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Towards a Smart and Secure Future: Embedding Financial and Digital Education in Indian Education Landscape

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ABSTRACT

Educating an individual is the first step towards better living standards, purposeful, and productive utilization of the skills and thus promoting the overall development of an individual along with national progress. Education is an ongoing learning process that is going through tremendous reforms according to the changing needs of society and the economy. Over time, the Indian education system has evolved into a practical one from being just theoretical. The present Indian educational system is the result of several modifications and additions made to it according to the needs of the changing time. One such need that the present economic scenario is imposing, is to educate people about money-related concepts, procedures, functions, products, and services. The need is to specifically focus on providing financial and digital education as a subject in the school curriculum because the cognitive power among students is more at this age. Financial education means developing a person's knowledge, awareness, skills, attitude, and behavior about financial concepts. Digital education educates people about using digital tools and online platforms, such as payment apps, mobile wallets, internet banking, debit and credit cards, etc. It also includes making people aware of online scams, and frauds and providing them with ways to tackle such situations. This paper includes the benefits of introducing financial and digital education in the Indian education system. It covers the concept of financial and digital education, its needs, and benefits. Along with this, the challenges in the way of providing financial and digital education are also explained in detail.

Keywords*: Financial Education, Digital Education, Knowledge, Attitude, Behaviour.*

Introduction

Education is a continuous and never-ending process. It brings about a permanent change in a person’s thinking capacity through modification of behaviour. Since British times till now, a plethora of changes have taken place in the Indian education system. Before British rule, India had its own traditional educational systems like *Gurukulas* and *Madrassas*. As the East India Company came to India with a profit motive, they didn’t bother much about improving the education system in India. But after 60 years of rule, they started modifying the educational structure of India according to their own needs. The administration of land was the major area of concern for the Britishers at that time. In order to understand the local customs and laws, the British government wanted educated Indians who would act as an interpreter between the government and the masses. Due to the immense demand for clerks and other administrative roles in the company’s functioning, they established the Calcutta Madrassa in 1781 to teach Muslim laws and Sanskrit College for Hindu philosophy and laws.

Slowly and gradually, with the changing times, moving from educating upper and middle-class people to educating females, the education system changed. Scientific, technological, and industrial education was also introduced into the Indian education system. The industrial sector gained importance in 1967, which led to the establishment of IITs. These transformations greatly impacted the teaching-learning processes and ultimately changed the student’s perspective toward education. Then, the attention switched to human capital formation and increasing production. Thus, with time, the Indian education system evolved into a more practical one. The government focused on promoting practical learning through vocational courses. The school curriculum was also modified as per the changing needs. The importance and prevalence of technology and its spread into almost every field of the economy made it imperative to introduce it to the students from the school itself. Therefore, computer education was introduced at the school level. Environmental concerns such as degradation, soil erosion, deforestation, global warming, etc. raised concerns regarding introducing environmental education as a compulsory subject at primary and even higher education levels. Considering the context of Punjab, the addiction of youth towards drugs made "Drug Abuse: Problem, Management and Prevention" a compulsory subject at the higher education level.

Over time, the economy of India is growing at a decent pace with improvements and developments in all the sectors of the economy, such as agriculture, industrial sector, services sector, financial sectors, trade, etc. The rapid growth of all the sectors of the economy resulted in the rise in the national income from 2.7 lakh crore in 1947 [1] to 181 lakh crore in 2019-2020 [2]. As a result, per capita income also increased significantly. With increased income in hand, people have more purchasing power. Therefore, there is a need to judiciously utilize the surplus income among consumption, saving, and investment for the financial well-being of a family, society, and economy. This has increased the financial responsibilities of individuals. Therefore, besides general education, financial education is considered as an important need of the present time.

Before Independence, the literacy level of India was very low i.e. just 16.1% up to 1941[3]. But over time, through the focused policies and efforts of the government to improve the level of education, the literacy level rose to 74.04% in 2011 (Census, 2011) [4]. This improved general literacy did not result in improved financial literacy level. Literacy in finance remained very low with only 24% of individuals financially literate (S&P Global Fin Lit Survey, 2015) [5]. NABARD (2016-17) measured the financial literacy position of the Indian population and found that just 11.3% of the population is financially literate [6]. The National Centre for Financial Education (NCFE) divides financial literacy into three components, viz. financial knowledge, financial attitude, and financial behaviour. Based on these indicators, NCFE reported that the level of financial literacy is very low in India with only 20% of its population as financially literate [7]. The result of all these reports show that the level of awareness and knowledge of people regarding finance is alarming in India. This low level of financial literacy stresses the need to introduce the concept of financial education in the Indian education system. Moreover, to reduce the circulation of fake currency and to introduce transparency in financial transactions, the government is promoting a cashless economy through the use of e-wallets, payment apps, internet banking, etc. But the introduction of these technological tools to ease out the financial transactions, easy transfers, and withdrawal of funds, has also resulted in online frauds, scams, and scandals. To develop financial understanding and to escape people from financial fraud, they must be financially and digitally literate. The need of the present time is to introduce the concept of financial and digital education at the school level to enhance the knowledge, understanding, and financial skill development among students in the early stages of their life. This would help them to develop an interest and understanding of financial concepts in practical life instances.

What is Financial Education?

Financial education is the knowledge about various financial aspects such as budgeting, savings, investments, interest rates, financial assets, basic working of financial institutions and governmental financial schemes and policies, etc. Financial education is defined as a combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve financial well-being [8]. Financial education plays a very important role to improve the financial well-being of an individual and helps him to understand basic money-related concepts, financial terms, and conditions and thus safeguard them from unpredictable risks and frauds. Financially educated persons can better avail the advantages of financial products, services, and government schemes targeted to improve their financial condition and reduce financial vulnerability. The agenda of promoting financial education is to raise the inclusion level of the masses into the formal banking system.

Financial education is the basic and most needed concept to perform financial activities, such as saving efficiently, making investments, taking loans, purchasing shares and stocks, buying assets, repaying debt, etc. The financial literacy level of a person can be judged by his level of financial awareness, knowledge of basic financial concepts, and government policies meant for improving financial well-being. For the measurement of financial literacy, the financial behavior of an individual which includes his financial planning, budgeting, saving or consumption pattern, risk preferences, etc. also plays a very important role. NCFE has divided financial literacy into three components, that are, financial knowledge, financial attitude, and financial behavior.

- **Components of Financial Education:** The three components of financial education are explained below:
  - **Financial Knowledge:** It is knowledge about basic economic concepts like the rate of interest, inflation, the purchasing power of money, risk-return relationship, etc. It is the understanding of interest rate calculations while taking loans, or paying installments, compound interest rate calculations, understanding the concept of inflation, changes in the prices and the resultant change in the purchasing power of money, the division of money into different productive assets, knowing about the risks and returns while investing money and deals with the diversification of risk to end up with maximum possible return or profit, etc.
  - **Financial Attitude:** It is concerned with the attitude of an individual towards managing financial affairs. It includes their attitude regarding enhancing their knowledge about financial matters, consumption and saving habits, timely payment of bills, readiness to take risks while investing, etc.
  - **Financial Behaviour:** Financial behavior of an individual is related to their management of household budget, decisions regarding saving and investing money, behaviour towards the selection of financial products and services, setting long-term financial goals and striving to achieve them, etc.

Besides these three components, financial education also includes the skills required for performing financial activities, making hassle-free transfers, using mobile banking, awareness regarding the recent schemes for financial improvement, etc.

Central and state governments and various financial regulators, institutes, and educationalists are contributing towards spreading financial education. The Financial Stability and Development Council (FSDC) formulated a national strategy for financial education in 2012 to spread financial awareness among people. Other financial regulators viz. Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA), Reserve Bank of India, and Securities and Exchange Board of India (SEBI) have jointly set up the National Centre for Financial Education (NCFE). RBI also launched its 'Project Financial Literacy' in 2014 to promote awareness regarding money matters. It was mainly focused on dispersing information regarding the central bank and basic financial concepts to college students, women, rural and urban poor, defense personnel, senior citizens, etc. The Central Board of Secondary Education (CBSE), in 2012, agreed upon including financial education in the school curriculum, as suggested by the Reserve Bank of India.

What is Digital Education?

With the changing time and advancement of technology, the world is moving ahead towards a cashless and digital economy through the use of credit cards, debit cards, internet banking, online shopping using mobile phone wallets, etc. Digital literacy is a multi-dimensional concept. It includes knowledge of digital financial products and services such as mobile phones and the internet and awareness of digital financial risks and knowledge of tools to safeguard these risks [9]. Digital education is an effective means of reaching the unbanked, saving time and energy, and increasing financial transparency, but its use must be accompanied by needed financial education. The digital banking system was set up for the purpose of providing convenient transactions to the customers, curbing the issue of fake currency notes, promoting more transparency in transactions, and for real-time services to consumers. The government of India has also launched the initiative of 'Digital India' to promote a cash-free economy. But these initiatives could reap benefits and achieve the digitization objective only with the help of financial and digital literacy.

- **Components of Digital Education:** There are four components of digital education [10] and these are explained below:
  - **Knowledge of Digital Financial Products and Services:** This includes a basic understanding of digital financial products and services, such as the internet and mobile phones. These services fall into four categories:
    - Payments: Electronic money, mobile phone wallets
    - Asset Management: Internet banking, personal financial management
    - Alternative Finance: Crowd-funding, peer-to-peer lending

- Others: Internet-based insurance services.
- **Awareness of Digital Financial Risks:** Users must be aware of online fraud and cybersecurity risks.
  - Phishing: When hackers divulge personal data of the consumers, like usernames, emails, etc.
  - Pharming: When a virus redirects the user to a false page and divulges personal information.
  - Spyware: When malicious software is inserted into personal computers and transmits personal data.
  - SIM Card Swap: When someone poses as the user and obtains SIM cards and private data.
- **Digital Financial Risk Control:** It is about protecting the users from the risks as phishing, spamming, and protecting the PIN (Personal Identification Number).
- **Knowledge of Consumer Rights and Redress Procedures:** The users who fall victim to the risks mentioned above, should understand their rights and know where to go and how to obtain redress.

The Need for Financial and Digital Education

Financial and digital education are urgent needs of the present time. It is mainly needed for financial inclusion, promoting a cashless economy, time and energy efficiency, enhancing transparency, etc. The need for financial and digital education is explained below:

- **Promotes Financial Inclusion-** The knowledge about financial concepts can bridge the gap between the access and use of financial services. Improved financial literacy is the need of the hour to reduce the gap between the availability and use of financial products and services, thus promoting financial efficiency. Cohen and Nelson [11] pointed out that increased access to financial services and better availability of a wide range of product choices do not automatically transform into better uses. Effective use is negatively impacted by information asymmetries and power between financial institutions and poor consumers. This imbalance or the gap tends to increase, as the customers are least experienced and the products are more complex. This reflects the need for financial education as a major contributor to financial inclusion. Tony and Desai [12] examined a significant correlation of about 65.8% between digital financial literacy and digital financial inclusion. That means digital financial literacy facilitates the level of digital financial inclusion. Banerjee et al. [13] also suggested that financial awareness could facilitate financial inclusion by boosting up the usage level of financial products and services. Financial education is recognized as an important aspect of the economic inclusion of the masses, where the physical setup of bank branches is not feasible. Digital technology can make financial services border less, allowing access to a wide range of financial products and services at a minimal cost. The ultimate aim of improving and enhancing the use of digital financial tools is to include the vulnerable and unbanked sections of society in the formal functioning of the economy. It will provide safe, secure, affordable, and convenient banking services to poor people. With this ease in financial transactions, digital finance also has the potential to promote small, medium, and large businesses, thus ultimately promoting economic growth.
- **Promoting a cashless economy-** Financial and digital education are needed to promote a cashless economy. The use of digital finance will also reduce the risk of the circulation of fake currency. That is why; the government of India is promoting cashless transactions through online mediums such as mobile wallets, internet banking, payment apps, ATM cards, etc. Another benefit of moving towards cashless or digital money is the ease of transferring, borrowing and withdrawing money with no time-lapse. Along with these consumer benefits, digital transactions will also provide more tax revenues to the government. The need for digital transactions has been further realized during the Covid-19 pandemic with nationwide lockdown and the standstill in all sectors of the economy.
- **Ease and Convenience-** The vast digital technologies such as mobile wallets, internet banking, mobile banking, mobile applications, etc. are needed for ease and convenience in performing financial transactions. A person can send or receive money from their family or friends from far-over places within no time. They can open their own savings banking accounts, make

investments, make fixed deposits, recurring deposits by using these digital modes even while sitting at their homes.

Benefits of Financial and Digital Education

Financial and digital education is very beneficial in the current economic scenario. The major benefits are explained below:

- The increased access to financial and digital education will ultimately lead to the inclusion of unbanked masses into the formal banking system. This inclusion or access to financial services for the poor and unprivileged people will end up in providing them the basic financial help to promote their well-being and will ultimately boost economic welfare.
- Online financial transactions will increase convenience and transparency in financial activities. Digital technology will make financial services border-less, timeless, and paperless. It will save time, increase efficiency, and will help to curb the circulation of fake currency notes. This will further enhance the tax revenues of the government of the country.
- Another benefit of increasing financial and digital education among individuals is to improve efficiency while performing financial services. The online and computerized process of executing financial services will lead to fewer mistakes and calculation errors, which would promote financial efficiency.

By being financially and digitally aware and educated, people would be able to avoid financial frauds and scams by carefully reading the terms and conditions while making any financial transaction or agreement.

Scope of Financial and Digital Education

The scope and relevance of providing financial and digital education to individuals are explained as below:

- Larger availability of internet and broadband services helps in expanding the outreach of financial services. According to market research firm techARC [14] as of 2019, 77% of Indians have access to wireless internet services through smartphones. But on the other hand, only 24% of individuals are financially educated to perform digital functions. Therefore, the scope of spreading financial and digital education through these technological devices is very bright. Therefore, to make proper use of the available digital gadgets, the government should bring more policies and schemes focusing on spreading knowledge about digital finances.
- The demographics of India reveal that India has a major proportion of the young population, which means India has more innovative and young minds. Statista [15] shows that in India 67% of the population is in the age group of 15 to 64 years, i.e. the working age. That provides a better scope for enhancing financial education among them, which will ultimately lead to greater financial inclusion and economic growth.

Challenges in the way of Digital Financial Education

The government of India is trying to make India a digital hub, but there are several challenges in this way.

Being in the initial stages of development, India’s financial market system is not much developed. Besides the online platforms, physical financial markets are also not fully advanced.

The low level of general literacy of individuals also poses a great threat to the development of digital services, as an illiterate person would not be able to use the online platforms. Lower financial literacy is adding up to the problem and further works as a roadblock in the way of financial and digital literacy.

The Indian economy is a rural economy. The major proportion of India’s population resides in villages. The rural areas of India are not fully equipped with internet facilities, thus will pose a threat to the development of the digital economy. Along with that, the rural economy is an agrarian economy, with a lower literacy rate, which is also adding up to the problem.

Impact of Demonetization and Covid-19 on Digital Payments

The trend of digitization and the development of technologies is heading the banking industry towards digital banking, which includes making financial transactions online using various digital payment platforms such as UPI payments, payment applications, debit and credit cards, etc. But out of the limited knowledge of digital platforms, people were more inclined towards using traditional financial methods. A survey by Avaya Banking [16] in 2017 showed that only 51% of the Indian population preferred using online banking channels. But in December 2016, the government suddenly restricted the legal tender status of the available currency notes of Rs. 500 and 1000. An abrupt change in the use of the currency as a legal tender left people helpless and forced them to opt for online transactions and payments. This gave a positive boost to online payments and a cashless system in India. During that time, the government promoted and encouraged various digital platforms such as IMPS (Immediate Payment Service), AEPS (Adhaar Enabled Payment System), UPI (Unified Payments Interface), BHIM (Bharat Interface for Money), BBPS (Bharat Bill Payment System), etc. and paved the way for the digital payment system. Joshi and Desai [17] analyzed the usage of different modes of digital payments before, during, and after the demonetization period and found a significant increment in all the modes and total amount after demonetization. Besides digital transactions, ATM cash withdrawal, cheque clearing, IMPS, RuPay card usage, transactions over Micro ATM, etc. significantly increased in volume and in terms of value in rupees after the ban of legal tender notes. Bhakta [18] found out that online digital payments grew by 57% in the financial year 2017. Whereas the usage of mobile wallets was more than doubled and card payments increased by 44% during that period. The COVID-19 situation has also promoted the use of digital platforms for making financial transactions. The data by Sabhaya [19] revealed that 63% of the people found to be more inclined to use different digital applications for undertaking financial transfers and other functions than before COVID-19. According to a report [20] by a fin-tech platform Razorpay, UPI kept on being the most favored mode and its usage grew by 43 percent, while utilization of cards was up by 40% and netbanking by 10%. Mobile wallet transactions such as AmazonPay, JioMoney, and Paytm saw a spike owing to increased contributions towards PM-CARES Fund and cashback offers.

Conclusion

Education leads to the all-around development of individuals. It forms the basis of human understanding and helps them to raise their living standards and lead a more responsible and managed life. As change is the unchanging law of nature, this law also applies to the education system of a country. The traditional Indian education system was very theoretical and is going through many changes with the need of time. In the present scenario, one such need is to introduce financial and digital education from the schools themselves. India has a large young population, therefore, financial and digital education is very needed. Though the expanded mobile and internet usage has enhanced the opportunities in the way of spreading financial and digital education, the rural nature of the Indian economy, widespread illiteracy, less developed financial market and shortage of financial infrastructure would pose severe challenges. But the need of the hour is to introduce this essential education as a part of the school curriculum to promote financial and digital literacy.

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