International Journal of Multidisciplinary Research in Science, Engineering, Technology & Management (IJMRSETM)

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

Transforming Financial Inclusion : Exploring The Impact of Payment Banks on Access to Banking Services

KUSHAGRA SINGH NEGI

ASSISTANT PROFESSOR, EAFM, DRJ GOVERNMENT GIRLS COLLEGE, BALOTRA, RAJASTHAN, India

ABSTRACT: Financial inclusion is the availability and equality of opportunities to access financial services.[1] It refers to a process by which individuals and businesses can access appropriate, affordable, and timely financial products and services which include banking, loan, equity, and insurance products.[2][3] It is a path to enhance inclusiveness in economic growth by enabling the unbanked population to access the means for savings, investment, and insurance [4] towards improving household income and reducing income inequality[5]

Financial inclusion efforts typically target those who are unbanked and underbanked and direct sustainable financial services to them.[2] Financial inclusion entails going beyond merely opening a bank account. Banked individuals can be excluded from financial services.[6] Having more inclusive financial systems has been linked to stronger and more sustainable economic growth and development, thus achieving financial inclusion has become a priority for many countries across the globe.[7]

In 2018, about 1.7 billion adults were estimated to lack a bank account.[8] Among those who are unbanked a significant number are women and poor people in rural areas and often those who are excluded from financial institutions, face discrimination and belong to vulnerable or marginalized populations.

KEYWORDS-transforming, payment banks, banking services, economic, growth

I.INTRODUCTION

Due to the lack of financial infrastructure and financial services many underserved and low-income communities suffer. Specifically, the lack of proper information can harm low-income communities and expose them to financial risks. For instance, payday loans target low-income persons who are not adequately informed about interest rates and compound interest. They become trapped and indebted to these predatory institutions.[1,2,3]

The public sector spearheads outreach and education for adults to receive free financial services such as education, tax preparation, and welfare assistance. Non-profit organizations dedicate themselves to serving underprivileged communities through private resources and state funding. Within California, state legislation allows for grants to be disbursed during the fiscal year and non-profits can apply for additional funding. Bill AB-423 is an example of the state recognizing the lack of financial inclusion of young adults, the bill encourages pupil instruction and financial literacy lessons to begin as early as grade 9.

While it is recognized that not all individuals need or want financial services, the goal of financial inclusion is to remove all barriers, both supply side and demand side. Supply side barriers stem from financial institutions themselves. They often indicate poor financial infrastructure, and include lack of nearby financial institutions, high costs to opening accounts, or documentation requirements. Demand side barriers refer to aspects of the individual seeking financial services and include poor financial literacy, lack of financial capability, or cultural or religious beliefs that impact their financial decisions.[9]

There is some skepticism from some experts about the effectiveness of financial inclusion initiatives.[10] Research on microfinance initiatives indicates that wide availability of credit for micro-entrepreneurs can produce informal inter-mediation, an unintended form of entrepreneurship.[11]

The term "financial inclusion" has gained importance since the early 2000s, a result of identifying financial exclusion and it is a direct correlation to poverty according to the World Bank.[12] The United Nations defines the goals[13] of financial inclusion as follows:

- Access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance.

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

- Sound and safe institutions governed by clear regulation and industry performance standards.
- Financial and institutional sustainability, to ensure continuity and certainty of investment.
- Competition to ensure choice and affordability for clients.

Former United Nations Secretary-General Kofi Annan, on 29 December 2003, said: "The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge is to address the constraints that exclude people from full participation in the financial sector. Together, we can build inclusive financial sectors that help people improve their lives."

In 2009, former United Nations Secretary-General Ban Ki-moon appointed Queen Máxima of the Netherlands as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), housed in the United Nations Development Programme (UNDP). As the UN Secretary-General's Special Advocate, Queen Máxima is a leading global voice on advancing universal access to and responsible usage of affordable, effective and safe financial services.

Since 2011, more than 1.2 billion people have gained access to financial services—and therefore have a better chance to transform their lives. Leading up to the adoption of the Sustainable Development Goals (SDGs) in 2015, the UNSGSA and UN member-state partners worked to ensure financial inclusion's strong presence within the agenda. As a result, financial inclusion is now referenced in seven of the 17 goals as a key enabler for fulfilling the SDGs, and the General Assembly has passed a resolution stressing its importance.

Over the last five years financial inclusion has made strong strides forward: 515 million more people gained access to financial services between 2014 and 2017;[14] 50+ countries have adopted financial inclusion plans and strategies; the major global regulators—the standard-setting bodies (SSBs)—now regularly meet for the purpose of addressing financial inclusion; and, growing research is showing strong links between financial inclusion and major development goals.[15]

Measurement of Financial Inclusion[4,5,6]

Several surveys and datasets have worked to measure various aspects of financial inclusion including access and usage of financial services.[14][16][17] Some sources, such as the World Bank's Global Findex database or the Gates foundation's Financial Inclusion Tracker Surveys are household surveys attempting to measure usage of financial services from the consumer's perspective.[14] Other data sources like the International Monetary Fund's Financial Access Surveys focus more on the firm side, measuring the supply of financial institutions in a country.[16] Still others focus more on the regulatory environment for financial access, such as the GSMA's Mobile Money Regulatory Index, or the World Bank's, now defunct, Doing Business Report.[17][18]

These data have been used in a range of ways, from donor organizations, such as the Millennium Challenge Corporation incentivizing country governments to do more to improve financial inclusion, to individual countries better understanding where they need to target interventions.[19][20] The United Nations uses two of these indicators (from Findex and the Financial Access Surveys) to measure Sustainable Development Goal 8.10.[21]

Initiatives by country

Financial inclusion in the Philippines

Four million unbanked Filipinos are seen to benefit from the nascent credit scoring industry, a development that is seen to serve the people that is classified at the bottom of the economy an easy access to credit once the service is available to the public. Marlo R. Cruz, president and chief executive officer of CIBI Information, Inc. (CIBI) as one of the accredited credit bureaus in the Philippines, highlighted that this is expected to unlock much economic potential in sectors of the economy that are crucial for inclusive growth.[22]

As per Cruz, "Many people still do not realize that the value of having a credit opportunity is synonymous to generating financial power. Creditworthiness is the same as to owning a keycard that can be used in navigating to the society of better possibilities."[23]

The Bangko Sentral ng Pilipinas (BSP) reports on Financial Inclusion Initiatives and Financial Inclusion in the Philippines summarizes the country's accomplishments and significant milestones in financial inclusion. These reports show that 4 out of 10 Filipinos saved money in 2015 (up from 2 out of 10 in 2009). Among Filipino adults, 24.5% never saved and only 31.3% (up from 26.6%) have an account at a formal financial institution. The lack of enough money was cited as the main reason for not having a bank account.[24] While there has been significant progress, much more must be done.

As an emerging country with a sizeable number of people living in poverty, access to financial services is an important challenge. Based on a March 18, 2016, report from the Philippine Statistics Authority, the country's 2015 poverty

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

incidence (the proportion of people below the poverty line versus the total population) is at 26.3% while the subsistence incidence (the proportion of Filipinos in extreme or subsistence poverty) is at 12.1%. This means that there are around 26 million Filipinos who are still living below the poverty line.

Financial inclusion in India

The concept of financial inclusion, extending financial services to those who typically lack access, has been a goal for the Government of India since the 1950s.[25]

The nationalization of banks, which occurred from the mid-1950s to the late 1960s, culminating in 1969 with the nationalization of 14 commercial banks by Prime Minister Indira Gandhi, brought banking facilities to previously unreached areas of the country.[26] The "branching" of banks into rural areas increased lending for agriculture and other unserved rural populations and Indira Gandhi spoke of it as a tactic to "accelerate development" and to address poverty and unemployment.[27]

The Lead Bank Scheme[7,8,9] followed nationalization as a way to coordinate banks and credit institutions by districts to more comprehensively ensure that rural areas had their credit needs met.[28] In 1975, the Government of India followed this with efforts to specifically reach rural areas by establishing Regional Rural Banks (RRBs) meant to exclusively meet demand in the rural economy and the number of RRBs has significantly increased over the years.[29]

By the early 2000s, the term 'financial inclusion' was being used in the Indian context. In 2004 the Khan Commission, created by the Reserve Bank of India (RBI), investigated the state of financial inclusion in India and laid out a series of recommendations.[30] In response, RBI Governor Y. Venugopal Reddy, expressed concern regarding the exclusion of millions from the formal financial system and urged banks to better align their existing practices with the objective of financial inclusion in both his annual and midterm policy statements.[31][32] The RBI has continued in its efforts in conjunction with the Government of India to develop banking products, craft new regulations, and advocate for financial inclusion.

Since financial inclusion was established as a priority for the GOI and RBI, progress has been made. Mangalam, Puducherry became the first village in India where all households were provided banking facilities.[33] States or union territories such as Puducherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts.[34] The Indian Reserve Bank vision for 2019 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT. However, illiteracy, low-income savings, and lack of bank branches in rural areas remain a roadblock to financial inclusion in many states, and there is inadequate legal and financial structure.[35]

Financial sector strategies

In India, RBI initiated several measures to achieve greater financial inclusion. These rely on the efforts of the financial sector. These initiatives include no frills accounts (NFAs), now known as basic savings bank deposit accounts (BSBDAs) can be opened with zero or minimal balances, removing a cost barrier to banking. Banks are also meant to charge minimal overdraft fees on NFAs.[36] The RBI continues to change and relax policies regarding these accounts in an effort to better serve bank customers.[37]

Know-your-customer (KYC) requirements for opening bank accounts were relaxed for small accounts in August 2005, eliminating a documentation barrier to banking. The new procedure only requires an introduction by an account holder who has been subjected to the full KYC screening.[38] Additionally, banks were permitted to accept more easily produced forms of documentation for proof of identity and address.[10,11,12]

The business correspondents (BC) model was launched in January 2006, when the RBI permitted banks to engage intermediaries in the banking process.[39] This model enables banks to service neglected areas by allowing intermediaries to facilitate transactions and deliver other banking services directly.[40] Originally, a fairly limited number of entities, including NGO's and certain microfinance institutions were eligible to act as BCs, however in 2010 the list was expanded to include for-profit companies[41] In 2018, operators of Common Service Centers(CSCs) who work with local governing gram panchayats also began working as BCs to further improve penetration of banking services.[42]

Expansion financial technology, or fintech, has been proposed as an effective strategy to achieve financial inclusion. While incorporation of technology does pose some risks, it is being used to deliver banking services to those in rural and remote areas who are typically unserved.[43] The United Nation 2030 Agenda for Sustainable Development (UN-2030-ASD) and the G20 High-Level Principles for Digital Financial Inclusion (G20-HLP-DFI) describes the importance of using Fintech to reduce financial exclusion and income inequality which means that the financial inclusion through Fintech may shows significant signs on the reduction of inequality.[44] Banks have been advised to make effective use of information and communications technology (ICT), to provide banking services to people directly through the BC model where the accounts can be operated by even illiterate customers by using biometrics,

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

thus ensuring the security of transactions and enhancing confidence in the banking system. In 2018 the World Bank and International Monetary Fund (IMF) launched the Bali Fintech Agenda to provide a framework for domestic policy discussions around deepening access to financial services in a variety of different contexts.[45]

Unique credit cards are now offered by banks, the most popular being general purpose credit cards (GCCs), and Kisan credit cards. These unique cards offer credit to those in rural and semi-urban areas, farmers, and others with adjusted collateral and security requirements with the objective of providing hassle-free credit.[38]

Electronic benefit transfer (EBT) is being implemented by banks at the advice of the RBI with the goal of reducing dependence on cash, lowering transaction costs, and address corruption.[46]

Increasing the number of rural banks remains a priority for the RBI. In 2009, the RBI relaxed previous policies requiring authorization before opening new branches in the hopes that simplified authorization would increase branches in underserved areas. Beginning in 2011 the RBI required 25% of new branches opened in a given year be in unbanked rural areas centers to ensure a more even spread of banking facilities.[47]

The self-help group (SHG) linkage model has also been proposed to improve financial inclusion by linking community groups to the formal banking sector through government programs, credit cooperatives, NGOs, or other microfinance institutions. Group-based models in which members pool their savings have also been seen as tools for social and economic empowerment, particularly when women are leaders and participants.[48][49]

Government policy strategies

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is meant to provide supplemental employment at a guaranteed minimum wage and facilitate financial inclusion to empower women and rural laborers.[50] While achieving financial inclusion is not its main goal, the program directly deposits wages into bank accounts as a way to limit corruption, speed delivery of benefits, and connect wage laborers to bank accounts.[51]

The Pradhan Mantri Jan Dhan Yojana policy scheme was announced by Prime Minister Narendra Modi in his 2014 Independence Day Speech and launched in August 2014 in an effort to provide "universal access" to banking through the creation of basic banking accounts that come with other basic financial services.[52] Modi informed all Indian banks of the initiative and declared it a national priority.[53] On the inauguration day of the scheme, 1.5 crore (15 million) bank accounts were opened and since then, more than 18 million bank accounts have been created.[54]

In 2016, the Government of India instituted a sweeping demonetization policy in an attempt to stop corruption and the flow of black money. This move forced people to deposit their money into banks or see its value evaporate, with the goal of integrating citizens into a cashless and taxable economy and banking system.[55] While India has seen new bank accounts continue to open in the wake of this policy change, and an overall increase in use of digital payment systems and other financial services, the policy change caused an extreme disruption to the financial system and debate continues on its efficacy.[56]

Measuring financial inclusion

Readily available data outlining gaps in access and contextualizing the situation of financial inclusion is necessary for both service providers and policy makers looking to achieve financial inclusion. Several organizations conduct surveys to measure indicators of financial inclusion and collect both supply and demand side data.[57] MIX is one platform that produces data driven reports to track progress towards financial inclusion across the globe.[58]

In 2013, Finance Minister of India, P. Chidambaram launched the CRISIL Inclusix, an index to measure the status of financial inclusion in India.[20] CRISIL, India's leading credit rating and research company is collecting data from 666 districts in India and ranking on a scale from 0 to 100 based on four parameters of financial services. CRISIL publishes semi-frequent reports based on their findings with regional, state-wise, and district-wise assessments of financial inclusion.[59]

Some key conclusions from the 2018 report are:

- The all-India CRISIL Inclusix score of 58.0 is above average as of April 2016, this is a significant improvement from 35.4 in 2009.[60]
- Deposit penetration is the key driver of financial inclusion–the number of deposit accounts (1646 million) is almost eight times the number of credit accounts (196 million).[60]
- The top three states are Kerala, Karnataka and Andhra Pradesh.[60]

Controversy

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

Financial inclusion in India is often closely connected to the aggressive micro credit policies that were introduced without appropriate regulations, oversight, or consumer education policies. As a result, consumers quickly became over-indebted to the point of committing suicide and lending institutions saw repayment rates collapse after politicians in one of the country's largest states called on borrowers to stop paying back their loans.[61] The crisis threatened the existence of the $4 billion Indian microcredit industry, has been compared to the subprime mortgage crisis in the United States.[62][63] The crisis serves as a reminder of the necessity of appropriate regulatory and educational frameworks and it remains a challenge to separate microcredit from the large and complex field of financial inclusion.[38] A report by Dvara Research also points to the exclusion in the Direct Benefit Transfer scheme of the Government.[1][64]

Financial inclusion in Tanzania

A broad understanding of Sub-Saharan Africa is well explained by Balele (2019), the analysis of 25 countries.[65] With a population of 55.57 million people and only 19% of its population enrolled into an account with a formal bank, Tanzania remains largely unbanked.[66] Poverty alleviation is often linked with a given population's access to formal banking instruments, and mobile money can serve as a crucial bridge for offering savings, credit, and insurance to Tanzania's rural population.

In 2006 just 11% of Tanzanians had access to a financial account, but with the advent of digital financial services that number has increased to 60%. The current situation in Tanzania has improved steadily over the past 12 years with the introduction of mobile money by Tanzania's main telecom providers.[67] The quick expansion of financial inclusion in Tanzania is almost entirely due to the proliferation of mobile banking options. While a recent cooling effect has taken place due to a government crackdown on counterfeit SIM cards, over half of Tanzania's population has access a degree of financial services through mobile banking.[68]

Financial inclusion in the United States

The United States began to adopt MFI (Microfinance) ideals in the late 1980s and early 1990s. Compared to other countries, the United States was late to implement these changes, but nevertheless, once active the US had the experience of other countries to draw upon. According to the Board of Governors of the Federal Reserve System, the expansion opened a new avenue to disadvantaged communities, primarily African Americans to "expand economic opportunities and to foster community economic development".[69] This action is tailored to the needs of low- to moderate-income entrepreneurs. One criticism of MFI in the US is that its services didn't extend outside of providing credit, where other MFI programs overseas "extended their offerings to deliver education, training, and other relevant services".[69] To address this gap, MFI non-profit organizations emerged, many focused on specific minority populations, such as African Americans, who are excluded from mainstream credit.

Racial inequality in the United States reduces the opportunity for African Americans to receive financial support compared to White Americans. This is due to the preexisting conflicts in the US that continue to remain relevant in the modern world. Organizations such as Main Street Launch, an Oakland, California–based microfinance organization centered on empowering African American entrepreneurs, were able to flourish due to the value they brought to local communities. The big banks viewed microfinance organizations as a "tax incentive", considering the money they offered these organizations was exempted by the US government.[70] Another beneficial aspect that these MFI organizations brought was economic prosperity to entrepreneurs and most importantly to their local community. Through the empowerment of their local communities, MFI organizations are able to reach larger marginalized communities to support and promote upward mobility. Over the past several decades that MFI organizations have been operating within the United States, they have loaned over several billions over dollars (~15 billion) and have had a ~97% repayment rate.[71]

At the individual level, banks work to enhance financial inclusion by offering products and services to all communities across America. In 2019, most Americans were banked, with about 94.6% of the population having a checking or savings account with an insured FDIC institution. The remaining unbanked population represents a small percentage, about 7 million people, but most of them represent poor and minority communities(Association, 2018).[72] According to the American Banker Association's 2018 Bank Access Report, some of the reasons unbanked individuals have named for not wanting an account include lack of trust in banks, not having enough money to keep accounts open, or feeling bank fees are high. In an effort to promote financial inclusion and address the structural and motivational barriers for those without a bank account, the Bank On program was created which offers accounts with no overdraft fees, online bill pay and debit or prepaid cards.[73]

On May 25, 2019 George Floyd Jr., an unarmed Black man was murdered by police officers. The assault was filmed and made available to the world via media outlets and social media. The event sparked a renewed commitment by many organizations to address racial division in the United States. Many financial institutions like Ally,[74] JP Morgan Chase,[75] Bank of America[76] and Citi[77] provided statements about financial inclusion and racial equity that detailed efforts to drive change.

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

During the COVID-19 pandemic, digital financial exclusion has become more prominent in the US as some businesses no longer accept cash for purchases.[78]

Financial inclusion in Indonesia

Indonesia's national strategy for financial inclusion was established in 2016.[79] The strategy is a guideline for all government institutions in Indonesia and private stakeholders to improve public access to financial services. Priority segments of Indonesia's financial inclusion programs are:

- The lowest income families, particularly those with limited access to financial services or without access at all.
- Micro businesses and small entrepreneurs with limited resources to expand their business; and
- Female, people with disability as well as migrant workers, communities in disadvantaged and remote areas, the elderly, former convicts, homeless communities, students, and youth.

By the end of 2019, 75 percent of adult population in Indonesia is expected to have access to formal financial services. The National Council for Financial Inclusion, led by the President of Indonesia, is established to coordinate and synchronize the implementation of the strategy, to determine plans and policies in solving problems and obstacles within the implementation as well as to support governors and regent/mayors in determining regional financial inclusion policies at provincial and district/city levels.

In 2019, 76.19% of adult population in Indonesia were said to have accessed financial services.[80]

Digital financial inclusion

Technology-enabled innovations represent an opportunity to promote financial inclusion. Inclusive digital financial services refer to mobile money, online accounts, electronic payments, insurance and credit, combinations of them and newer financial technology (fintech) apps, which can reach people who were formerly excluded. For example, digital financial services can provide low-income households with access to affordable and convenient tools that can help increase their economic opportunities or access to credit.[81]

There is evidence that digital financial services can empower women to earn more and build assets, helping address that 35% of women worldwide—approximately 980 million—remain excluded from the formal financial system.[82] Digital financial services have been shown to help give women greater control over their own finances, including safe, convenient, and discreet access to banking accounts.[83] This greater financial power can increase gender equality and economic growth.[84] Bannik (2017) further expounds on the importance of technology in inclusivity in developing countries.[85]

Tracking financial inclusion through budget analysis

While financial inclusion is an important issue, it may also be interesting to assess whether such inclusion as earmarked in policies are actually reaching the common beneficiaries. Since the 1990s, there has been serious efforts both in the government agencies and in the civil society to monitor the fund flow process and to track the outcome of public expenditure through budget tracking. Organizations like International Budget Partnership (IBP) are undertaking global surveys in more than 100 countries to study the openness (transparency) in budget making process.[86] There are various tools used by different civil society groups to track public expenditure. Such tools may include performance monitoring of public services, social audit and public accountability surveys. In India, the institutionalization of Right to information (RTI) has been a supporting tool for activists and citizen groups for budget tracking and advocacy for social inclusion.[86]

Financial inclusion and bank stability

The theoretical and empirical evidence on the link between financial inclusion and bank stability are limited. Banking literature indicates several potential channels through which financial inclusion may influence bank stability. A recent study appeared in Journal Economic Behavior & Organization[87] a robust positive association between financial inclusion and bank stability. The authors show that the positive association is more pronounced with those banks that have higher retail deposit funding share and lower marginal costs of providing banking services; and also, with those that operate in countries with stronger institutional quality.

Evidence on the effectiveness of financial inclusion interventions

Results from research on the effectiveness of financial inclusion programs to improve economic, social, behavioral and gender-related outcomes in low- and middle-income countries have been mixed and programs to improve access to financial services often have small or inconsistent effects on income, health, and other social outcomes. Programs

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

geared toward savings opportunities have had small but more consistently positive effects, and fewer risks, than credit-oriented programs.[88]

II.DISCUSSION

The Alliance for Financial Inclusion (AFI) is a policy leadership alliance owned and led by member central banks and financial regulatory in developing countries with the objective of advancing financial inclusion.[1]

As of November 2017, AFI had 86 members from 82 countries developing and emerging economies, representing central banks, financial regulatory institutions, and financial inclusion policymakers.[2] AFI partners with regulators in advanced economies, international organizations and private sector leaders to drive practical solutions and facilitate the implementation of impactful policy changes through its cooperative model that embeds peer learning, knowledge exchange and peer transformation.

AFI was founded on the idea that a global knowledge exchange platform was key to expanding and improving financial inclusion policies. AFI connects, encourages and enables policymakers to build capacity and develop policy initiatives in areas of financial technology (fintech), consumer protection, microfinance, SME finance, gender inclusive finance, inclusive green finance and other general financial inclusion initiatives in Africa, Asia, Caribbean, Eastern Europe and Caucasus, Latin America, Middle East and Pacific Islands. Each year, AFI holds its flagship event, Global Policy Forum (GPF), the world's largest financial inclusion gathering of policymakers.

AFI is headquartered in Kuala Lumpur, Malaysia, with regional offices in Africa and Latin America, and a representation office in Europe.[3]

Origins and until 2008

In 2006, there was an emerging recognition that policies mattered when it came to financial inclusion. There is also a huge sentiment around the potential of digital financial services for increasing financial inclusion for the unbanked population of the world.

Dr. Hannig described the situation in 2006 as follows:[4]
"There was a lot of international debate on financial system development and what the financial sector can do to alleviate poverty through microfinance. ... We were just starting to see the potential of digital financial services for increasing financial inclusion for the unbanked."

Through the Gates Foundation, Dr. Alfred Hannig and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) team successfully received grants to kick-off the first phase of AFI in Bangkok, Thailand and subsequently launched it in Kenya in 2009.

2009 to 2010

Less than two years after its launch, AFI went from an initial founding core group of five member institutions to members in more than 60 countries, representing nearly 70 percent of the world's unbanked population.

In 2009, the network saw the first AFI Global Policy Forum, which was held in Nairobi, Kenya under the theme, A marketplace of ideas. Grants to selected member institutions were introduced.

In 2010, the Group of 20 (G20) nominated AFI as one of three implementing partners for the G20 Global Partnership for Financial Inclusion (GPFI). In this role, AFI brought policies for increasing access to financial services from developing countries to the wider G20 forum and facilitated the participation of non-G20 policymakers in developing and emerging economies participate in GPFI work.[5]

2011 Maya Declaration

The Maya Declaration
Commitments you can bank on

At the 2011 GPF in Mexico's Riviera Maya, AFI members collectively adopted the Maya Declaration, a global initiative for responsible and sustainable financial inclusion that aims to reduce poverty and ensure financial stability for the benefit of all. It is a statement of common principles regarding the development of financial inclusion policy.

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

More than 30 countries represented by AFI member institutions, went a step further by announcing specific and measurable commitments. As of October 2018, AFI member institutions have made a total of 885 Maya Declarations targets.

The Maya Declaration has paved the way for various other accords. In recognition of these developments, both the G20 and the Group of 24 (G24) highlighted the AFI learning model and the Maya Declaration as key steps toward global economic development, with the G20 urging its members to commit to the Maya Declaration.[6]

2013 to 2018

In 2013, AFI members adopted the Sasana Accord on Evidence- and Data-based Results, Accelerated Progress and Measurement of Impact.[7] During the same year, AFI reached 100 member institutions overall with the addition of the Central Bank of Trinidad and Tobago[8]

In 2015, AFI members endorsed the Maputo Accord, which commits members to support access to finance for small and medium enterprises. It also established its headquarters in Kuala Lumpur, Malaysia, which are hosted by Bank Negara Malaysia.

In 2016, AFI completed the final steps in its evolution from an exclusively donor-funded project into an independent and member-supported international network of policymakers. Members also endorsed the Denarau Action Plan for Gender Inclusive Finance[9] to increase women's access to quality and affordable financial services globally — bridging the financial inclusion gender gap.

In 2017, AFI members adopted the Sharm El Sheikh Accord on Financial Inclusion, Climate Change and Green Finance.[10]

In 2018, AFI set up its Africa Regional Office in Abidjan, Côte d'Ivoire, co-hosted by the country's Ministres de l'Économie et des Finances and Banque Centrale des États de l'Afrique de l'Ouest (BCEAO). That same year, AFI also celebrated its 10th anniversary at its GPF in Sochi, Russia. During the event, members endorsed the Sochi Accord on FinTech for Financial Inclusion.[11]

In 2019, a letter of understanding was signed between AFI and the Ministry of Finance of the Grand Duchy of Luxembourg to launch a new multi-donor collaboration framework to bolster financial inclusion across the African continent.[12] Minister Pierre Gramegna signed the multilateral letter of undertaking, together with AFI Executive Director Dr. Hannig. The cooperation is rooted in the support toward the advancement of the Sustainable Development Goals.

2019 onwards: COVID-19 pandemic and AFI's response

The COVID-19 pandemic triggered widespread unemployment and falling levels of gross domestic product and disproportionately impacting the most disadvantaged segments of populations. This led to the implementation of AFI's COVID-19 Policy Response, which aimed to systematically deliver coordinated policy responses to help AFI members mitigate the impact of COVID-19 on financial inclusion policy implementation, especially for micro, small and medium enterprises (MSMEs), women, youth, forcibly displaced and other vulnerable segments of the population.

Virtual engagements were conducted during the lockdown period with technical teams and leadership across its member countries to address specific issues. A series of member needs surveys were distributed to enable AFI to deploy rapid policy response guidelines.

AFI partnered with the Mastercard Foundation to implement a two-year COVID-19 Policy Response program in Africa. The program targeted 49 financial sector regulators and policymaking institutions across the region to effectively respond to the economic consequences of the pandemic. In-country implementation activities were conducted specifically in Nigeria, Uganda, Rwanda, Senegal, Ghana and the BCEAO member jurisdictions.

Responding to global trends, Dr. Hannig described in 2018 a recent evolution in financial inclusion:

“Financial inclusion is no longer just about access to finance and bringing unreached groups into access to formal financial services. [It] is becoming more about maintaining high levels of safe and sound financial access, with increasing usage and quality of financial services … embracing important issues such as financial health and financial resilience, with the ultimate objective to ensure financial stability”[13] – Dr. Alfred Hannig, AFI Executive Director

Impact

Since 2009, AFI members have developed and implemented over 920 policy changes to enhance financial inclusion. 841 million people have been brought into formal financial systems as a result of AFI activities.

Since 2016, members have attributed over 100 policies and regulations to AFI annually, an indication that the preparatory work going back many years is beginning to be realized.

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

Organization

AFI's core mission is to empower policymakers to increase the access and usage of quality financial services for the underserved through the formulation, implementation and global advocacy of sustainable and inclusive policies.

AFI is the only existing member-based organization with a strong network of central banks and other financial regulatory institutions, that have a specific focus or sole mandate on financial inclusion to support empowerment of the poor and aid the attainment of Sustainable Development Goals (SDGs) through smart policies and regulations.

It was founded in 2009 by Bangko Sentral ng Pilipinas, Bank Indonesia, Bank of Thailand, Central Bank of Kenya and Comisión Nacional Bancaria y de Valores in close collaboration and with support from the Bill & Melinda Gates Foundation and the Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), AFI was established with the goal of advancing the development of financial inclusion policy in developing and emerging economies.

In 2016, AFI became an independent, member-owned and member-based globally operating international organization under Malaysian law.

AFI uses a peer-to-peer learning model to connect, encourage and enable financial policymakers to interact and exchange knowledge on policy initiatives. AFI has pioneered knowledge exchange platforms among policymakers and stakeholders worldwide to build a more comprehensive knowledge base of financial inclusion. This has led to the formulation and implementation of effective policies by members institutions within their home jurisdictions.[14]

AFI also operates the AFI Data Portal (ADP), a unique and integrated global database on financial inclusion policies, regulations and outcomes. Housing information sourced directly from policymakers and regulators, the ADP empowers countries to share their financial inclusion stories and formulate policies through on data while also facilitating the study and understanding of trends in financial inclusion. The portal is accessible online and publicly available.

AFI administers financial inclusion policy-related services, including capacity building, developing-developed country dialogue, grants, in-country implementation support, knowledge products, regional initiatives and working groups, global advocacy on financial inclusion

Since the first AFI GPF in 2009, the event has supported an environment of historic financial inclusion policy initiatives and declarations, including the Maya Declaration, the first global and measurable set of financial inclusion commitments by developing and emerging economies.

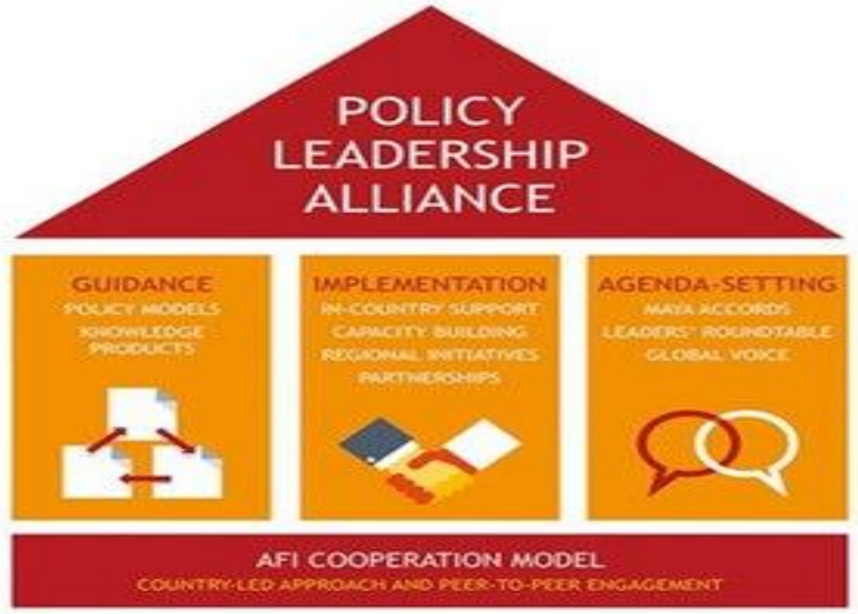
AFI Cooperation model

AFI's cooperation model was designed to fulfil the objectives of supporting members' financial inclusion agenda. Putting members in the driving seat of agenda setting for financial inclusion policy, AFI's unique cooperation model is based on the following principles:

- Effective governance with Board of Directors and management unit driven by values of transparency, accountability and flexibility
- Apolitical and non-bureaucratic
- Full ownership by members who lead and set the agenda for the network's initiatives including Working Groups, Regional Initiatives and capacity building
- Equality, inclusiveness and equity
- Solid administrative and financial system with resources focused on operational and financial sustainability
- Meaningful and binding partnerships with like-minded institutions
- Permanence and agility
- Sustainability of AFI services and knowledge resources [15]

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||



Working groups

AFI has seven working groups. They serve as the technical backbone for generating knowledge, guiding and implementing policies, and developing policies. The working groups produce policy guidelines and tools for formulating financial inclusion policies, provide peer reviews, and contribute to the engagement of global standard-setting bodies (SSBs). They also all work on gender inclusive finance as a cross thematic area and have gender focal points.[1,2]

Since the first meeting was held in 2010, working groups have grown rapidly in size and number. As of March 2017, 76 member institutions from 65 developing and emerging countries participate in working groups. They represent the leaders of financial inclusion policy and, together, have passed over 520 policy changes in their respective jurisdictions.[16]

They also represent the thematic areas that AFI actively participates in:

- Consumer Empowerment and Market Conduct (CEMC)[17]

Examines the importance of consumer empowerment and protection to improve the quality of financial services. CEMC Working Group also advances policy and regulatory issues related to consumer empowerment initiatives and market conduct regulations.

- Digital Financial Services (DFS)[18]

Discusses issues related to digital financial services and promotes digital finance as a major catalyst in achieving financial inclusion in emerging and developing economies. The working group also develops policy guidelines, conducts peer reviews and engages the fintech industry and global SSBs.

- Financial Inclusion Data (FID)[19]

Builds knowledge and good practices on areas related to financial inclusion measurements, such as indicators, methodologies, global standards and principles.

- Financial Inclusion Strategy (FIS)[20]

Promotes the development, implementation, and monitory and evaluation of national financial inclusion strategies.

- Global Standards Proportionality (GSP)[21]

Provides technical support on the proportionate application of global standards while supporting, exchanging and discussing measures that strengthen and balance both financial sector stability and integrity.

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

- Inclusive Green Finance (IGF)[22]

Discusses and creates financial policies that build resilience to mitigate and adapt to the effects of climate change, and to facilitate a just transition towards a low carbon economy. The IGF since inception in 2019 has developed and launched 21 knowledge products, 22 peer reviews across several policy and implementation areas as at 2017.

Some of the knowledge products include:

1. Roadmap for IGF Implementation
2. Inclusive Green Finance: From Concept to Practice
3. Guideline notes on how to integrate IGF into a NFIS and DSS
4. Measuring IGF
5. Enabling IGF through DFS
6. Greening Credit Risk Guarantees.[2,3,4]

- SME Finance (SMEF)[23]

Promotes the discussion and implementation of smart policies that facilitate the access of MSMEs to finance and provides a platform for members to discuss related challenges and opportunities.

In addition, AFI working groups cover current and emerging global trends that have the potential for widespread impact. Member institutions have significant interest in developing policies that mitigate the challenges posed by the following policy areas:

- Forcibly displaced persons
- Gender inclusive finance
- Inclusive fintech
- Youth financial inclusion

Regional Initiatives

Regional initiatives bring AFI closer to its members and strengthen regional cooperation in financial inclusion. They also enhance the network's ability to support its members working on specific regional priorities, sharing regional knowledge and translating global financial inclusion issues into practical implementation at the regional and national level. The network has five key regional initiatives:

African Financial Inclusion Policy Initiative (AfPI)

AfPI is the primary platform for AFI members in Africa to support and develop financial inclusion policies and regulatory frameworks, and to coordinate regional peer learning efforts. From AFI's regional office in Abidjan, Côte d'Ivoire, AfPI brings together high-level representatives from African financial policymaking and regulatory institutions to enhance the implementation of innovative financial inclusion policies across the continent.

Key AfPI initiatives include leaders' roundtables, private-public dialogues, capacity building workshops, developed-developing country dialogues and meetings of its experts' group on financial inclusion policy.

As of 2018, 39 AFI member institutions from 37 countries participate in AfPI. Together, they have implemented 251 policy changes that can be attributed to the regional initiative's work in financial inclusion. They have also published 15 knowledge products and 331 Maya Declaration commitments.

Eastern Europe & Central Asia Policy Initiative (ECAPI)

Launched at the 2018 AFI GPF in Sochi, Russia, ECAPI aims to resolve regional challenges and elevate the voice of Eastern European and Central Asian nations on key financial inclusion policy issues. Countries within the region require focused and tailored solutions to tackle its financial inclusion challenges, including low levels of financial literacy, high volume of remittances and underdeveloped consumer protection policies.

While the region has witnessed significant advancements in financial access in recent years, at least 121 million people remain excluded from formal banking. Through the activities implemented in ECAPI, members aim to:[4,5,6]

- Increase access to financial services for the 50 percent unbanked youth.
- Address the regional six percent gender gap.
- Reduce the 25 percent gap in access between those with lower and higher levels of education.

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

- Focus on advancing financial inclusion for the poorest 40 percent of the population.

As of 2018, seven AFI member institutions in seven countries collaborate under ECAPI. They have implemented 29 policy changes linked to the regional initiative's work in financial inclusion, published four knowledge products and made 53 Maya Declaration commitments.

Financial Inclusion for the Arab Region Initiative (FIARI)

FIARI is a regional platform created amid growing demand from member institutions for tailored solutions to regional financial inclusion issues. Launched by the Arab Monetary Fund, GIZ and AFI in 2017, and later joined by the World Bank, it aims to enhance access to financial services in the Arab region through effective coordination mechanisms and supporting the implementation of national financial inclusion policies.[6,7,8]

As of 2018, FIARI comprises 22 AMF member institutions, including eight AFI members. Within the AFI network, members' contributions has led to the implementation of 34 policy changes and 74 Maya Declaration commitments in the Arab Region.

Financial Inclusion Initiative for Latin America and the Caribbean (FILAC)

FILAC is a regional initiative that aims to be the driving force for advancing financial inclusion in Latin American and Caribbean countries. It was launched in 2016 with support from Canada's International Development Research Center.

As of 2018, FIARI's 12 AFI members in 11 countries have implemented 99 policy changes and published 13 knowledge products. They have made 174 Maya Declaration commitments.

Pacific Islands Regional Initiative (PIRI)

Officially launched in Dili, Timor-Leste, in 2015, PIRI aims to make formal financial services accessible to all Pacific Islanders through its unique model of south-south engagement and peer learning. The region has one of the highest rates of unbanked persons globally due to factors including geographically dispersed islands, small populations and limited banking infrastructure.

The initiative invites AFI member institutions to share in a common vision while working toward ensuring that financial services are widely accessed throughout the region. With PIRI, AFI has created a unique model of south-south engagement and peer learning that aims to provide all low-income Pacific Islanders with access to formal and informal financial services.

As of 2018, the regional initiative comprised eight AFI members in eight countries. Their work has contributed to 65 policy changes and led to the publication of eight knowledge products. Members have made 66 Maya Declaration commitments.

South Asia Region Financial Inclusion Initiative (SARFII)

Launched at the 12th AFI Global Policy Forum in Jordan, in September 2017, SARFII aims to build on the important strides made by South Asian member institutions over the past decade by acting as a catalyst to accelerate financial inclusion with an objective to improve lives and make financial security and inclusion a reality for across South Asia.

AFI Global Policy Forum

The AFI Global Policy Forum (GPF) is organized annually by AFI and is the keystone event for its membership and financial inclusion policymakers globally.

The first GPF was co-hosted by the Central Bank of Kenya in September 2009 in Nairobi, Kenya, and attracted nearly 100 central bankers and other financial policymakers, providing a platform for policymakers in developing countries to engage in dialogue and share knowledge and experiences in expanding access to financial services.

In his opening remarks, Central Bank of Kenya Governor Prof. Njuguna Ndung'u summarized the goal of the GPF when he stated: "We will, over the next three days, share experiences on smart financial inclusion policies that have worked elsewhere. We will thereafter adopt these policies to suit our respective countries as we work together to push forward the global financial access frontiers."[8,9,10]

III.RESULTS

Financial social work is an interactive and introspective, multidisciplinary approach that helps individuals explore and address their unconscious feelings, thoughts and attitudes about money.[1] This self-examination process enables people

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

to improve their relationship with their money and thus establish healthier money habits that lead to improved financial circumstances.[2][3][4]

Financial social workers typically work with mid to lower-income populations to help them find community resources to improve their financial health.[5]

Financial social work can be traced back to the work of home economists and social workers who supported families in the home, particularly low-income families, to provide a foundation in financial literacy including establishing a family budget.[6] Although home economists and social workers have separate origins, their work focuses on the family and improving conditions.[6]

The cooperative extension program run by home economists offered extension agents the opportunity to reach rural areas in working with families to manage home finances beginning with the Smith-Lever Act of 1914.[7] Extension agents, known as home demonstration agents in the early 20th century, worked with families to promote smart consumerism and efficiency.[8] Social workers emphasized "thrift" in the home by working with families to analyze purchases and evaluate how their money and other resources are being utilized in the home to break out of poverty.[6]

Community educational initiatives and public social services expanded during the Great Depression to reach low-income families and families needing support such as the American Public Welfare Association.[6][9] The APWA was designed to work with individuals and families who had undergone hardship and provide consulting services.[9]

Through the work of social workers, home economists, and community and educational organizations, individuals and families are gaining financial well-being and financial capability, the concepts behind financial social work.[5] Having autonomy over one's finances in meeting financial goals and managing one's money through financial practices leads to betterment in life.[10]

Disconnect from money

Consumerism features an increasingly cashless society with payment options including checks, credit cards, debit cards, money orders, small dollar loans and store-value cards, as well as various direct deposit methods for income and benefits.[11] When individuals have less direct and physical contact with their money, they disconnect from it. This prevents them from knowing or understanding how much money they have, or how their spending impacts their financial circumstances.[11][12][2]

Determinants of financial behavior[10,11,12]

Individuals' financial behavior is influenced by many internal and external factors. Internal elements include individual psychology, family history and environment[13][14][15] Parents' values and beliefs on the importance of saving vs. spending and overall materialism impact their children's money values and beliefs; they transmit these money lessons primarily through modeling and discussion.[16] External factors include media, markets, peers, culture, and social mood.[17][15] In addition, self-worth, net worth and social signaling play a role on individuals' purchasing habits.

People with limited funds, or those trying to keep up with another's lifestyle often suffer from low self-esteem. This results in feeling unworthy of a better financial future and behaving in self-sabotaging ways such as overspending on high-status items.[18]

Improved financial circumstances require increased self-awareness because every financial decision is impacted by an individual's thoughts, feelings and attitudes about money which are often more unconscious than conscious.[4] The Financial Social Work model incorporates the transformative learning approach to expand self-awareness, sense of self and provide financial knowledge. As individuals gain more insight into why and how their thoughts and attitudes about money developed, they are more likely to make deep, long-lasting financial choices that positively impact their future.[19][4]

They then pursue their individual path to financial wellbeing according to where they are in the life cycle and their readiness/willingness to change, as per the Transtheoretical Model of Behavior Change (TTM). In addition, ongoing education, motivation and support are provided as part of the Financial Social Work package, thereby maximizing the likelihood of the optimal results.[20][3][15]

Professional development

Historically, the majority of undergraduate and graduate social work programs have not included financial literacy or courses in personal finances.[1][21] That is changing due to nearly two-thirds (65%) of 130 university program survey participants being very interested in developing or expanding student competency in financial capability,[22] and with the University of Maryland's Financial Social Work Initiative,[23][24] the Center for Financial Social Work's self-study certification process (recognized by the National Association of Social Workers (NASW)),[25] and the 2016

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

launch of the Council on Social Work Education (CSWE) of the Clearinghouse for Economic Well-Being in Social Work Education to support these efforts.[26]

IV. CONCLUSION

Financial literacy is the possession of skills, knowledge, and behaviors that allow an individual to make informed decisions regarding money. Financial literacy, financial education and financial knowledge are used interchangeably.[1] Financially unsophisticated individuals cannot plan financially because of their poor financial knowledge. Financially sophisticated individuals are good at financial calculations; for example they understand compound interest, which helps them to engage in low-credit borrowing. Most of the time, unsophisticated individuals pay high costs for their debt borrowing.[2]

Organization for Economic Co-operation and Development

Raising interest in personal finance is now a focus of state-run programs in Australia, Canada, Japan, the United Kingdom, and the United States.[3][4] Understanding basic financial concepts allows people to know how to navigate the financial system. People with appropriate financial literacy training make better financial decisions and manage money than those without such training.[5]

Financial Services Authority

The Organization for Economic Co-operation and Development (OECD) started an inter-governmental project in 2003 to provide ways to improve financial education and literacy standards through the development of common financial literacy principles. In March 2008, the OECD launched the International Gateway for Financial Education, which aims to serve as a clearinghouse for financial education programs, information, and research worldwide.[6] In the UK, the alternative term "financial capability" is used by the state and its agencies: the Financial Services Authority (FSA) in the UK started a national strategy on financial capability in 2003. The US government established its Financial Literacy and Education Commission in 2003.[7]

Definitions of financial literacy

There is a diversity of definitions used by bodies such as NGOs and think tanks, but in its broadest sense, financial literacy is an understanding of money.[8] Some of the definitions below are closely aligned with "skills and knowledge", whereas others take broader views, and some are from academic research which is tested and validated:[11,12,13]

- Effectively taking decisions about money management and ability to make informed decisions is called financial literacy.[9]
- To survive in modern society individuals need to have knowledge about financial literacy.[10]
- Ability to use financial concepts in daily life and make optimal financial decisions is called financial literacy.[11]
- Financial literacy is an ability to effectively manage the economic well-being of individuals with knowledge and financial skills.[12]
- The Government Accountability Office definition (2010) is "the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the challenges associated with life events such as a job loss, saving for retirement, or paying for a child's education."[13]
- The Financial Literacy and Education Commission (2019) includes a notion of personal capability in its definition as "the skills, knowledge and tools that equip people to make individual financial decisions and actions to attain their goals; this may also be known as financial capability, especially when paired with access to financial products and services."[14]

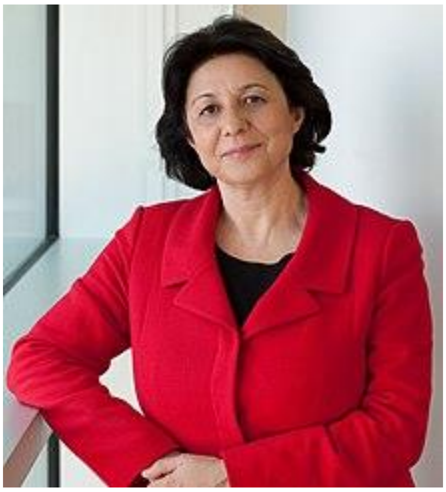
| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

- The National Financial Educators Council adds a psychological component defining financial literacy as "possessing the skills and knowledge on financial matters to confidently take effective action that best fulfills an individual's personal, family and global community goals."[8]
- The OECD's Programme for International Student Assessment (PISA) in 2018 published a definition in two parts. The first part refers to kinds of thinking and behaviour, while the second part refers to the purposes for developing the particular literacy. "Financial literacy is the knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life"[15]

Academic research

Measurement



A picture of Dr. Annamaria Lusardi of the George Washington University in 2013.

Financial literacy in personal financial planning can be defined as objectively measured financial literacy or as subjectively measured financial literacy.[16]

Objectively measured literacy is mainly about the numerical understanding of concepts such as compound interest, portfolio investment, diversification benefits, and the impact of inflation on financial decisions. Objective financial literacy has been measured with five 5-item tests, which include questions related to interest rates, saving accounts, and inflation. Out of five questions, people who tend to answer three questions correctly counted as low financial literacy. [13,14,15]

Subjective financial literacy can be defined as the self-perception of individuals about their financial literacy. Luradi and Mitchell (2014) identified that people rate their subjective financial literacy higher than objective financial literacy because of their behavioral biases when judging their financial knowledge subjectively.[16] People often misestimate their financial knowledge.[20]

Critical financial literacy

Some financial literacy researchers have raised political questions about the character of financial literacy education, arguing that it justifies the return of greater financial risk (e.g. tuition fees, pensions, health care costs, etc.) from corporations and governments back to individuals. Many of these researchers argue for a financial literacy education that is more critically oriented and broader in focus: an education that helps individuals better understand systemic injustice and social exclusion, rather than one that understands financial failure as an individual problem and the character of financial risk as apolitical. Many researchers work within social justice, critical pedagogy, feminist and critical race theory paradigms

Journal of Financial Literacy and Wellbeing

The Journal of Financial Literacy and Wellbeing, published by Cambridge University Press, is an open-access academic journal established in April 2017. It publishes rigorous research on financial literacy and financial well-being. It aims to inform public policies as public, private and civil society strategies and activities, with the ultimate objective of improving the financial literacy, resilience, and well-being of individuals and micro and small entrepreneurs.[27] This journal covers the topics including financial knowledge, financial attitudes and skills. This journal also includes research on related fields like financial well-being.

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

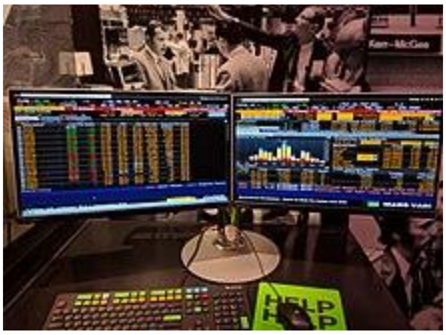
|| Volume 7, Issue 10, October 2020 ||

Accounting literacy

Accounting literacy refers to the ability to read and analyse financial statements of the company or individuals and understand the impact of financial decisions. This can be helpful for the investors, managers and individuals. Accounting literacy can be combined with financial planning, tax planning and understanding the financial health of the company.[28]

Academic researchers have explored the relationship between financial literacy and accounting literacy. Roman L. Weil defines financial literacy as "the ability to understand the important accounting judgments management makes, why management makes them, and how management can use those judgments to manipulate financial statements".[29]

The 1999 Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees recommended that publicly traded companies have at least three members with "a certain basic 'financial literacy'. Such 'literacy' signifies the ability to read and understand fundamental financial statements, including a company's balance sheet, income statement and cash flow statement."[30]



Fintech

Digital financial literacy

Digital financial literacy is all about the combination of Fintech and financial literacy. Digital Financial Literacy combines objective financial knowledge with four dimensions of digital literacy that include digital knowledge, awareness of digital financial services, tacit knowledge of using digital financial services, and the ability to avoid digital fraud.[31] Digital Financial Literacy is the ability of individuals to use digital devices to make financial decisions. There is a need for digital financial literacy across all consumers because of increasing fraud victimization due to digitalization, which prone individuals to misinformed financial decisions.[32]

International findings

An international OECD study was published in late 2005] analysing financial literacy surveys in OECD countries. A selection of findings[33] included:

- In Australia, 67 percent of respondents indicated that they understood the concept of compound interest, yet when asked to solve a problem using the concept, only 28% had a good understanding.
- A British survey found that consumers do not actively seek out financial information. The information they receive is acquired by chance, for example, by picking up a pamphlet at a bank or having a chance talk with a bank employee.
- A Canadian survey found that respondents considered choosing the right investments more stressful than going to the dentist.
- A survey of Korean high-school students showed that they had failing scores—that is, they answered fewer than 60 percent of the questions correctly—on tests designed to measure their ability to choose and manage a credit card, their knowledge about saving and investing for retirement, and their awareness of risk and the importance of insuring against it.
- A survey in the US found that four out of ten American workers need to be saving for retirement.[15,16,17]

"Yet it is encouraging that the few financial education programmes which have been evaluated are reasonably effective. Research in the US shows that workers increase their participation in 401(k) plans (a type of retirement plan, with special tax advantages, which allows employees to save and invest for their retirement) when employers offer financial education programmes, whether in the form of brochures or seminars."[33][34]

However, academic analyses of financial education have yet to find no evidence of measurable success at improving participants' financial well-being.[35][36]

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

According to the 2014 Asian Development Bank survey, more Mongolians have expanded their financial options, and for instance now compare the interest rates of loans and savings services through the successful launch of the TV drama with a focus on the fiscal literacy of poor and non-poor vulnerable households.[37] Given that 80% of Mongolians cited TV as their main source of information, TV serial dramas were identified as the most effective vehicle for messages on financial literacy.[37]

Asia–Pacific, Middle East, and Africa

A survey of women consumers across Asia Pacific Middle East Africa (APMEA) comprises basic money management, financial planning and investment. The top ten of APMEA Women MasterCard's Financial Literacy Index are Thailand 73.9, New Zealand 71.3, Australia 70.2, Vietnam 70.1, Singapore 69.4, Taiwan 68.7, Philippines 68.2, Hong Kong 68.0, Indonesia 66.5 and Malaysia 66.0.[38]

Australia

The Australian Government established a National Consumer and Financial Literacy Taskforce in 2004, which recommended the establishment of the Financial Literacy Foundation in 2005. In 2008, the functions of the Foundation were transferred to the Australian Securities and Investments Commission (ASIC). The Australian Government also runs a range of programs (such as Money Management) to improve the financial literacy of its Indigenous population, particularly those living in remote communities.

In 2011 ASIC released a National Financial Literacy Strategy—informed by an earlier ASIC research report 'Financial Literacy and Behavioural Change'—to enhance the financial well-being of all Australians by improving financial literacy levels. The strategy has four pillars:[39]

1. Education
2. Trusted and independent information, tools and support
3. Additional solutions to drive improved financial well-being and behavioural change.
4. Partnerships with the sectors involved with financial literacy, measuring its impact and promoting best practice.

ASIC's MoneySmart website was one of the key initiatives in the government's strategy. It replaced the FIDO and Understanding Money websites.

ASIC also has a MoneySmart Teaching website[40] for teachers and educators. It provides professional learning and other resources to help educators integrate consumer and financial literacy into teaching and learning programs.

The Know Risk Network of web and phone apps, newsletters, videos, and websites[41] was developed by the insurance membership body ANZIIF to educate consumers on insurance and risk management.

India

National Centre for Financial Education (NCFE), a non-profit company, was created under section 8 of Companies Act 2013, to promote financial literacy in India.[42] It is promoted by four major financial regulators, Reserve Bank of India, SEBI, IRDA and PFRDA.[43]

NCFE conducted a benchmark financial literacy survey in 2015 to find the level of financial awareness in India.[44] It organises various programs to improve financial literacy including collaborating with schools and developing new curriculum to include financial management concepts.[45] It also conducts a yearly financial literacy test.[42] The topics NCFE covers in its awareness programs include investments, types of bank accounts, services offered by banks, Aadhaar cards, demat accounts, pan cards, power of compounding, digital payments, protection against financial frauds etc.[45]

Saudi Arabia

A nationwide survey was conducted by SEDCO Holding in Saudi Arabia in 2012 to understand the youth's financial literacy level.[46] The survey involved a thousand young Saudi nationals, and the results showed that only 11 percent kept track of their spending, although 75 percent thought they understood the basics of money management. An in-depth analysis of SEDCO's survey revealed that 45 percent of youngsters did not save any money, while only 20 percent saved 10 percent of their monthly income. Regarding spending habits, the study indicated that items such as mobile phones and travel accounted for nearly 80 percent of purchases. Regarding financing their lifestyle, 46 percent of youth relied on their parents to fund big ticket items. 90 percent of the respondents stated they wanted to increase their financial knowledge.[17,18,19]

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

Singapore

In Singapore, the National Institute of Education Singapore established the inaugural Financial Literacy Hub for Teachers[47] in 2007 to empower school teachers to infuse financial literacy into core curriculum subjects to embed pedagogically sound activities to engage students in learning. Such day-to-day relevant and authentic illustrations enhance the experiential learning to build financial capability in youth. Integral to evidence-based practices in schools, research on financial literacy is spearheaded by the Hub, which has published numerous impact studies on the effectiveness of financial literacy programs and on the perceptions and attitudes of teachers and students.

The Singapore government through the Monetary Authority of Singapore funded the setting up of the Institute for Financial Literacy[48] in July 2012. The institute is managed jointly by MoneySense[49] (a national financial education program) and the Singapore Polytechnic.[50] This Institute aims to build core financial capabilities across a broad spectrum of the Singapore population by providing free and unbiased financial education programs to working adults and their families. From July 2012 to May 2017, the Institute reached out to more than 110,000 people in Singapore via workshops and talks.

Europe

France

In 2016, France introduced a national economic, budgetary and financial education (EDUFI) strategy based on OECD principles.[51] The government designated the Banque de France as the national operator in charge of implementing the policy.[52]

This government-led strategy aims to promote financial literacy in French society. Measures include financial education and budget planning courses for young people. Entrepreneurs and financially vulnerable individuals also receive support to develop skills.[52]

The Banque de France conducts periodic surveys on the level of understanding, attitudes and behaviour of the French population regarding budgetary and financial matters. It also raises awareness on topics such as over-indebtedness, bank inclusion schemes, means of payment, bank accounts, credit, savings and insurance.

The Cité de l'Économie opened to the public in June 2019. This institution is the first French museum dedicated entirely to fostering economic literacy in an instructive and entertaining way. The Banque de France funds it in cooperation with several partners, including the Ministry for Education, the Institut pour l'Éducation Financière du Public (IEFP – Institute for Public Financial Education) and the Bibliothèque Nationale de France.[53]

Belgium

The FSMA is tasked with contributing to better financial literacy of savers and investors enabling individual savers, insured persons, shareholders and investors in Belgium to be in a better position in their relationships with their financial institutions. As a result, they will be less likely to purchase products unsuited to their profile.[54]

Switzerland

A study measured financial literacy among 1,500 households in German-speaking Switzerland.[55] Testing the three concepts compound interest, inflation, and risk diversification, results show that the level of financial literacy in Switzerland is high compared to results for other European countries or the US population. Results of the study further show that higher financial literacy is correlated with financial market participation and mortgage borrowing. A related study among 15-year-old students in the Canton of Fribourg shows substantial differences in financial literacy between French- and German-speaking students.[56]

The Swiss National Bank aims at improving financial literacy through its initiative Iconomix which targets upper secondary school students.[57] The new public school curriculum will cover financial literacy in public schools.

United Kingdom

The UK has a dedicated body to promote financial capability – the Money Advice Service.

The Financial Services Act 2010 included a provision for the Financial Services Authority (FSA) to establish the Consumer Financial Education Body (CFEB). From April 26, 2010, CFEB continued the work of the FSA's Financial Capability Division independently of the FSA, and on April 4, 2011, was rebranded as the Money Advice Service.

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

The strategy previously involved the FSA spending about £10 million a year[58] across a seven-point plan. The priority areas were:

- New parents
- Schools (a program being delivered by pfeg)
- Young adults
- Workplace
- Consumer communications
- Online tools
- Money advice

A baseline survey[58] conducted 5,300 interviews across the UK in 2005. The report identified four themes:

- Many people were failing to plan ahead.
- Many people were taking on financial risks without realising it.
- Problems of debt were severe for a small proportion of the population, and many more people may be affected by an economic downturn.
- The under-40s were, on average, less financially capable than their elders.

"In short, unless steps are taken to improve levels of financial capability, we are storing up trouble for the future."[58]

Numerous charities in the United Kingdom also work to improve financial literacy, such as MyBank, Citizens Advice Bureau, and the Personal Finance Education Group.

Financial literacy within the UK's armed forces is provided through the MoneyForce program, run by the Royal British Legion in association with the Ministry of Defence and the Money Advice Service.[59]

Americas

Canada

In 2006, Canadian securities regulators commissioned two national investor surveys[60][61] to gauge people's knowledge and experience with investments and fraud. The results from both studies demonstrated that there is a need to better to educate and inform investors about capital markets and investment fraud. Education in this area is particularly important as investors take on more risk and responsibility of managing their retirement savings, and a large baby boomer population enters the retirement years across North America.

In 2005, the British Columbia Securities Commission (BCSC) funded the Eron Mortgage Study.[62] It was the first systematic study of a single investment fraud, focusing on more than 2,200 Eron Mortgage investors. Among other things, the report identified that investors approaching retirement without adequate resources and affluent middle-aged men were vulnerable to investment fraud. The report suggests investor education will become even more important as the baby boomer generation enters retirement.

In Canada, Financial Literacy Month takes place during the month of November to encourage Canadians to take control of their financial well-being and invest into their financial futures by learning about topics of personal finance. Canada has also established a government entity to "promotes financial education and raises consumers' awareness of their rights and responsibilities".[63] The agency also "ensures federally regulated financial entities comply with consumer protection measures.[63]

United States

In the US, a national nonprofit organization, the Jump$tart Coalition for Personal Financial Literacy, is a collection of corporate, academic, non-profit and government organizations that work for financial education since 1995.

Another national nonprofit organization in the US, the National Association of Investors (NAIC), has focused their financial literacy efforts specifically on investment education since 1951.

The United States Department of the Treasury established its Office of Financial Education in 2002; and the US Congress established the Financial Literacy and Education Commission under the Financial Literacy and Education Improvement Act in 2003. The Commission published its National Strategy on Financial Literacy[3] in 2006.[64]

While many organizations have supported the financial literacy movement, they may differ on their definitions of financial literacy. In a report by the President's Advisory Council on Financial Literacy, the authors called for a consistent definition of financial literacy by which financial literacy education programs can be judged. They defined

| ISSN: 2395-7639| www.ijmrset.com| Impact Factor: 7.580 | A Monthly Double-Blind Peer Reviewed Journal |

|| Volume 7, Issue 10, October 2020 ||

financial literacy as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being."[65]

The Council for Economic Education (CEE) conducted a 2009 Survey of the States and found that 44 states currently have K-12 personal finance education or guidelines in place.[66] However, "only 17 states require high school students to take a course in personal finance."[67]

The Center For Financial Literacy at Champlain College conducts a biannual survey of statewide high school financial literacy requirements across the nation. The 2017 survey found that Utah had the highest state requirement in the nation, while in Alaska, Delaware, Washington, District of Columbia, Hawaii, Rhode Island and South Dakota, students are entirely dependent on the initiative of their local school board.[68]

In July 2010, the United States Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which created the Consumer Financial Protection Bureau (CFPB). The CFPB has been tasked, among other mandates, with promoting financial education through its Consumer Engagement & Education group.[69]

Brazil[20]

Between 2018 and 2019, surveys were performed for a myriad of players in the Brazilian financial market. Among them, B3 (stock exchange), ANBIMA, CVM e Ilumeo Institute.[70] Following these surveys, Brazil defined action plans, the National Strategy about Financial Education (ENEF).[71]

REFERENCES

1. Nanda, Kajole; Kaur, Mandeep (2016). "Financial Inclusion and Human Development: A cross-country Evidence". Management and Labour Studies. 41 (2): 127–153. doi:10.1177/0258042X16658734. S2CID 158002205.
2. ^ a b World Bank (2013-11-07). Global Financial Development Report 2014: Financial Inclusion. The World Bank. doi:10.1596/978-0-8213-9985-9. hdl:10986/16238. ISBN 978-0-8213-9985-9.
3. ^ Shankar, Savita (2013). "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?" (PDF). ACRN Journal of Entrepreneurship Perspectives. 2: 60–74.
4. ^ Morgan, P, J. (2019). "Fintech and financial literacy in Viet Nam 1154". ADBI Working Paper Series.
5. ^ Ibrahim, S.S; Aliero, H. M. (2019). "Testing the impact of financial inclusion on income convergence: Empirical evidence from Nigeria". African Development Review. 32 (1): 42–54.
6. ^ Ranjani, K.S.; Bapat, Varadraj (January 2015). "Deepening Financial Inclusion Beyond Account Opening: Road Ahead for Banks". Business Perspectives and Research. 3 (1): 52–65. doi:10.1177/2278533714551864. ISSN 2278-5337. S2CID 168066239.
7. ^ Dixit, R., Ghosh, M. (2013). Financial Inclusion for Inclusive Growth of India – A Study of Indian States. International Journal of Business Management and Research. 3, 147–156.
8. ^ "Overview". World Bank. Retrieved 2019-04-22.
9. ^ Shankar, Savita (2013). "Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?" (PDF). ACRN Journal of Entrepreneurship Perspectives. 2: 60–74.
10. ^ Arp, Frithjof (12 January 2018). "The 34 billion dollar question: Is microfinance the answer to poverty?". Global Agenda. World Economic Forum.
11. ^ Arp, Frithjof; Ardisa, Alvin; Ardisa, Alviani (2017). "Microfinance for poverty alleviation: Do transnational initiatives overlook fundamental questions of competition and intermediation?". Transnational Corporations. United Nations Conference on Trade and Development. 24 (3): 103–117. doi:10.18356/10695889-en. hdl:10419/170696. S2CID 73558727. UNCTAD/DIAE/IA/2017D4A8.
12. ^ "Overview". World Bank. Retrieved 2018-12-09.
13. ^ "Financial Services for the Poor – Aid" Archived 2014-02-12 at the Wayback Machine, Australian Agency for International Development (AusAID), March 2010.
14. ^ a b c "Financial Inclusion on the Rise, But Gaps Remain, Global Findex Database Shows". World Bank. World Bank Global Findex. Retrieved 19 April 2018.
15. ^ "Financial Inclusion and the SDGs". United Nations Capital Development Fund. Nations Capital Development Fund.
16. ^ a b Villanova, Hector Carcel; Chhabra, Esha; Fan, Yingjie (2019). FINANCIAL ACCESS SURVEY 2019 Trends and Developments. Washington DC: International Monetary Fund.
17. ^ a b Muthiora, Brian; Bahia, Kalvin (2019). The Mobile Money Regulatory Index 2019 (PDF). GSMA.
18. ^ "World Bank Group to Discontinue Doing Business Report". World Bank. Retrieved 2018-10-21.
19. ^ Fletcher, Terry (2018-10-19). "Strengthening Financial Inclusion on MCC's Scorecard". Millennium Challenge Corporation. Retrieved 2018-10-21.
20. ^ a b "P Chidambaram launches Crisil Inclusix" Archived 2013-06-29 at the Wayback Machine, DNA India, June 25, 2013.