GOLDEN RESEARCH THOUGHTS

ISSN: 2231-5063
IMPACT FACTOR : 4.6052 (UIF)
VOLUME - 6 | ISSUE - 9 | MARCH – 2017

# THE ROLE OF FINANCIAL INSTITUTIONS IN AWARENESS ABOUT FINANCIAL LITERACY.

**Dr. Vasanti C. Iyer**
**Director DHB Soni College, Solapur.**

**ABSTRACT :**

*Budgetary organizations incorporate banks, credit association, resource the board firms, building social orders, stock financiers and so forth. These establishments are liable for appropriating monetary assets in an arranged manner to the potential clients. There are various foundations that gather and give assets to the fundamental part or person. Then again, there are a few establishments that go about as the brokers and join the shortage and surplus units. Putting away cash in the interest of the customer is one more of the assortment of elements of money related organization.*

*According to a worldwide overview by Standard and Poor's Financial Services LLC (S&P)- India is home to 17.5% of the total populace. Yet almost 76% of its grown-up populace doesn't see even the fundamental money related concepts. The review affirms that budgetary education in India has reliably been poor contrasted with the remainder of the world. Money related absence of education places a burden on the country as greater expense of monetary security and lesser thriving.*

*Reactions are gathered corresponding to different venture plans recognizable to them. For example, Banking Schemes, Post Offices Schemes, Insurance Schemes, Share Market, Precious metals, Real Estate, Mutual reserve Schemes, Debentures, PSU Bonds, RBI Bonds, Company Deposits and Pension Fund Schemes. Breaking down this information, it is inferred that Investors are favoring conventional plans than new showing up plans. It explicitly shows that endeavors are required for monetary education. Money related education and monetary stability are two key parts of a proficient economy.*


**KEYWORDS :** *1. Money related education 2. Financial specialists 3. Budgetary Institution.*

## INTRODUCTION

Money related Literacy makes interest for Investment Schemes. It quickens the pace of monetary consideration as it empowers Investors to understand the necessities and benefits of the Investment Scheme. All portions of the general public need financial literacy in one way or the other. However, a huge section of our society is monetarily neglected. So money related education programs are vital and ought to principally center on the people who are helpless against relentless descending monetary weights due to lack of understanding of the issues. I find that the essential difficulties in improving the effectiveness of money related proficiency programs is the non accessibility to standardized basic educational plan to be passed on to the objective gathering. Venture Schemes have to design up their hardware for direct of monetary proficiency programs. The goal of lead of monetary proficiency camps is to encourage financial inclusion. It should aim at imparting information to empower money related arrangements, teach sparing propensities and improve the comprehension of budgetary items prompting powerful utilization of financial services by the regular man.

## NEED OF FINANCIAL LITERACY

Money related education should assist financial specialists with planning in advance for their life cycle needs. It should manage surprising crises without resorting to debt. Individuals ought to have the option to proactively oversee cash and keep away from obligation traps. The information gives mindfulness and results in inculcating savings and contributing propensities. Educational inputs should be synchronized with financial administrations. It is to enable the ordinary man to utilize the data effectively to deal with financial matters. It ought to likewise upgrade their economic security. Venture Scheme must view the monetary proficiency endeavors as their future speculations. Individuals ought to be urged to make transactions in these plans.

Awareness about information on different items and giving these products at their doorstep would be the initial step.

## The objective of the Financial Literacy

The objective of the Financial Literacy is to make mindfulness and teach masses in a clear manner about the board of cash, significance of reserve funds, advantages of savings. Applied Knowledge is to be shared among financially deprived individuals during the money related proficiency camps. It should work for bringing into fold the uneducated individuals. The methodology ought to likewise incorporate sorting out all such issues at the earliest. In addition, while sorting out budgetary proficiency items, the involvement of Local Government authorities and other conspicuous people in the region is additionally highly recommended. The Investment Schemes may likewise consider partnering NGOs with proven track record in the field of money related proficiency.

## Various Concepts Related to Financial Literacy

**Income** Cash earned from different sources like compensation, wages and profit from farming or business and so on is our income.

**Expenditure** Cash spent by us on various items is our use. It includes spending money on basic as well as insignificant needs. Let us understand our costs.

**Investment** Arrangement of cash, say out of reserve funds, with the desire to earning higher returns with additional time is speculation. For example acquisition of land, fixed deposit in banks etc.

**Saving** At the point when salary is more than expenses, then we have surplus balance known as savings.

## What is the difference between essential and non essential items of expenditure?

A fundamental item of expenditure is cash spent on basic essential needs. Hence expenses on these things can't be postponed. for example food, shelter, clothes, education of children, wellbeing, and so forth. Spending on items other than basic necessities can be termed as non-essential expenditure. We need these things in light of the fact that we like or appreciate them though however these are not much essential for our endurance.

### How can we manage our money?

We can deal with our cash proficiently by doing money related arranging. As a first step of monetary arranging, we ought to keep up a Financial Diary to keep accounts of our pay and costs for a given period, say a week or a month.

### How can we reduce expenses?

We can diminish costs on a portion of the additional things by spending judiciously. This set aside cash turns into our extra pay for spending on fundamental items without acquiring more. It is extremely simple to understand. Money set aside is cash earned.

### Why should we save?

We should save regularly so that it can be very well be utilized in times where our consumption would be more than our pay and we need extra money to meet expenses like:

1. To meet higher costs on birth, instruction, marriage, buying house, agriculture seeds, and so forth.
2. To meet sudden emergencies like disease, mishap, demise, normal catastrophe. During the crises, investment funds can act as life support.
3. Money is required for lean periods. For example: post retirement when we can't earn any more.
4. Money is required for our old age care like hospitalization etc.
5. Money is needed to purchase something whose cost we can't bear from standard salary.

We can meet the expenses in excess of our earnings from our investment funds and hence savings plays an important role in our lives.

### How can we save when we do not have enough money even to meet our regular expenses ?

The normal answer to this question is that we don't gain enough and hence we can't save. The truth is that everybody needs to save and everyone can save if spending is done wisely. We ought to keep aside a part of our income as savings from the very first moment of our earning life. The significant aspect is that, we should begin saving regularly at an early age of our life, regardless of whether it is a modest quantity or not. If we get some unexpected profit/income, we should save all or its vast majority. This will reduce our worries of future budgetary needs and help us in managing unforeseen expenses.

## FINANCIAL PLANNING

### What is financial planning?

It is an act of assessing our money related needs and our approach to meet them during a specified period in life e.g., birth of youngster, training, purchasing house, marriage, buying seeds, and so on, or to meet emergency situations like illness, accident, death, natural calamities like flood, droughts, etc.

### Why should we do financial planning?

Financial planning enables us to be ready ahead of time our likely costs keeping in mind our rate of income. It helps in two ways, one-we can regularly save a portion of our income for meeting future needs and two-we can cut down expenses on non essential items so as to save for future needs. Hence, we should start financial planning from today itself with the goal to be in a better position to pay off our obligation and build reserve funds for investment in purchase a house or seek higher education with our own funds without having the need to seek borrowed funds. Thus we can attain our objectives with proper financial planning.

**Why to maintain a Financial Diary?**

A Financial diary helps us to do budgetary planning. We would know how much money is being spent on essential things and non-essential needs during a given month. This helps us to distinguish the things on which the expenditure can be reduced. When we know it, we can manage these expenses efficiently. We can save this amount and overcome poverty. Thus by keeping up a budgetary journal, we have an idea as to how much of money is available in savings. Without the journal, we will not be able to quantify our savings and maybe we may spend the whole available money with us without any gauge in place. Financial Diary is thus necessary to keep a track of our expenditure and savings.

## SUGGESTIONS-

**Conduct of Financial Literacy Camps by Financial Institutions-**

All the Financial establishments need to set up an annual calendar of locations for conducting open air Financial Literacy Camps. At every location, the program should be conducted in appropriate structure. Appropriate premises or open spot for conduct of the program has to be recognized in advance. In all programs, the fundamental target of savings and financial planning to be to conveyed to maximum number of persons. It must predominantly concentrate on making the public aware of budgetary planning concepts, personal account and savings among the individuals. Crafted by sorting out, the camp should be taken with the involvement of influential people of the territory like town sarpanch, school teachers or any other person having great compatibility with the region. Themes of such camps should be focused around planning, investment funds, how to maintain financial journal, points of interest of savings, the idea of Business Correspondents. There must desist from informal and casual meetings and educate the people to desist from borrowing and promote the sense of savings through Financial Literacy camps.

## CONCLUSION:

Speculators lean towards customary Investment Schemes. They are unaware of latest venture plans. This reveals that there is need of monetary proficiency. Financial Institutions should organize camps for proficiency of individuals in financial inclusion and financial literacy. Absence of information transforms into loss to individuals.

## REFERENCES:

1. Financial Literacy and Education Commission (23 June 2006). "Taking Ownership of the Future: The National Strategy for Financial Literacy" .
2. "Financial Literacy Education in Ontario Schools". edu.gov.on.ca. Ontario Ministry of Education.
3. Klapper, L; Lusardi, A (2015). "Financial Literacy Around the World".
4. "Financial Literacy – The CQ Researcher Blog".
5. "Hecklinger, Richard E. Deputy Secretary-General of the OECD speaking January 9, 2006 at The Smith Institute, London".
6. Willis, Lauren E. (2008-02-28). "Evidence and Ideology in Assessing the Effectiveness of Financial Literacy Education".
7. Enkhbold, Enerelt (2016). TV drama promotes financial education in Mongolia.