs with the skills to manage cash flow, plan investments, and use credit wisely, enhancing their competitiveness and longevity.

#### ✚ **Improving Economic Resilience:**

Financial literacy enables individuals and communities to handle financial setbacks better. When citizens understand the importance of savings, insurance, and emergency funds, they are better prepared for unforeseen circumstances.

#### ✚ **Encouraging Responsible Consumer Behavior:**

With a solid understanding of financial concepts, citizens become aware of their rights and responsibilities, reducing susceptibility to scams and mis-selling of financial products.

#### **Conclusion:**

Financial literacy plays a crucial role in shaping societies and has a significant impact on individuals, families, and communities as it is linked with their financial attitude, behaviour, knowledge and financial

skills. Improvement in financial literacy will result in improvement in financial inclusion, which in turn result in financial stability of the country. Financial education enables an individual to understand about the basic financial concepts and enable them to take sound financial decisions. Financial inclusion contributes to economic growth by stimulating entrepreneurship, increasing savings, and expanding investment opportunities. Governments play a pivotal role in promoting financial inclusion through policy and regulatory frameworks. They can implement measures to reduce barriers, encourage financial institutions to serve underserved populations, and invest in financial literacy programs and digital infrastructure. There are challenges in achieving financial inclusion, such as a lack of awareness, regulatory barriers, and data privacy concerns. There needs to be continued efforts and innovation to overcome these challenges and make financial inclusion a reality for all.

The first and best step you can take is to educate yourself to become financially literate. But I strongly recommend starting with the “Financial Literacy Course for Bharat” offered by the NISM eLearning. It’s a comprehensive 22-hour online course that lets you learn anytime, from anywhere. It covers everything from money management and budgeting to debt, investing, and long-term planning. And the best part? It’s free and includes a certificate

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