

India-OECD-World Bank Regional Conference on Financial Education¹

Dr. D. Subbarao, Governor, Reserve Bank of India; Mr. Onno Ruhl, Country Director, the World Bank; Ambassador Richard Boucher, Deputy Secretary General, OECD; delegates from the OECD, the World Bank and from countries across the world; colleagues from Reserve Bank of India, other regulatory bodies and agencies involved in disseminating financial education in India; ladies and gentlemen. It is my proud privilege to welcome you all to India's capital city of New Delhi, a city of rich cultural and historical traditions, on the occasion of this Regional Conference on Financial Education jointly organized by RBI, OECD and the World Bank. As you might be aware, this conference is a part of a series of events organized to disseminate information about the activities of the Russia/OECD/World Bank Trust Fund on Financial Literacy and Education. Two other conferences in this series were held recently in Cartagena and Nairobi. We at the Reserve Bank of India, are indeed very proud to co-host this landmark conference, as it brings together all key stakeholders who are central to India's crusade for achieving universal financial literacy. We believe this conference provides an ideal platform, not only for us, but also for delegates from other jurisdictions in particular, the Asia Pacific Region, to exchange views and learn from the experiences of peers. We are also very happy and grateful, to have the World Bank and the OECD as partners for this conference; two organizations which have made immense contribution to spreading financial literacy and leveraging the financial systems to improve the quality of lives of the marginalized groups across the world.

2. Over the next three days, the participants can look forward to stimulating and enriching deliberations involving global experts having rich and varied practical experiences and learn from their experiences of implementation of financial literacy initiatives in different parts of the world. The conference sessions have been structured with focus on all the important pieces which constitute the jigsaw of financial education. For instance, keeping in view the importance of a well-articulated national level

¹ Welcome Address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the India-OECD-World Bank Regional Conference on Financial Education held at New Delhi on March 4, 2013.

framework for financial education, an interactive panel discussion on experiences in developing National Strategy documents for Financial Education, has been planned. Further, in view of the need for assessing existing financial literacy levels in order to identify priority areas while rolling out a National level strategy, the conference includes a session dedicated to use of surveys for evaluating financial literacy levels and ground level feedback from such measurement exercises. The conference also seeks to emphasize on certain focus groups such as the youth and women with separate panel discussions dedicated to these groups. All sessions have been structured to involve sharing of experience by implementation experts from across jurisdictions and would encourage free participation by all delegates, in order to optimize the learning experience.

Need for Financial Education/Literacy

3. Having given a brief outline of the Conference let me briefly touch upon the theme of the Conference. Over the past few years, particularly in the aftermath of the global financial crisis, the importance of Financial Education and Financial Literacy has come to be widely acknowledged. This recognition has led countries to initiate programmes to disseminate financial literacy among its citizens. As the OECD's definition of financial literacy indicates, it is "a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial wellbeing." I would argue that financial literacy is not only important for financial well-being of the masses; it is also a *sine qua non* for the economic well-being of the nation as a whole.

4. Financial Illiteracy is not limited to the poor or to the less developed economies alone, it pervades all levels of society and economic strata. Only the manifestation of financial illiteracy varies depending upon the stage of development of the economy, and within the same country, upon the economic profile of the individual. I am a firm believer that everyone associated with the financial system needs to be financially literate. This includes the users of financial services; the providers of services; and even the policy makers and the regulators. For countries which successfully roll out financial education programmes, the benefits are significant:

For the Individual ...

5. At an individual level, financial literacy/ education is important because it helps in building financial capability. It makes people better informed, educated and more confident, able to take greater control of their financial affairs and to fully harness the benefits of accessing the formal financial system. People who understand their financial circumstances are more likely to make sensible choices and ensure adequate provision for their future. They are more likely to have an appropriate level of insurance and reach retirement age with comfortable pension plans. They won't pay more interest than they need to when borrowing, or settle for less than they should when saving. People with basic financial awareness would understand risk return trade-off and take better investment decisions, thereby being less vulnerable to frauds and dubious schemes. Financial education can help reduce levels of debt, poverty, repossessions, stress, illness and even crime. In sum, financial education improves the quality of people's lives and financial affairs and provides them peace of mind, by instilling in them a sense of confidence and security about matters of money.

For the macro economy

6. From a macro perspective also, financial literacy/ education has important implications. Financial Literacy, together with Financial Inclusion and Consumer Protection form a triad which, collectively, has an important bearing on Financial Stability. The three legs of the triad have strong inter-linkages, with each element having a vital bearing on the others. The absence of any one would make it difficult to attain the remaining goals. Financial Literacy aids financial inclusion initiatives as it creates awareness about the benefits of connecting with the formal financial system and hence, creates demand for financial products. Financial literacy supports consumer protection as it helps consumers better understand the features and risks inherent in financial products, thereby reducing the risk of mis-selling. It also generates awareness and willingness to approach the grievance redressal system available, in case of disputes.

7. At a macroeconomic level, the cost of financial illiteracy is significant and is manifested through scourges such as unemployment, poverty, high personal indebtedness and financial exploitation through mis-selling. It results in avoidable leakages and wastages, which any resource-scarce country can ill-afford. The savings habit, which can be inculcated through financial education, can help channelize household savings into productive activities, thereby supporting economic growth. The increased demand for financial services, created as an outcome of financial education efforts, can help bring depth and diversification to the financial markets.

How are we doing in India ?

8. In India, financial education has been identified as a policy priority and a massive effort involving the Government, various financial sector regulators, financial institutions and civil society is underway. The Financial Stability and Development Council (FSDC), which is chaired by the Union Finance Minister, is mandated, *inter alia* to focus on spread of financial inclusion and financial literacy. Under the aegis of the FSDC, the draft National Strategy for Financial Education (NSFE) for India has been prepared. Further, we are focusing on financial education for school children and are involving various national curriculum setting bodies in order to seamlessly integrate financial literacy material into the existing course curriculum, without making it burdensome for the children. Over the course of this conference, my colleagues from the Reserve Bank and other agencies will be presenting the nuances of India's push towards universal financial literacy. We look forward to your views and suggestions on where we can do it differently, and better.

Conclusion

9. As I mentioned before, Financial Illiteracy is a global problem and the challenge before us is enormous. It calls for a collaborative partnership involving all stakeholders and all countries. While the experiences in individual jurisdictions would vary, there are important learning points that we can pick up from each country's journey. I hope this conference succeeds in valuable sharing of knowledge and experience among such a wide array of experts from across the world. I do believe that with our collective efforts

towards universal financial education, individuals and institutions would be empowered to make informed financial choices and in the process, the global financial marketplace would become a more stable arena, much less vulnerable to financial crisis, such as the one we are facing today. That is the ultimate goal of building Financial Capability in any society!

I wish the conference great success and hope that you have extremely enriching deliberations over the course of the Conference. I once again welcome you all and wish you a pleasant and enjoyable stay in New Delhi. Thank you!