

Review on Need for developing a curriculum for Financial Education

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Review on Need for developing a curriculum for Financial Education

Abstract:

“Learning is an ornament in prosperity, a refuge in adversity, and a provision in old age”
- Aristotle.

According to National Sample Survey 52% of population is below 25 years of age and by 2025, the number of 15-24 year olds is expected to rise to 100 million—twice the number of young adults in North America and 25 percent more than in all of Europe. However we have two facets of India where one India which is a huge market of young people, this market appears to be an exciting opportunity. While the other India there are 400 million people in our country who cannot even read or write. Penetration of equities is also very low accounts for less than 4% of household assets. Most people dread equities and think of them as equivalent to a casino or gambling den. 73% of farmer households have no access to formal credit; 45% of the adult population of India has not accessed financial services from formal financial institutions. The papers aim to orient the need for developing pedagogy for financial literacy. The paper highlights the need to ‘catch them young’ at school and college by developing a formal curriculum and teaching the young children about basics of money. The formal education system should teach student right from how to manage pocket money to how to manage their income to their assets. The aim of the curriculum will be to make responsible citizens who can understand the subject of money and manage it for the rest of their life

Key Word: Financial Literacy, Personal Finance, Pocket Money management.

Paper Type: Empirical Paper

Research Methodology: Online Survey of 50 respondents i.e. School students from Mumbai to understand their current financial knowledge.

Sampling Technique: Convenience Sampling (Researcher has surveyed the respondents whom he know through friends, acquaintance and professional colleagues.

Introduction:

Financial literacy is nothing but knowledge about finance. The importance of financial education has improved in recent years due to the developments in financial markets as well as demographic, economic and policy changes. Financial literacy is the awareness of financial products, services and the attitude of people towards money and handling the money. Money is one of the most important and essential resource for anyone to live peacefully and happily. A child awaits his first pocket money and has his spending list ready. Parents inculcate the habit of savings among their children; teachers narrate stories of ant and the grasshopper and reiterate the importance of savings for the rainy day.

The OECD INFE has defined financial literacy as follows: ‘A combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.

These financial decisions in the early age could be managing pocket money, loans from friends, should the money be saved in a piggy bank and understanding various currencies of the world etc. At the later age these decision are related to managing salary income, investment in which asset class, liquidity management and the risk return payoff as the greed for higher returns eventually culminates into a crises involving larger number of retail investors.

There are few initiatives taken by central level organization like The Reserve Bank of India has launched the financial education site from November 2007 commemorating children’s day. The site was mainly created to teach the basics of banking, finance and central banking to children in different age groups. The site also has other valuable information to other target groups like women, rural and urban poor, defense personnel and senior citizens. It contains films on security of currency notes and also has a games section. This is to familiarize school children with India’s various currency notes. Other than this the Reserve bank has been conducting essay competitions to promote financial awareness among school children on topics related to banking and finance. The bank is also actively engaged in conducting exhibitions in different parts of the country. Recently the bank launched the “RBI young scholars’ award” scheme for outstanding students in

order to generate interest in creating awareness of banking sector of the country (Academic Foundation's continuing series, 1998).

Moreover the Reserve bank's outreach program aimed for Indian villages aims at connecting senior staff of the Reserve bank to the villages in India. Give the state that India has nearly six lakh villages; the Reserve bank staff has been able to visit all these villages as part of imparting financial education. In another great development, the Reserve bank has tied up with the government of Karnataka to include financial literacy in the syllabus for classes 5, 7, 8 and 9. The new revised syllabus has already implemented from 2010-11 (RBI's several policies to improve financial literacy 2011).

Another initiative is **FLAME (Financial Literacy Agenda for Mass Empowerment)** which is an IIFL initiative to promote financial literacy amongst the masses in order to make them an integral part of India's spectacular growth story. **FIN-LITES** is a comprehensive **Financial Literacy Certification Contest** specially designed for the students of Std.VIII, Std. IX and Std.X.

Financial literacy for school students is an integral part of the FLAME initiative. They firmly believe that authentic financial literacy, if taught during the formative student years, becomes the foundation of a brighter and better financial future for the budding entrepreneurs, visionaries and thought leaders of tomorrow.

A comprehensive course has been prepared through a specially designed FIN-LITES workbook IIFL's FLAME initiative stands committed to complement this effort by helping common people gain financial growth and security through better awareness and education on the variety of financial products while avoiding the lure of and loss from unrealistic claims made by unscrupulous agents and ponzi schemes. As students participate in this contest, we are sure their parents will also be encouraged to become even more financially literate.

Personal Financial Management course

NSE has joined hands with Maharashtra Knowledge Corporation Ltd. (MKCL) to launch basic a course in personal financial management. The aim of the course is to educate learners on simple

concepts of personal finance. The course covers in simple language topics such as income, taxation, expenditure, savings & investment avenues, borrowing, managing risk, budgeting etc. Participants would also learn about various financial institutions and in what ways they can benefit from these institutions. The course helps participants to become aware of different products through which they can meet their financial needs and learn about the benefits of prudent financial behavior. The course is presently available at select MKCL's Authorized Learning Centers. The course comprises of 14 modules of approx. 60 minutes each. At the end of the course there would be an online examination and successful candidates will be provided with an NSE-MKCL certification.

Need for Financial Literacy

India has the Savings to GDP ratio of 33% which is the highest in the world. Indian is the nation of savers and investors and above that more than 52% of the population is below 25 years of age, this creates a need for developing a population which is financially literate. Moreover 85% of the household savings is parked in fixed deposit. In India, house-hold savings in shares, including mutual funds is around 7%. In the US, 50% of household savings are in mutual funds and shares. This is one of the factors for low household net worth in India. Markets like Hong Kong, Korea and Taiwan, have retail participation that is much stronger than foreign investors. In India, it is the reverse where the share of retail investors is miniscule in listed companies while FIIs holds way on how markets move. A strong retail base helps lessen wild volatility in the stock markets.

Indians are more risk averse than their global counter-parts, as per Mr. Deepak Parekh, Chairman HDFC Ltd. 'I believe the problem is more to do with a lack of awareness of the equity markets.'

- 144 million excluded households;
- 73% of farmer households have no access to formal credit;
- 5% of India's 600,000 villages have bank branches; and
- 45% of the adult population of India has not accessed financial services from formal financial institutions.

In an era of accelerating GDP and rising per capita growth, financial literacy has become more critical than ever before such that we all reap the tangible benefits of the nation's economic prosperity. Financial inclusion has been quite high on the governmental agenda, given its emphasis on widening the Banking & Financial services network across the country.

Schools should encourage their students to participate in this financial literacy contest as this program evaluates and certifies students on day-to-day money management based on their understanding of key concepts including financial and economic terms, principles of Savings and Budgeting, banking, taxation and stock markets, prudent investment avenues, basic accountancy and entrepreneurial skills.

The need for financial literacy is very alarming as most entrepreneurs business plan are rejected for financial analysis, most SSI's go sick because of working capital management, most personal financial problem occur because of excess of borrowing over income. The objective is to inculcate money management skills at the age of managing pocket money which will translate in managing the money and wealth in various asset classes at later date.

Research Methodology & Findings from the Survey

The researcher collected primary data from 50 respondents from school student's class about their attitude on how they manage their money. The students were mainly from FYJC and SYJC. The sampling technique used is convenience sampling where emails were sent to a student's known to the researcher's friend who is a teacher at FYJC and SYJC. A structured questionnaire was sent to the students via email for response on how they deal with pocket money and who manages budgets at home. The researcher used likert scale (5 point scale) to solicit information from the respondents.

90% of the respondent indicated that their money in their household was managed by their dad.

10% indicated that their money was managed by both the parents

65% of the respondents did not know if their house had a budget. 30% of the respondents agreed that their house had a budget. 5% of the respondent indicated that their house did not have a budget.

70% of the respondents strongly agree and 30% of the respondents agree that before they buy something they consider it very carefully that they can afford it.

60% of the respondent Strongly Agree, 20% Agree that spending money is more satisfying than saving it for the long term only 20% of the respondents believed long term savings is satisfying.

90% of the respondents shared the attitude 'Money is there to be spent' only 10% of the respondents disagreed with this attitude.

70% of the respondents strongly agree, 20% of the respondents agree and only 10% of the respondent disagree that sometimes their pocket money is inadequate.

40% of the respondents strongly agree, 10% of the respondents agree, 30% disagree and 20% of the respondents strongly disagree that they have to borrow money from their friends when their pocket money gets over.

57% of the respondents strongly agree, 20% of the respondents agree, 23% of the respondents disagree that equity markets are like gambling

60% of the respondents strongly agreed, 20% neither agreed nor disagreed, 20% disagreed that mutual fund investments are very safe investments.

80% of the respondents strongly agree and 20% of the respondents agree that fixed deposits are the best way to invest ones money.

70% of the respondents strongly agreed, 20% agreed and 10% disagreed that the main aim of the investment is to double your money.

Discussion on Findings

The above findings show that respondents are more satisfied with current consumption than thinking for long term investment and the respondents feel that investment in stock markets is like gambling. The above findings show that the awareness of financial literacy is very low in college going students. The findings also showed that college students find that their pocket money to be in adequate and they will brow from friends to buy things if required. These traits show how college students are careless with their budget and have to borrow from peers.

Proposed Curriculum

The objective of the curriculum would be to orient the learners on the basics of investment create awareness of the various investment avenues the risk associated with it. The broad topic to be covered by ways of modules could be

Proposed Curriculum at the School Level

- 1) Money and Importance of Money
- 2) Consumption and Why is there a liking for current consumption
- 3) Concept of Savings and Investment
- 4) Management Pocket Money
- 5) Understanding budgets and need for having spending budget
- 6) Bank and concept of banking (Practical's – Filling up a Cheque and Pay-in-Slip)
- 7) Concepts of Investment (Shares, Debenture, Deposits, Loans etc)
- 8) Countries and their Currencies

Proposed Curriculum at College Level

- 1) Savings and Investment (The college students will understand the nature of savings and investment in India. Difference between Savings and Investment)
- 2) Investment Opportunities and Evaluation (The Students are oriented on basic of all concept like Share, Debentures, Loan etc)
- 3) Time Value of Money (the temptation of consumption over savings and Investment).
- 4) When to borrow, how much to borrow

- 5) Credit Card and Effective Usage of credit Card
- 6) Need for preparing budget and adhering to the same.
- 7) Home an investment of a lifetime or a loan for a lifetime
- 8) Insurance as a Protection tool
- 9) Banking daily (Visit to a Bank)
- 10) Basics of Taxation

Conclusion:

Financial sector regulators, including the RBI, the SEBI and the IRDA, have proposed a nationwide survey for assessing financial inclusion and literacy in the country in the draft 'National Strategy for Financial Education' that seeks to "create a financially aware and empowered India" and convert savers into investors. The draft, prepared under the aegis of the sub-committee of the Financial Stability and Development Council (FSDC), pitches for a five-year action plan for financial literacy with initial focus on four sectors — banking, securities market, insurance and retirement planning. The strategy, the draft said, is to undertake a massive financial education campaign to help people manage money more effectively to achieve financial well being by accessing appropriate financial products and services. Financial Literacy is an important aspect and the Universities, colleges should work closely with the regulator and attempt to bring financial literacy in school and college curriculum. Once it is a curriculum in the university and colleges these concept will there will be publications, teaching and testing and in the bargain India will be literate.

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Annexure: Questionnaire

Questionnaire

Please fill the details given below. The data collected will be used purely for academic purpose.

- 1) Name of the Respondent: _____
- 2) Age: _____
- 3) Marital Status: _____
- 4) Who is responsible for day to day decision about money in your household
a) You b) Your Dad c) Your Mom d) Any other family member
- 5) Does Your house have a budget
a) Yes b) No c) Don't Know

For the questions below please indicate the option which best describes you

SA – Strongly Agree, A – Agree, N A/D neither Agree or Disagree, D – Disagree, SD – Strongly Disagree

- 6) Before I buy a something I carefully consider whether I can afford it
a) SA b) A c) N A/D d) D e) SD
- 7) I find it more satisfying to spend money than to save it for long time
a) SA b) A c) N A/D d) D e) SD
- 8) Money is there to be spent
a) SA b) A c) A/D d) D e) SD
- 9) Sometimes I find my pocket money to be inadequate
a) SA b) A c) A/D d) D e) SD
- 10) I have to borrow money from friends as my pocket money gets over before the month end
a) SA b) A c) A/D d) D e) SD
- 11) Equity Markets are like gambling
a) SA b) A c) NA/D d) D e) SD
- 12) Mutual Funds are safe investments as we have a fund manager to manage the monies
a) SA b) A c) NA/D d) D e) SD
- 13) Fixed Deposit is the best investment come what may
a) SA b) A c) NA/D d) D e) SD
- 14) The main aim of any investment is to double your money
a) SA b) A c) NA/D d) D e) SD