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Importance of Inclusion of Financial Literacy in National Educational Policy: A Study with Salaried Employees in Tamil Nādu

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ABSTRACT

Financial Literacy is a need-for-the-hour concept, to boost investments and increase returns it is indeed to have financial knowledge, attitude, and behavior along with financial literacy, this paper tries to measure the financial literacy levels of employees in south India and to collect insight on individuals' perception of the inclusion of financial literacy in National Education Policy 2020. A survey has been conducted and collected data through questionnaire, percentage analysis, and chi-square has been used to analyze the data. The results say only 31.6% have financial literacy, in that males have a higher rate of financial literacy compared to females. The inclusion of financial literacy in NEP 2020 must be properly enforced so that it can increase public investments and in turn, it improves economic growth more policies and initiatives had to be formulated to educate people on financial literacy.

Keywords: Financial literacy, NEP, salaried employees.

INTRODUCTION

Financial Literacy is the most important concept in the present scenario which will boost public investment and reduces poverty. Financial decisions are based on the level of the financial literacy knowledge of an individual because economic growth and national development are based on financial decisions, financial decisions are not cakewalks because the individual should analyze the market risk, rate of return, market scenario, regulatory frameworks, etc., so financial literacy plays an important role in individual financial planning and financial decisions. Financial literacy is a mix of knowledge, awareness, attitude, skill, and behavior required to make wise financial decisions for individuals' financial well-being.

The level of financial literacy is differently understood by different people based on the stages of life they are in, occupation, level of income, etc., (Remund, 2010). The efforts to measure financial literacy started during the early 1990s in the United States. Numerous studies have brought in different alternative methods to financial literacy, one renowned method is suggested by Lusardi & Mitchell in the year 2005, they designed 3 questions which is known as "The Big Three" question, those questions contain concepts from numeracy related to interest calculations, level of knowledge in inflation, risk diversification. Also, OCED structured a universal and comprehensive questionnaire to measure the financial literacy of adults aged between 18 and 79 in 2011 & 2012. In this study questions from both Lusardi & Mitchell and OCED have been included to measure the financial literacy knowledge of salaried employees in South India.

India is a federal country with different religions, cultures, ethnicities, languages, geographic differences, and climate diversity. India has a very large population and it is necessary for the government to educate them about financial literacy, we have boards like RBI, SEBI, IRDA, and PFRDA to educate the large population about financial literacy, although it is not sufficient and up to the mark, it has been proven in the study conducted by (Agarwalla et al., 2015) so, this paper empirically investigates the individual awareness on financial instruments and investment behavior of individuals in South India and come up to give inputs and initiatives to promote financial literacy.

The impact of financial literacy can be seen through high economic development, increased public investments, less poverty, more employment opportunities, and balanced personal finances in individuals. The study has the following sections, section 2 consists of a literature review, section 3 consists of research methodology, section 4 has data analysis, and section 5 has a conclusion and suggestions.

National Educational Policy 2020

In 1986, our first education policy was formed in Prime Minister Rajiv Gandhi's period, this new Modi government has replaced the 34 years old education policy by approving the New Education Policy (NEP) 2020, the major features of NEP 2020 are, all the educational sectors will be governed under single regulator, M.Phil. has been removed, making board exams more application and knowledge-based, both public and private institutes will have same norms, till class 5 the subjects will be their regional language, all the entrance exams for higher education institutions and universities will be common, included vocational studies, the old 10+2 has been replaced with 5+3+3+4 has been introduced, the grouping will be based on age. Some of the important aspects are,

- There is single regulation for all levels of school education
- Introduced a new curriculum for early childhood care and education
- Importance for base literacy like numeracy for students till class 3
- Changes in school curriculum and pedagogy
- Promotion of local and regional languages
- Changes in assessment reforms: regular and formative assessment replacing summative assessments
- Proposed Equitable and inclusive education – importance for socially and economically disadvantaged
- Changes in teacher recruitment
- Creating standard-setting authorities in States and UT

Changes in Higher Education

The following changes have been made in education policy,

- NEP aims to increase 50% Gross Enrolment Ratio by 2035
- NEP promotes holistic, multidisciplinary, and broad-based UG education
- The Higher Education Commission of India (HECI) will be established as a single and comprehensive body for all higher education.
- NCET will devise a comprehensive national educational framework for teacher training.
- Open and Distance education will play a vital role in boosting Gross Enrolment Ratio (GER)
- MHRD will focus to develop digital content and infrastructure that will boost e- education for higher education and schools
- Occupational education and training to be an essential part of Higher Education and an internship of 10 days in a year will be provided based on the area and region
- NEP aims for a 6% rise in GDP from the current GDP by implementing Financial Education in Higher Education.

Research Problem

Across the world, researchers and policymakers have stated their concern and interest in financial literacy. Taking up a study on financial literacy has helped countries to bring in programs and strategies to promote financial education, so, in India, as a developing country, it is crucial to financially educate people which will help for financial inclusion which means that individuals and businesses make use of affordable financial products and services that helps to meet their needs. Also, it is essential for developing nations like India to include financial literacy in their policies, recently in National Education Policy 2020 importance of financial literacy has been brought in, and this study aims to bring out its impact on financial literacy and inclusion in individuals, and this study, will help, the policymakers to understand the levels of financial literacy in South India and help to take necessary steps for policy formulation.

Research Question

The research questions in the study are as follows,

- Whether there is any impact of socio-demographic factors on financial literacy?
- Is there any relationship between financial literacy and financial inclusion?
- Is socio-demographic factors influencing and affecting understanding of answering the 'Big Three' questions of financial literacy?
- Is our national education policy 2020 given importance to financial literacy?

Objectives of the Study

Primary Objective

To analyze the financial literacy knowledge and to know the importance of inclusion of financial literacy in national education policy

Secondary Objective

- To examine the existence of financial knowledge by using 'The Big Three' questions proposed by Lusardi & Mitchell.
- To analyze the influence of gender and age factors in financial literacy.
- To study the individuals' perception of the inclusion of financial literacy in National Education Policy 2020.

LITERATURE REVIEW

Garima Baluja (Oct 2016) makes research on financial literacy among women in India, financial planning is a major contributor to financial well-being, but women in India are still lagging in financial planning due to a lack of financial literacy, women have several factors like psychological, cultural, financial, and physical barriers that are creating difficulties to become financially literate. The government has taken steps to financially literate women by bringing in policies and centers like Financial Literacy and Credit Counselling (FLCC), Beti Bachao, Beti Padhao Yojana, Sukanya Smridhi Yojana, Pradhan Mantri Jan-Dhan Yojana, Establishment of The National Centre for Financial Education (NCFE), etc. and they say in spite of having so many programs the women in India still stand behind in financial literacy, so they suggest for training, financial awareness and education, better technology, establishing nearby institutions, e-learning, cultural changes, etc.

Shawn Cole et al (2009) analyze the demand for financial services in India and Indonesia, they say financial literacy is a powerful predictor of financial services to test the relationship between literacy and price they have done a field experiment with unbanked households with financial literacy and small incentives like the US \$3 to \$14 for opening a bank account, the results say that financial literacy program has no prospect of opening a bank account in the full sample, in contrast, small incentives has large effects on opening a savings account. These payments are two times more cost-effective than financial literacy programs, but the calculation does not consider the benefits of financial education.

Hanuman Prasad et al (2018) make a study on digital financial literacy in the city of Udaipur. In digital financial literacy the use of internet banking, credit cards, debit cards usage and mobile banking are high and increasing, Indian government also promotes digital finance by promoting various schemes like Jeevan Jyoti Bima Yojna, Pradhan Mantri Jan Dhan Yojna, MUDRA Bank Yojna, Suraksha Bima, BHIM, and the Vittiya Saksharta Abhiyan (VISAKA) also been introduced by Ministry of Human Resource. To measure the digital financial literacy of households in Udaipur a survey was conducted with a well-structured questionnaire and data was collected from 268 samples. The results say that there is awareness about digital platforms, and they say that there is no role for the government in this digital awareness, non-servicing category does not use the digital platform because of unawareness, and they suggest government to develop easy-to-use applications which will help both literates and illiterates.

Financial literacy has a strong association with financial attitude, financial behavior, and financial knowledge says Kamini Rai, Shika Dua, and Miklesh Yadav (2019), they have used the AMOS SEM modeling method to prove the association. They surveyed by circulating a questionnaire structured with factors of financial literacy, financial attitudes, financial behavior, and financial knowledge. The results say financial education is not the only factor to measure financial literacy, but financial attitudes and financial behavior are also important factors in the financial literacy of women, and there is a connection between working women and financial literacy.

Debabrata Jana, Abhijit Sinha, and Arindam Gupta (2019) analyze the effect of demographic and socio-economic variables impact on financial literacy and how it influences the usage of financial services. Data was collected through a questionnaire and samples were determined using the multi-stage sampling method, the results say there is a strong relationship between financial literacy and the usage of financial services. Occupation, marital status, income, and educational qualifications positively impact the financial literacy levels of unorganized sectors in India.

Sumit Agarwal et al (2015) have analyzed financial literacy and financial planning based on the financial advisory program in India, they collected a survey to measure the financial literacy levels of the participants, and the results say that most of them were financially literate based on the questions with interest rates, inflation, and risk or diversification, and differences were found when divided into socio-economic and demographic groups.

METHODOLOGY

The study was conducted from Dec 2021 to May 2022, and a structured questionnaire was circulated to collect the data, the questionnaire was designed based on the attributes to analyze the financial literacy levels of the respondents, The questionnaire includes the big three questions framed by A. Lusardi and O.S. Mitchell in 2011 to measure financial literacy levels of salaried employees in south India. The following data analysis methods were used to analyze the data: percentage analysis, Graphical representations, and chi-square. Cronbach alpha test has been performed to test the reliability of the study and the score is 0.94, the test says the questions are reliable and desired for analysis.

**Financial Literacy
The Big Three Questions**

For measuring the financial literacy of the salaries employees, 3 questions regarding interest rates, inflation, and the stock market have been asked, the correct answers for the questions are Q1) Rs.102, Q2) Less than today's value, 3) False, it is considered that employees who have marked correct answers are considered as financially literate and others who have marked incorrect answers and marked don't know are considered as financially illiterate, also employees who have marked all the 3 as correct answers are considered to be financially literate and employees who have given partial correct answers are financially illiterate.

**Analysis and Interpretation
Financial Literacy in South India**

For Q1 80.4% of the employees answered correctly, for Q2 only 47.2% of the employees answered correctly, and for Q3 only 58.9% of the employees answered correctly, from the above data it is interpreted that people are strong in interest calculation than inflation and stock market analysis. Only 84 of 265 respondents answered all the 3 questions correctly, and only 31.6% are financially literate and capable of answering all the 3 questions correctly.

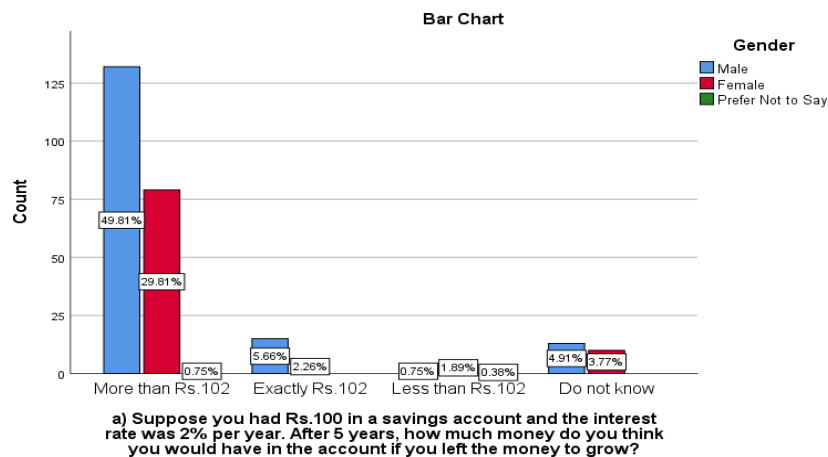
**Chi-Square
Gender**

1)Q1:
H1: There is a relationship between gender and financial literacy Q1

Chi-Square Tests

Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	13.870 ^a	.031
Likelihood Ratio	8.521	.202
Linear-by-Linear Association	1.007	.316
N of Valid Cases	265	

From the above table, it is interpreted as there is a relationship between gender and financial literacy Q1
Q1: Gender: Fig 1



From Fig 1, it is interpreted as 49.8% of the Males answered correctly and only 29.81% of the Females answered correctly, all the other answers are considered incorrect answers.

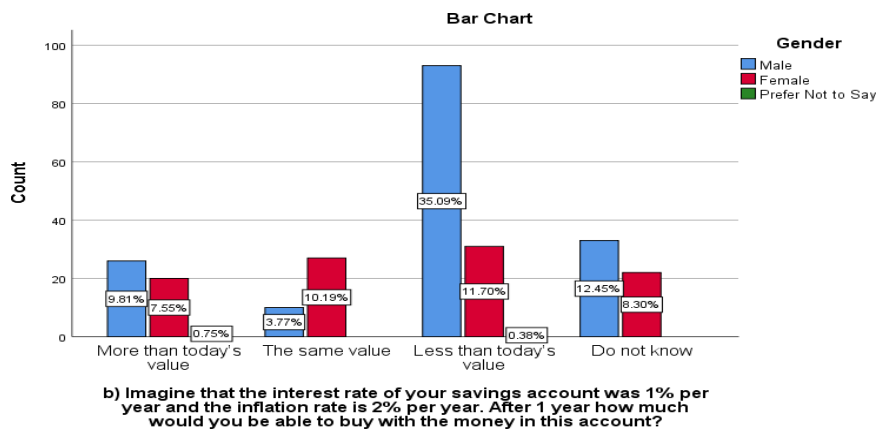
2) Q2:
H2: There is a relationship between gender and financial literacy Q2

Chi-Square Tests

Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	34.088 ^a	.000
Likelihood Ratio	33.317	.000
Linear-by-Linear Association	6.906	.009
N of Valid Cases	265	

From the above table, it is interpreted as there is a relationship between gender and financial literacy Q2

Q2: Gender: Fig 2



From Fig 2, it is interpreted as 35.09% of the Males answered correctly and only 11.7% of the Females answered correctly, all the other answers are considered incorrect answers.

3)Q3:

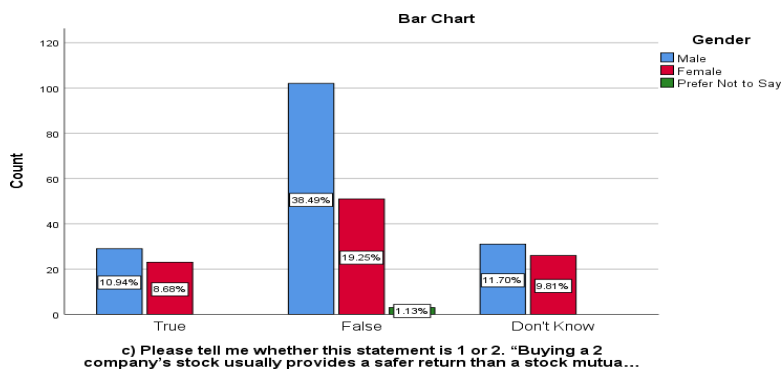
H3: There is a relationship between gender and financial literacy Q3

Chi-Square Tests

Value	df	Asymptotic Significance (2- sided)
Pearson Chi-Square	5.797 ^a	.215
Likelihood Ratio	6.854	.144
Linear-by-Linear Association	.035	.852
N of Valid Cases	265	

From the above table, it is interpreted as there is no relationship between gender and financial literacy Q3

Q3: Gender: Fig 3



From Fig 3, it is interpreted as 38.49% of the Males answered correctly and only 19.25% of the Females answered correctly, all the other answers are considered incorrect answers.

Age:

1) Q1:

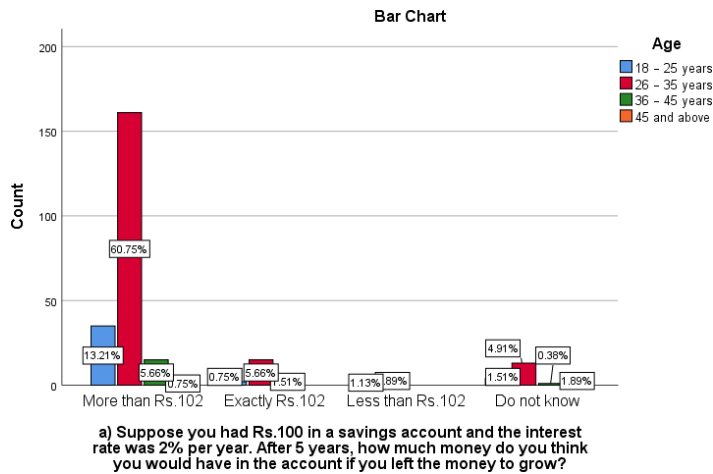
H4: There is a relationship between age and financial literacy Q1

Chi-Square Tests

Value		df	Asymptotic Significance (2- sided)
Pearson Chi-Square	43.452 ^a	9	.000
Likelihood Ratio	24.728	9	.003
Linear-by-Linear Association	5.840	1	.016
N of Valid Cases	265		

From the above table, it is interpreted as there is a relationship between age and financial literacy Q1

Q1: Age: Fig 4



From the above fig 4, it is interpreted that 60.75% of the employees who answered correctly were belong to the age group of 26-35 years

2) Q2:

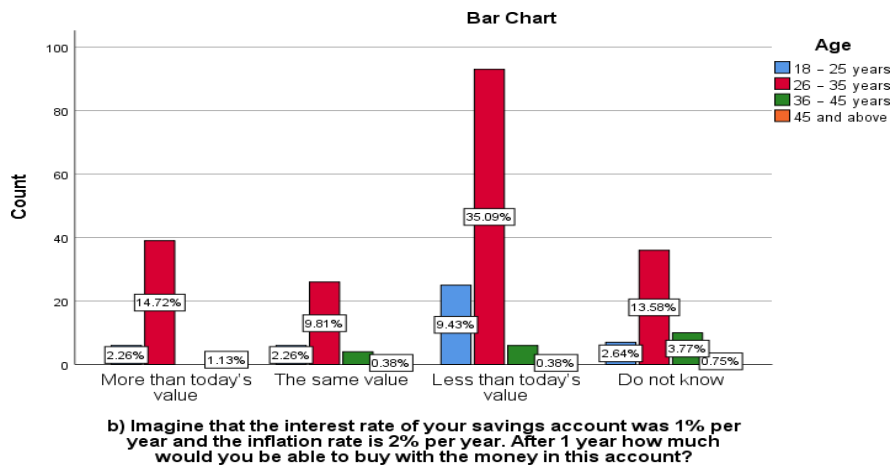
H5: There is a relationship between age and financial literacy Q2

Chi-Square Tests

Value		df	Asymptotic Significance (2-sided)
Pearson Chi-Square	20.614 ^a	9	.014
Likelihood Ratio	21.971	9	.009
Linear-by-Linear Association	.182	1	.670
N of Valid Cases	265		

From the above table, it is interpreted as there is a relationship between age and financial literacy Q2

Q2: Age: Fig 5



From the above Fig 5, it is interpreted as 35.09% of the employees who have answered correct answers belong to the age group of 26-35 years.

3) Q3: Age

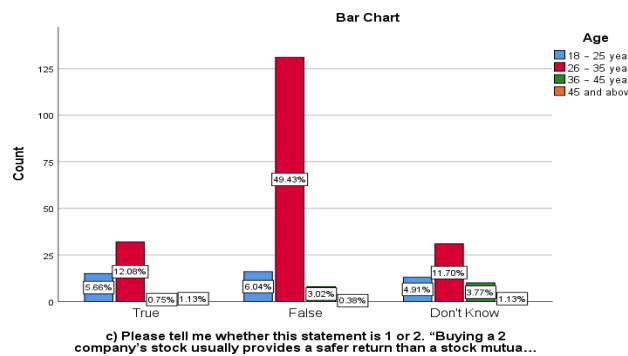
H6: There is a relationship between age and financial literacy Q3

Chi-Square Tests

Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	31.469 ^a	.000
Likelihood Ratio	29.803	.000
Linear-by-Linear Association	2.747	.097
N of Valid Cases	265	

From the above table, it is interpreted as there is a relationship between age and financial literacy Q3

Q3: Age



From the above figures, it is interpreted that 49.43% of the employees who answered correct answers belong to the age group of 26-35 years.

National Educational Policy 2020 and financial education

55.7% of them have given a neutral response to the inclusion and importance given to financial education in National educational policy, from the above literacy analysis in South India it is seen that only 31.6% of them correctly answered the financial literacy questions, so, it is high time to bring interventions in educational policies and include, implement and teach financial literacy concepts in higher education, in NEP 2020 steps have been taken to include financial literacy concepts in higher education if the implementation is planned and executed in a right way, financial literacy rates will increase and it promotes for the better understandings of

financial products and also boosts investments in financial products.

Impact of Financial Literacy in NEP 2020

Impact on the Nation	Male	Female
Increases Public Investment	17.74	6.79
Reduces Poverty	2.64	3.4
Improves Economic Growth	16.6	12.45
Increases Employment Opportunities	7.55	8.30
Balances personal finances	8.30	3.77

From the above table, it is interpreted as 17.74 male employees stated that the inclusion of financial literacy in NEP 2020 can increase public investment, and 16.6% of male and 12.45% of female employees stated that the inclusion of financial literacy in NEP 2020 improves economic growth.

DISCUSSION

It is interpreted that, 61.1% of them are males, 37.7% of them are females, 1.1% have given prefer not to say, 63.4% of them are married, 36.6% of them are singles, 73.2% of them are between 26-35 years, 0% of them were graduates, 45.8% of them were postgraduates, 32.5% of them were earning above INR 60,000, 24.7% of them were earning in-between 15,000-30,000, 40.4% of them belong to IT sector and IT related services, 16.6% of them belong to education and education-related services, 39.9% of them has less than 5 years of experience, 36.9% of them has 5-10 years of experience. From figures 1,2 and 3, it is interpreted that Males have answered correctly all the questions compared to women. As of the above results, it is seen that Males are financially literate compared to Female employees in South India. 29.2% of the employees have stated that the inclusion of financial education in NEP 2020 will encourage people to invest in financial products and in turn, will lead to the economic growth of the country. 24% of the employees stated that the inclusion of financial education will provide knowledge for the people about the available financial products and boosts public investments. From Chi-Square analysis it is interpreted that, there is a high level of gender differences in interest rate calculations and understanding of the inflation rates, in stock market analysis there are only low differences between males and females and employees from the age group 26-35 years have correctly answered the questions compared to other age groups, so employees aged between 26-35 years have better financial knowledge compared to other groups. In a study conducted by Monika Dwivedi et al (2015), the results say that 23% of men are financially literate whereas only 16% of women are financially literate, which indicates that men are 1.5 times more financially literate than women. Working youth in urban India have inferior financial knowledge, attitude, and superior behavior, and need interventions to improve their knowledge and behavior, India has an average score of in financial knowledge in a conducted survey, India is below the average score of for the 14 countries in the OECD INFE study Sobhesh Kumar Agarwalla et al (2015).

SUGGESTIONS

- The rate of financial literacy for females compared to males are low, so initiatives must be taken to make females financially literate and make them understand the financial products that help them to yield good returns.
- The rate of financial literacy levels is only 31.6% in India, so policies should be devised to increase the financial literacy rates
- The inclusion of financial education in NEP 2020 is a good initiative by the government to develop financial knowledge right from higher education
- The inclusion of financial education must not only be theoretical but also encourage students to go for practical sessions by investing in financial products
- Financial education to students will increase their knowledge about products and it will boost public investment, public investment paves way for economic growth and employment opportunities.

CONCLUSION

This study presents new evidence that financial literacy is an important factor for economic growth and positive financial behavior by the public in the developing economy. Financial literacy works well with 3 main factors, they are, financial knowledge, financial behavior, and financial attitude. Financial education is not the only element of financial literacy, but financial attitude and financial behavior are also significant to have a positive effect on financial literacy (Kamini Rai et al, 2019). The research analysis and results provided the further scope of improvement of financial literacy for men and women in South India, the findings suggest that financial literacy authorities in India should focus more on increasing knowledge about inflation and portfolio

management because 80% of them correctly answered the question about interest calculation. In this financial world, changes are inevitable so, it is essential to create awareness for financial literacy as it can reduce the chances of being misled in the investment decision.

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