राष्ट्रीय वित्तीय शिक्षा केन्द्र

National Centre for Financial Education

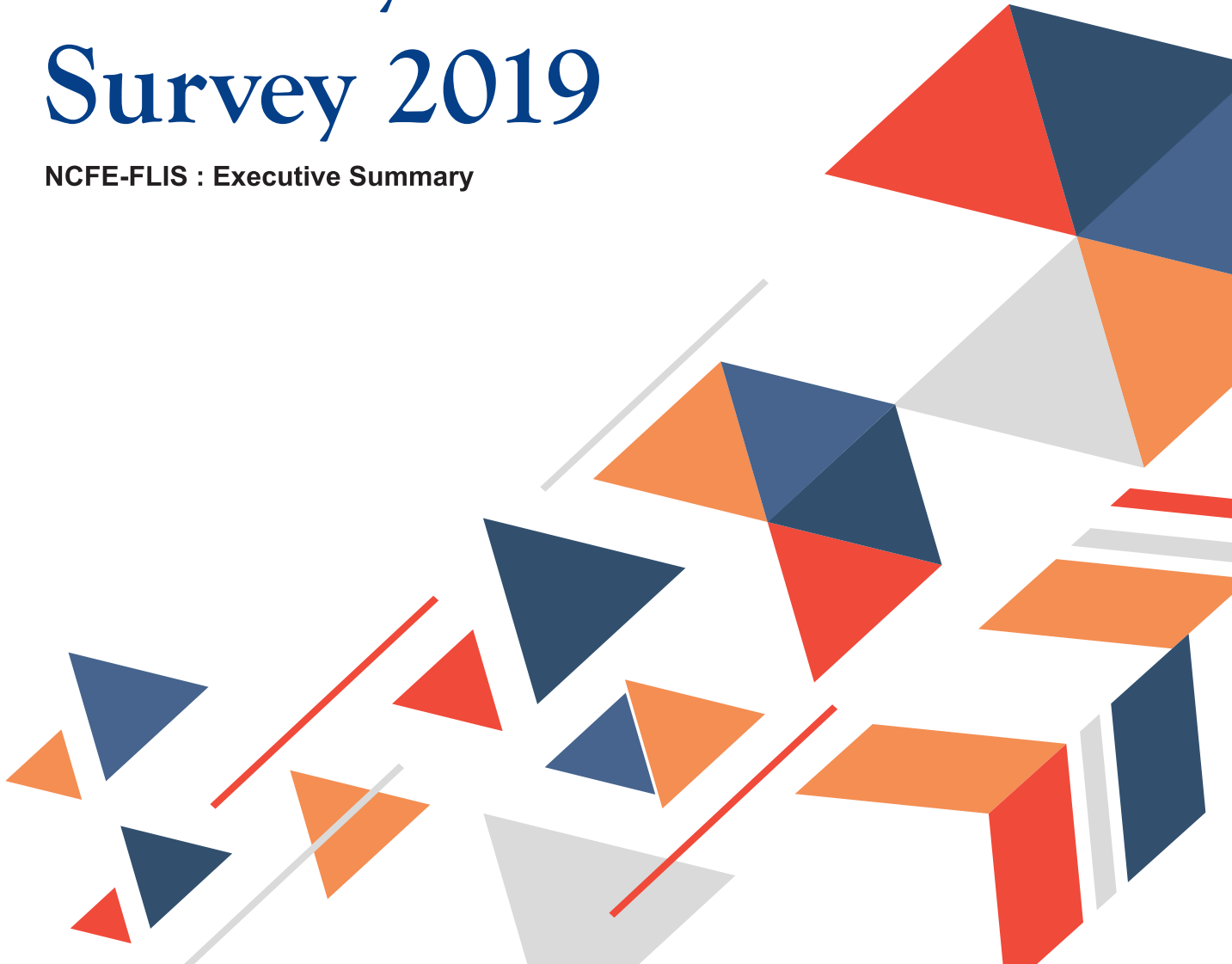एक आर्थिक रूप से जागरुक और सशक्त भारत

A financially aware and empowered India

Promoted By :

Executive Summary: NCFE Financial Literacy and Inclusion Survey 2019
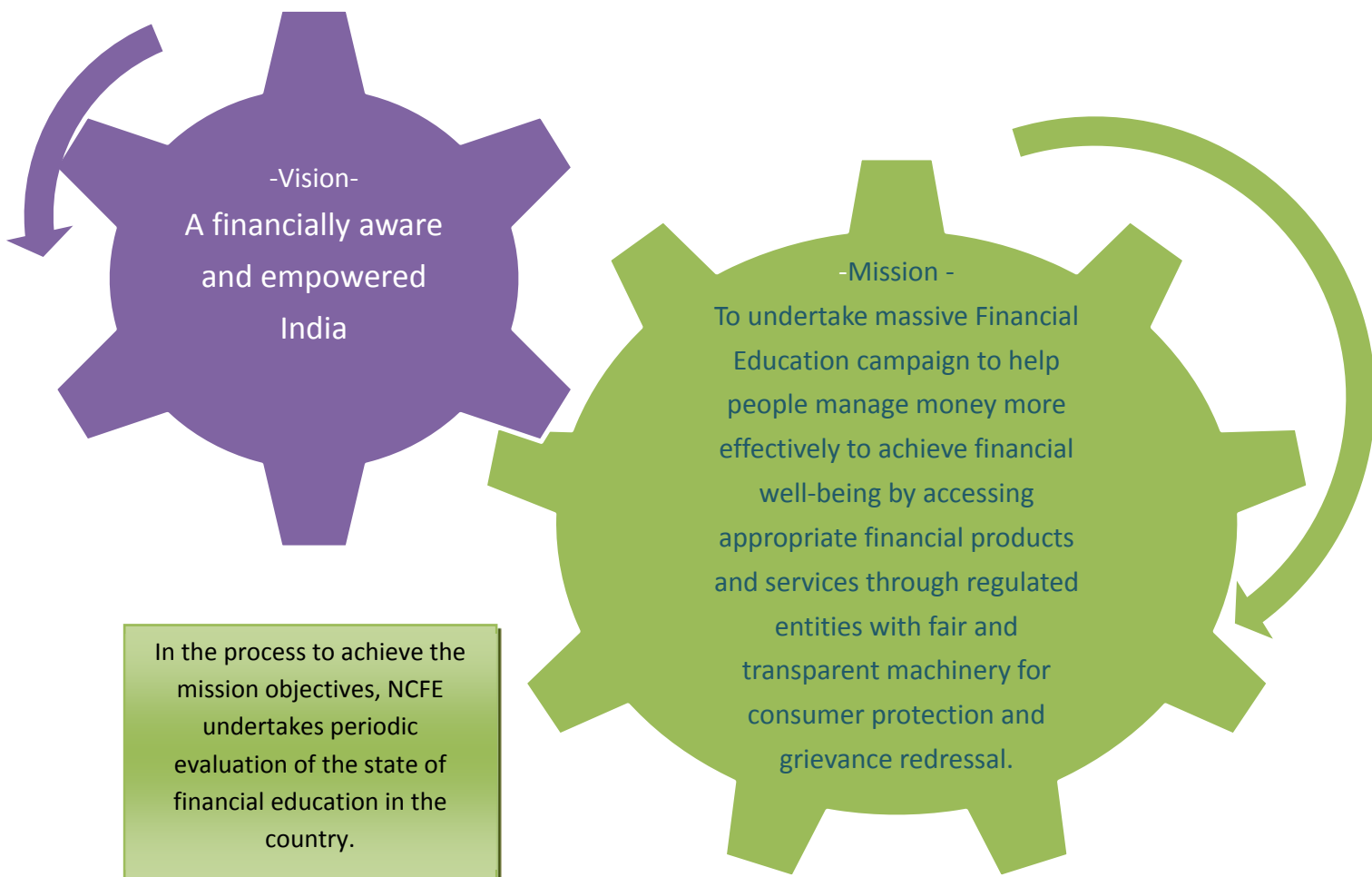
NCFE-FLIS : Executive Summary

Content

1   Project Overview

1.1   About NCFE

National Centre for Financial Education (NCFE) has been promoted by India's financial sector regulators i.e. RBI, SEBI, IRDA, and PFRDA to spread financial literacy across the country and to implement the National Strategy for Financial Education (NSFE) under the guidance of the Technical Group on Financial Inclusion & Financial Literacy of the sub-committee of the FSDC.

-Vision-
A financially aware and empowered India

-Mission -
To undertake massive Financial Education campaign to help people manage money more effectively to achieve financial well-being by accessing appropriate financial products and services through regulated entities with fair and transparent machinery for consumer protection and grievance redressal.

In the process to achieve the mission objectives, NCFE undertakes periodic evaluation of the state of financial education in the country.

1.2 About the Project

This survey has been conducted by Development & Research Services Pvt. Ltd. (DRS) at the instance of the National Centre for Financial Education (NCFE). The survey, the second of its kind, is designed on all-India basis to calculate the measures of the indicators of financial literacy and financial inclusion, among the respondents of the survey, as prevalent in 2019.

1.3 Major Stakeholders

Reserve bank of India

Securities Exchange Board of India

Insurance Regulatory and Development Authority of India

Pension Fund Regulatory and Development Authority

National Centre for Financial Education

1.4 OBJECTIVES

To assess the levels of financial literacy and inclusion among a large sample of adult population (aged 18-80 years) of India, measuring with the aid of internationally accepted standard indicators and methodology and to analyze the variations across geographical regions/States, locations and various socio-economic categories of the responding population.

1.5 COVERAGE

### 1.5.1 GEOGRAPHICAL COVERAGE

Census 2011 framework of the configuration of States, Districts and sub-district formations has been used to identify and select areas to be sampled at various stages till the ultimate units (households /respondents). As a result undivided Andhra Pradesh (Andhra Pradesh and Telangana States together) has been featured.

Zonal classification of States/UTs in coverage

➢ **North Zone** – Delhi (NCT), Chandigarh, Jammu & Kashmir, Haryana, Himachal Pradesh, Punjab and Rajasthan

➢ **Central Zone** – Chhattisgarh, Madhya Pradesh, Uttar Pradesh and Uttarakhand

➢ **East Zone** – Andaman & Nicobar Island, Bihar, Jharkhand, Odisha, Sikkim and West Bengal

➢ **North-East Zone** – Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura

➢ **West Zone** – Goa, Gujarat, Maharashtra, Dadra and Nagar Haveli, Daman and Diu

➢ **South Zone -** Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Telangana, Lakshadweep[1] and Puducherry

Depending on the number of Households in the States/UTs in the Census 2011 frame, the States/UTs have varying sizes of samples consequent upon allocation of the overall national sample size to the States/UTs in the proportion of their shares of the number of Households in the selected Districts of the States/UTs. The representation of the zones in the overall sample size covered for the survey got determined accordingly by the constituent States/UTs.

---

[1] Due to small number of sampled households from this UT, Lakshadweep has been taken in conjunction with Kerala for State-level disaggregation of results.

Coverage Of Respondents By Geographic Zones

Distribution of Respondent by Location
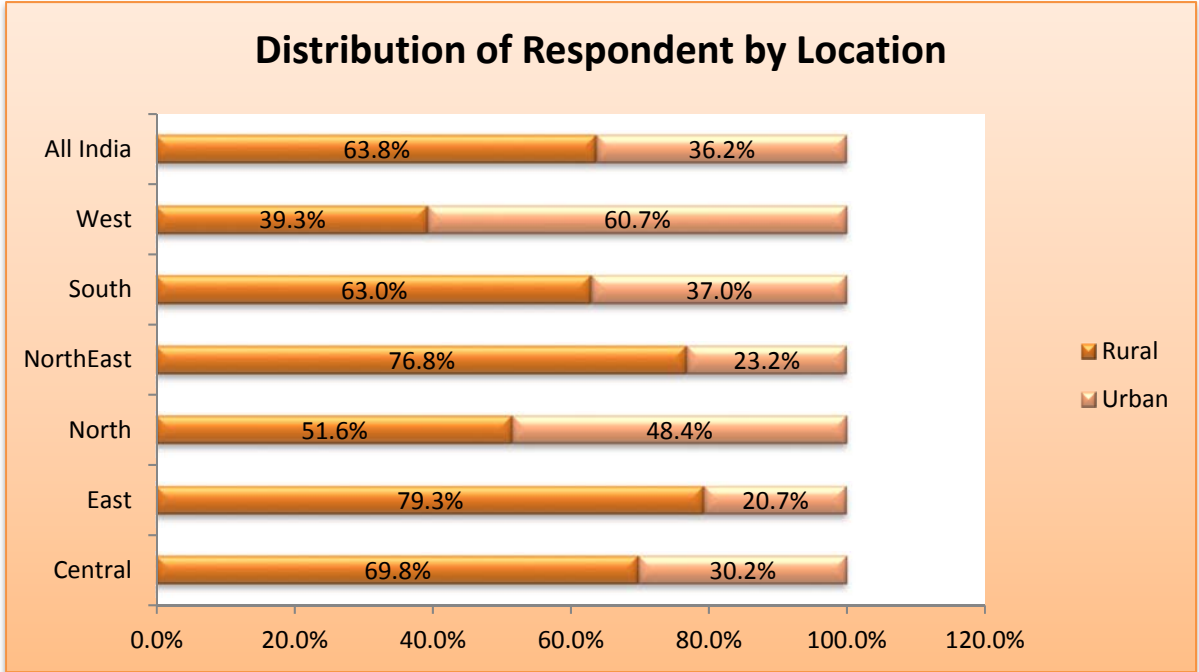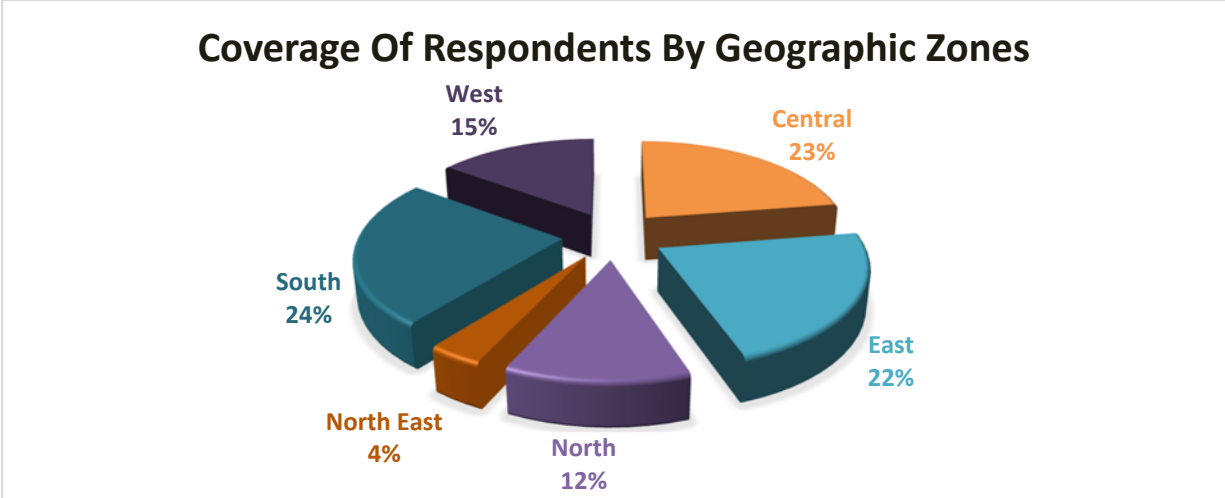
1.5.2 SOCIO-ECONOMIC COVERAGE

By virtue of random selection through stages till the ultimate sample units (respondent of a household), the socio-economic categories, as specifically identified in the survey, have been covered disparately. The coverage of respondents by socio-economic categories thus defines the contours of the findings.

% of Respondents by Socio-Economic Categories
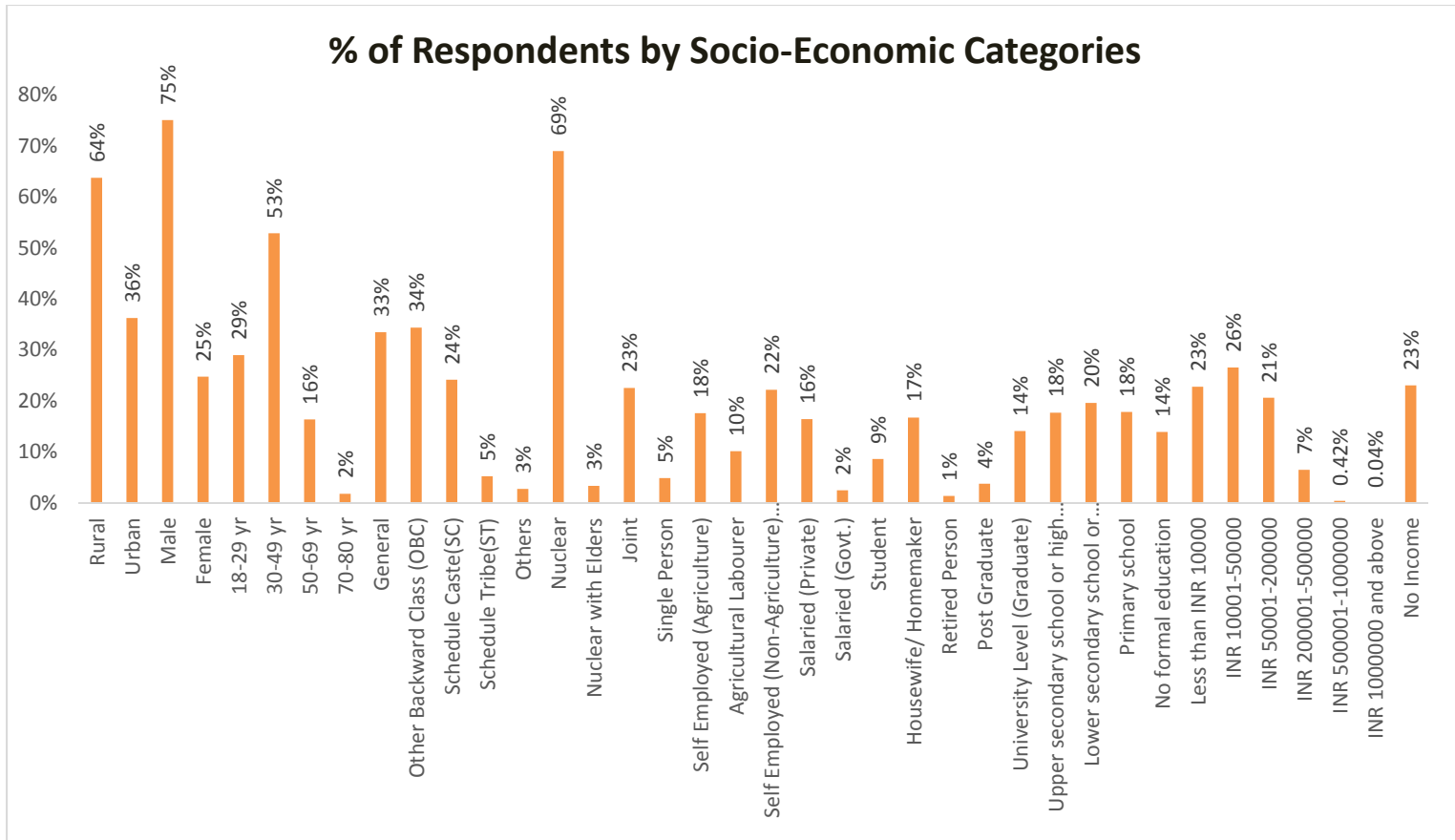
1.6   SCOPE OF THE PROJECT

I.   To select statistically representative samples of households/individual respondents from all States/UTs of the country.

II.   To assess the prevalent rates of the specified traits of financial literacy and financial inclusion, as indicated by the responding individuals, and analyzed according to spatial and socio-economic categories.

III. To measure financial literacy and financial inclusion and their components with aid of scores for the responses to corresponding indicators.

1.7   DEFINITIONS

Financial Literacy is "a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being."

Financial Inclusion is "the process of promoting affordable, timely and adequate access to regulated financial products and services and broadening their use by all segments of society through the implementation of tailored, existing and innovative approaches including financial awareness and education, with a view to promote financial wellbeing as well as economic and social inclusion."

1.8 SAMPLING APPRAOCH

State/UT

{Number of ultimate units decided in the proportion of the no. of households in Census 2011 framework}

Districts

(20% of total of NSS region)

{Randomly by PPS method selected from each NSS region and State/UT-level ultimate units allocated to the selected districts in the proportion of Households in the Census 2011 framework}

Each of 130 Districts selected of total 651 as per Census Frame is divided into Rural/Urban in the proportion of rural–urban households by Census frame

CD Block (Rural)

20% PPS-sampled CDB

CD Blocks (Urban)

20% PPS-sampled CDB

Villages

(20% PPS-sampled)

Wards

(20% PPS-sampled)

Ultimate Units (households) per village/ward is average no. of households derived by dividing the district level rural and urban households for sampling by the no. of villages and wards respectively

Selection of Households
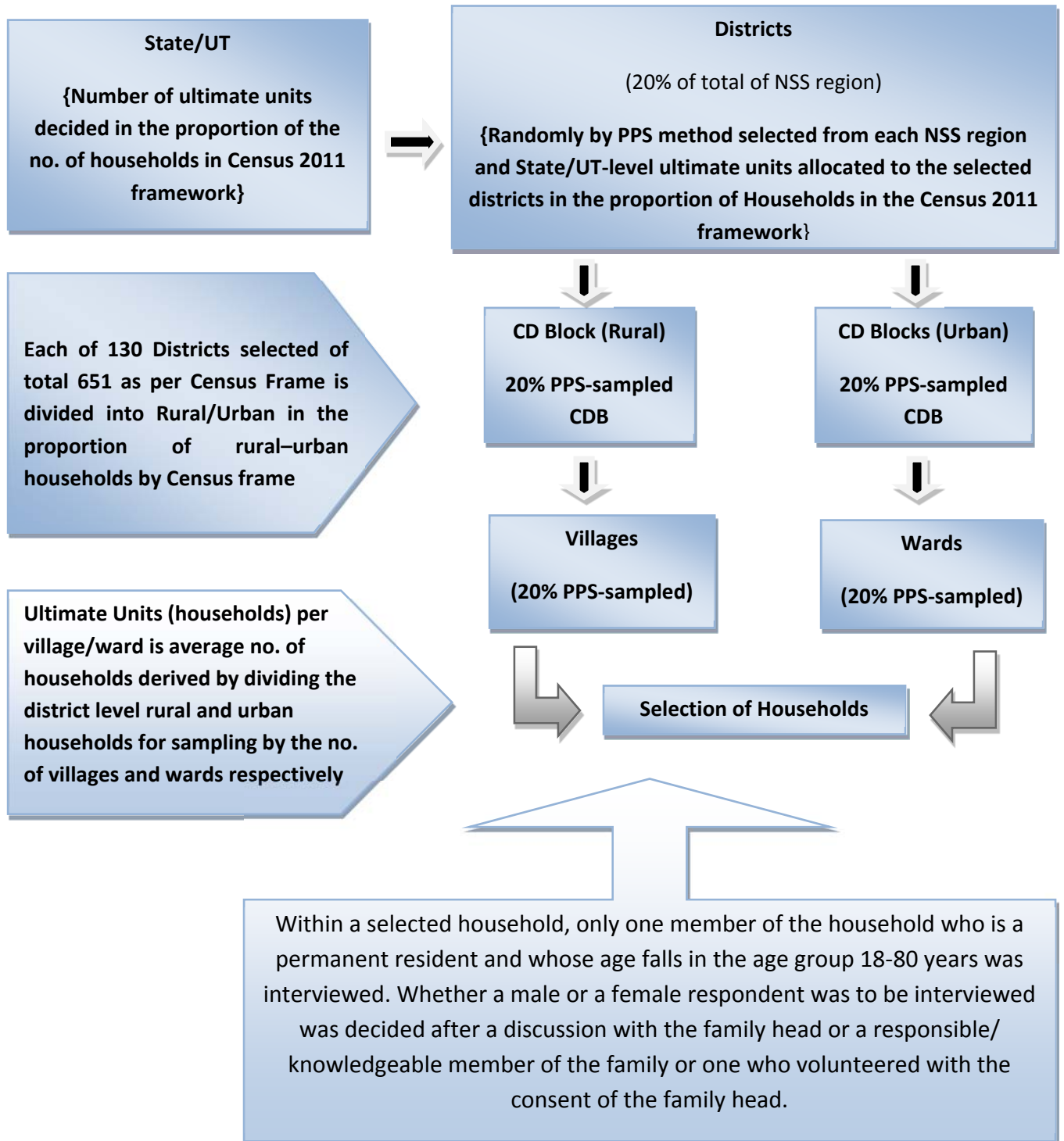
Within a selected household, only one member of the household who is a permanent resident and whose age falls in the age group 18-80 years was interviewed. Whether a male or a female respondent was to be interviewed was decided after a discussion with the family head or a responsible/ knowledgeable member of the family or one who volunteered with the consent of the family head.

CDB: Community Development Block
PPS: Probability Proportional to Size
NSS: National Sample Survey
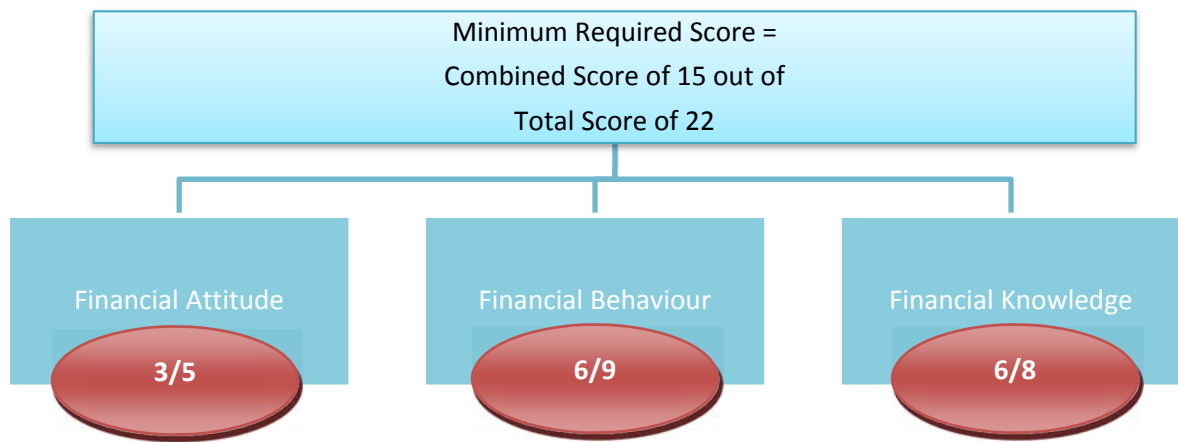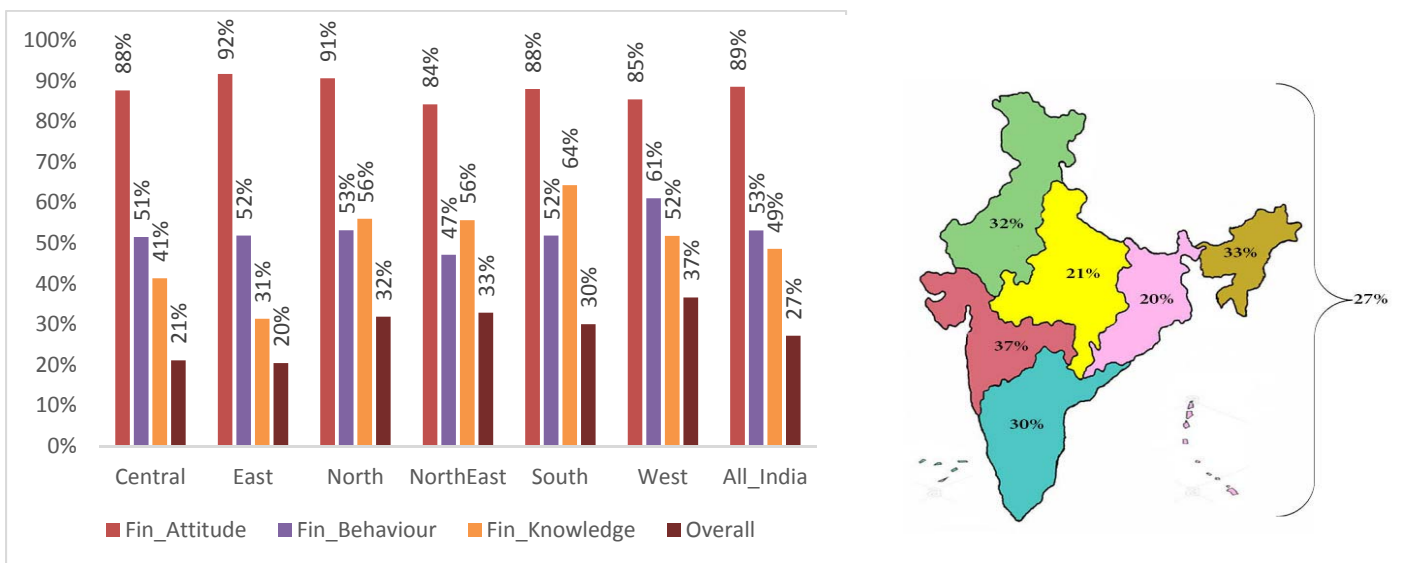
2   Survey Findings

MEASURING FINANCIAL LITERACY AND FINANCIAL INCLUSION

2.1   FINANCIAL LITERACY (FL) MEASURES

Following OECD guidelines, a person is regarded financial literate if he/she has a combined score of at least 15 out of 22 with a minimum of 3 in financial attitude, 6 in financial behavior and 6 in financial knowledge.

2.1.1 ZONAL DISTRIBUTION OF FL

The West Zone (37%) is leading in financial literacy followed by the North-East (33%), North Zone (32%), South Zone (30%), Centre Zone (21%) and East Zone (20%) respectively. The financial literacy levels of the West, North-East, North and South zones are more than the country average (27%).

2.1.2 STATE-WISE DISTRIBUTION OF FL

Fin_Attitude ≥ 3 Out of 5
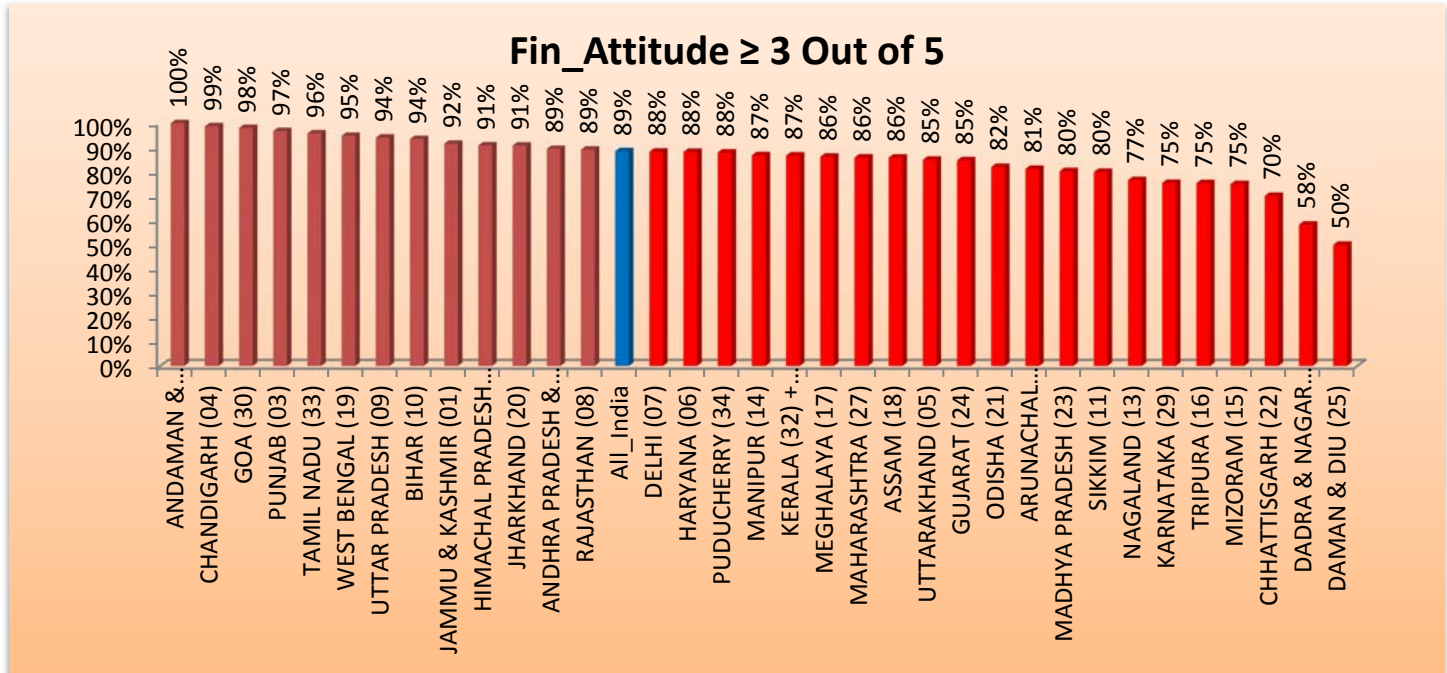
- **89% respondents from all the States/UTs together have positive financial attitude (scored ≥3 out of 5)**
- **There are 21 States/UTs, as depicted in red bars which lag behind in the financial attitude compared to national average of 89%.**
- **Top 3 States/UTs in financial attitude are Andaman and Nicobar Is (100%), Chandigarh (99%) and Goa (98%).**
- **Lowest 3 States/UTs in financial attitude are Daman & Diu (50%), Dadra & Nagar Haveli (58%) and Chhattisgarh (70%).**

Fin_Behaviour ≥ 6 Out of 9
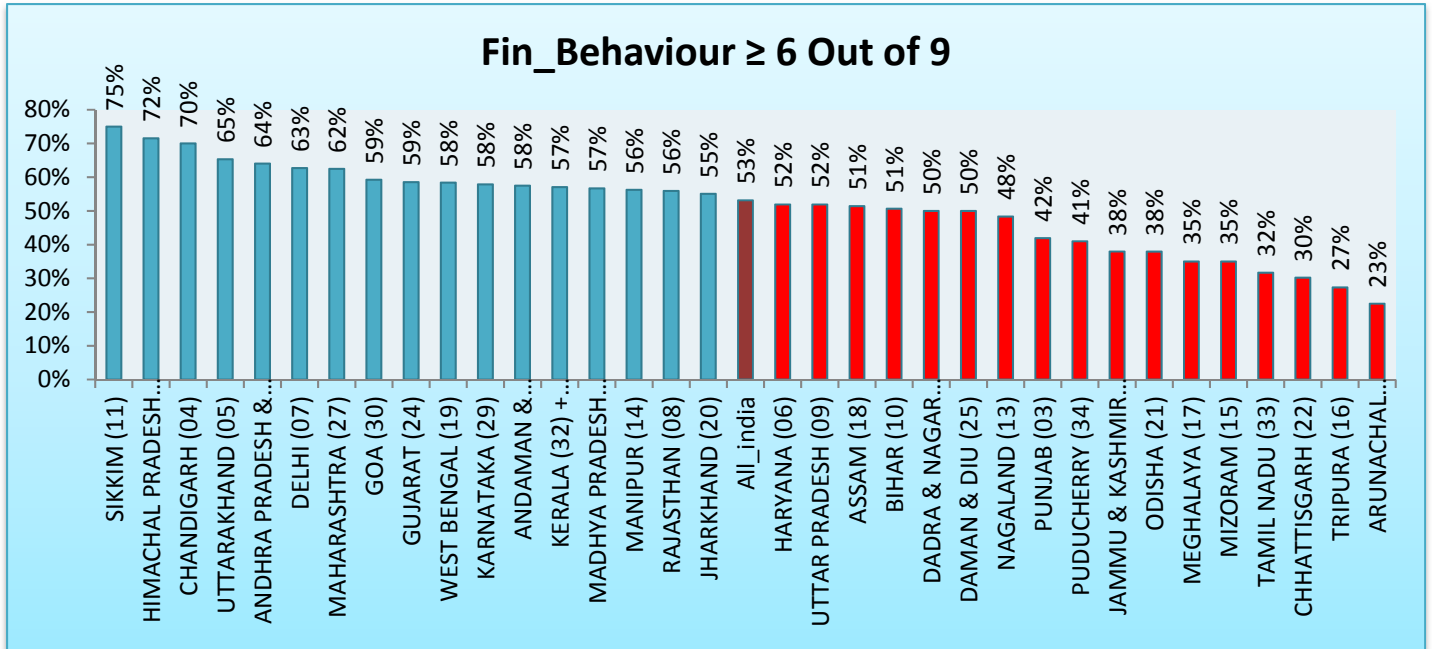
- **53% of total respondents have scored more than or equal to 6 marks out of 9 in FB. 17 States/UTs, as depicted in red bars, lag behind in financial behavior compared to national average of 53%.**
- **Top 3 States/UTs in financial behaviour are Sikkim (75%), Himachal Pradesh (72%) and Chandigarh (70%).**

Fin_Knowledge ≥ 6 Out of 8
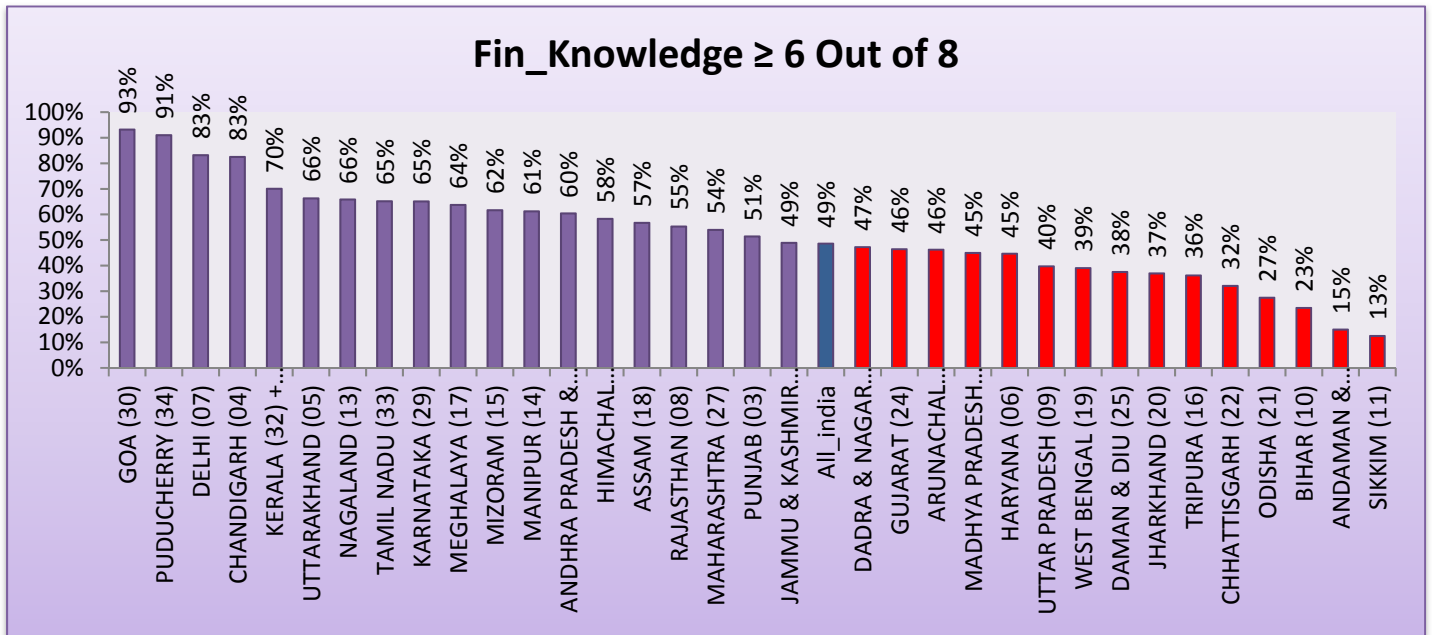
- **Overall 49% respondents from all the States/UTs together have secured more than 6 marks out of 8 in financial knowledge.**
- **There are 15 States/UTs, as depicted as red bars, lag behind in the financial knowledge compared to national average of 49%.**
- **Top 3 States/UTs in financial knowledge are Goa (93%), Puducherry (91%) and Delhi (83%).**

Overall_FL ≥ 15 Out of 22
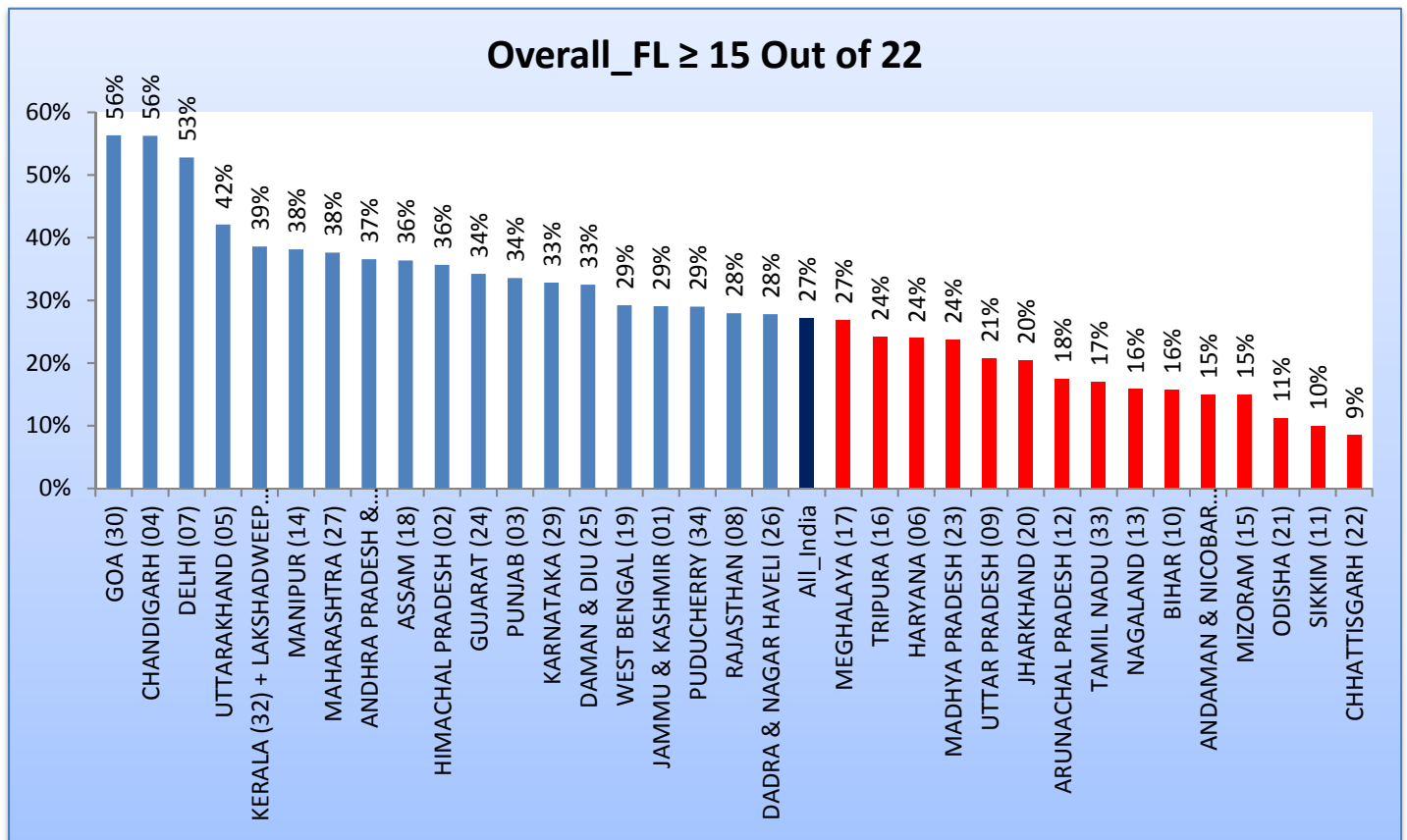
- **The overall Financial Literacy in India is measured at 27%. It can be seen that out of total 35 States/UTs around 19 States/UTs (54%) are having financial literacy above average literacy level of India.**
- **Goa, Chandigarh and Delhi are the top 3 States with financial literacy above 50%.**
- **At the bottom of financial literacy are Odisha, Sikkim and Chhattisgarh with 11%, 10% and 9% FL respectively.**

2.1.3 SOCIO-ECONOMIC DISTRIBUTION OF FL

FL by Socio-economic Categories (1)

FL by Socio-Economic Categories (2)
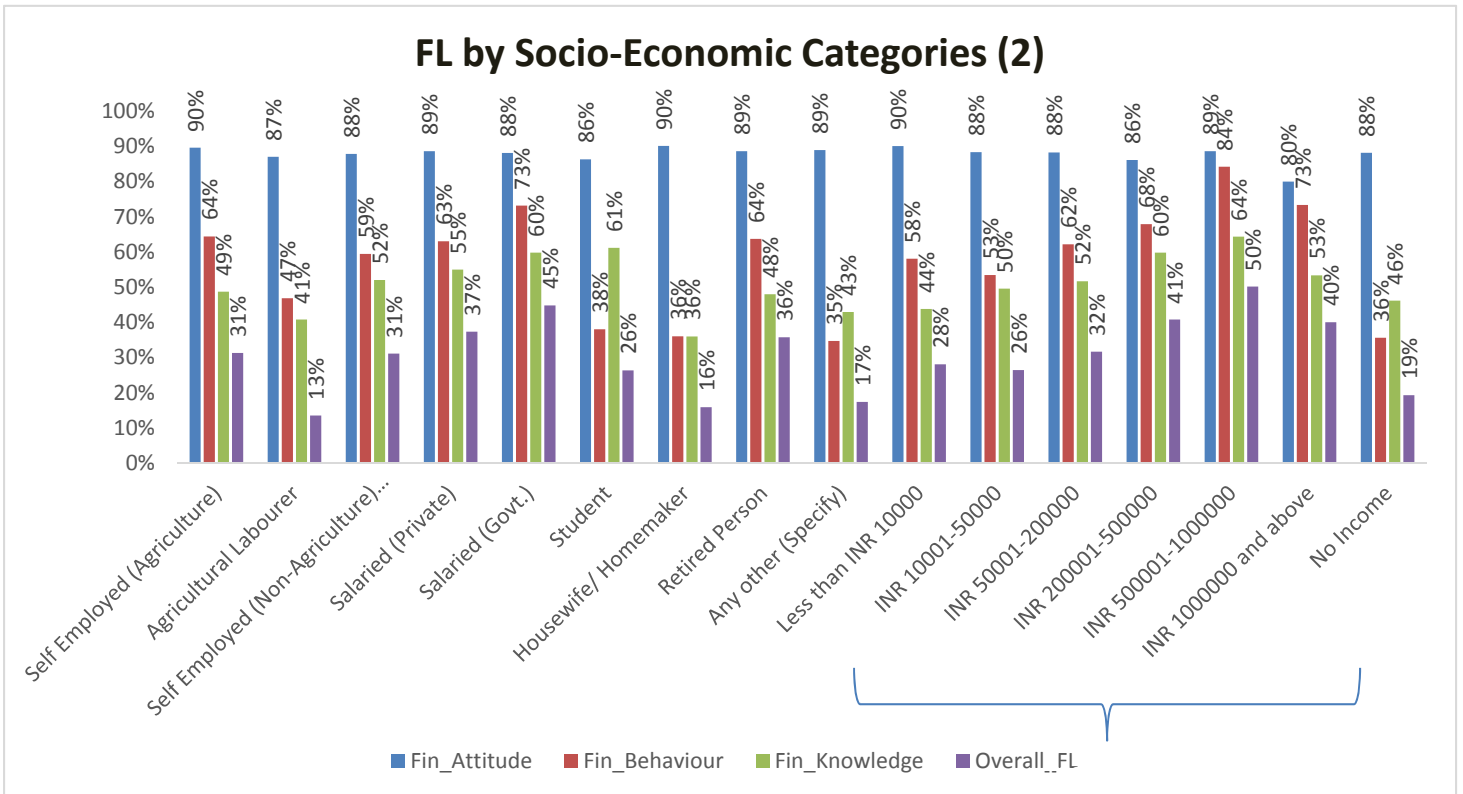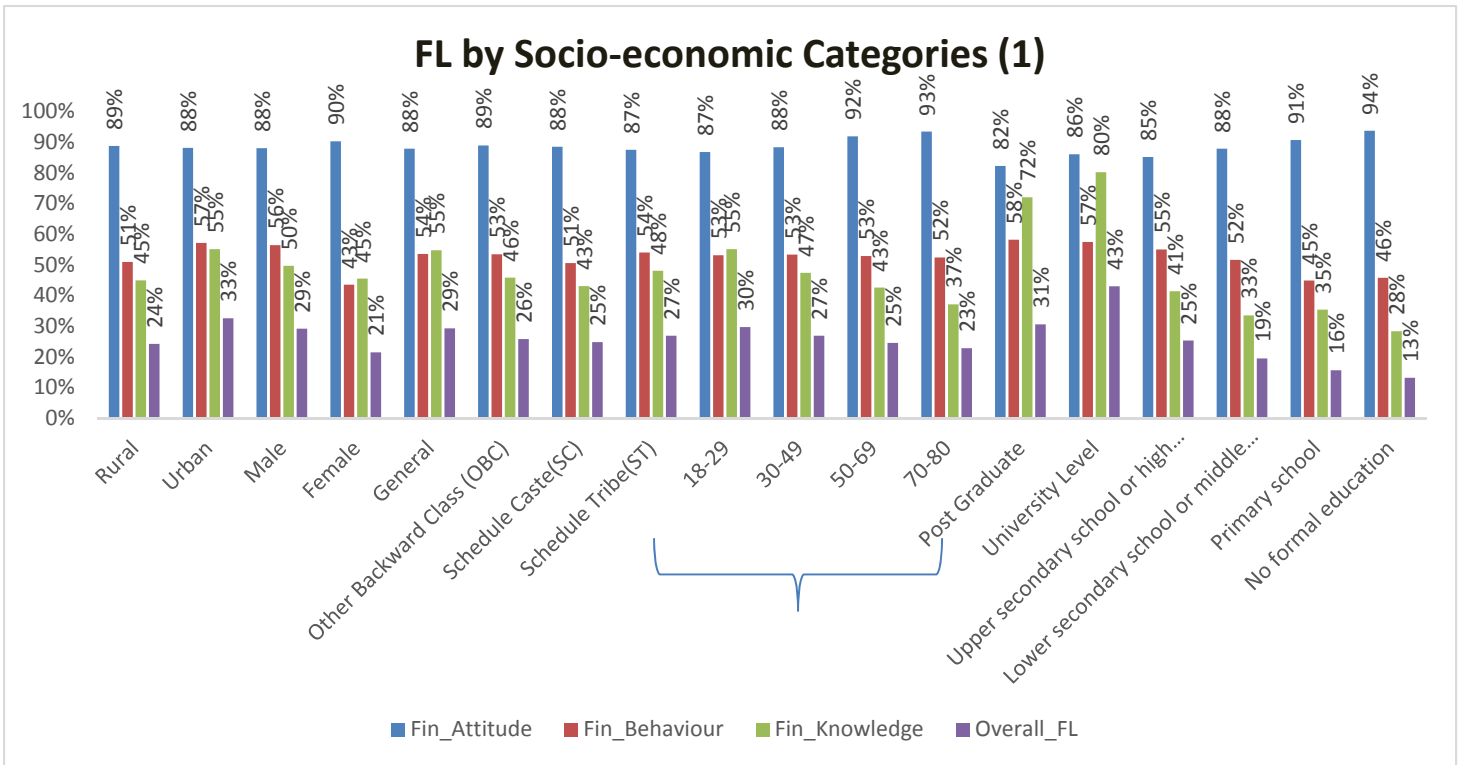
- **33% urban and 24% rural respondents are found financially literate.**
- **29% male respondents are financially literate against 21% female respondents.**
- **The 18-29 age-group is the most financially literate group in the age category.**
- **The general class category leads in the financial literacy among all classes.**
- **Lesser the education and income, lesser is the financial literacy.**
- **Government employees are leading in financial literacy, followed by private employees, retired persons, self-employed and students.**

2.2 FINANCIAL INCLUSION (FI) MEASURES

For the purpose of this survey, financial inclusion is access, usage and knowledge of both banking and non-banking products and services.

A person is regarded financially included if she/he has a combined score of at least 8 out of 22 with a minimum of 2 out of 3 in savings related banking products and 6 out of 14 from non-banking products and services.
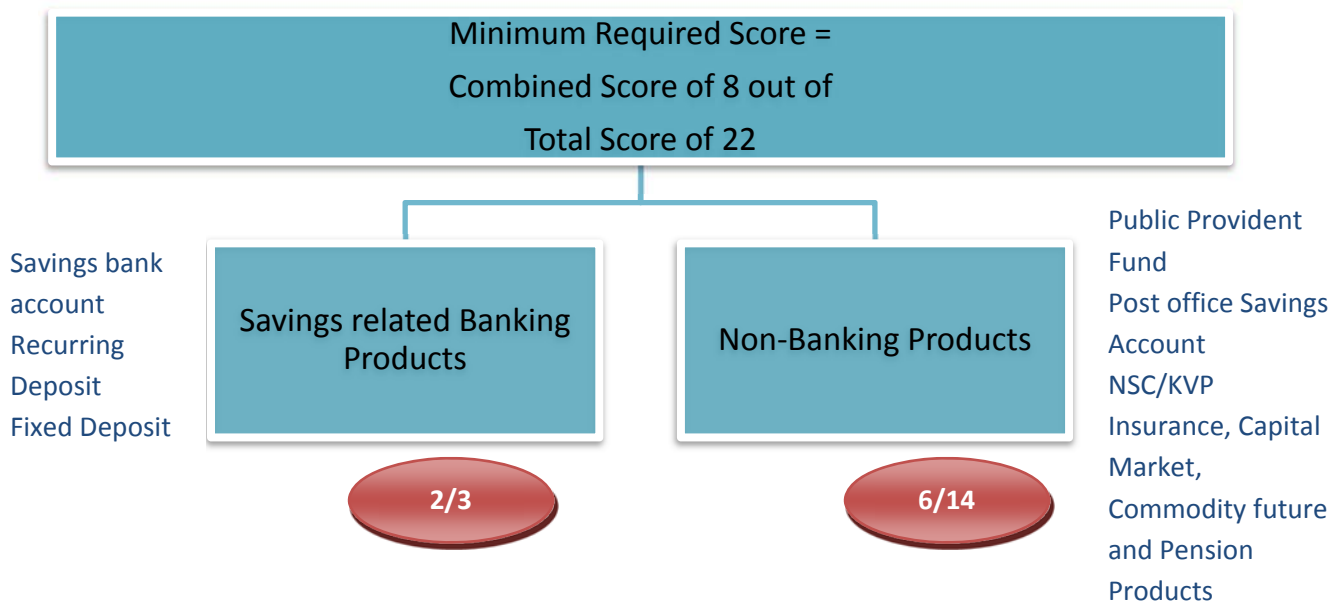
Minimum Scoring Criteria for being Financially Included:

Savings related Banking Products: Person should be aware and holding at least one of the products

Non-Banking Products & Services:

Non-Banking Products & Services	Aware but not holding due to voluntary reason	Aware and Holding	Aware, Holding and made transactions in past 2 year
Minimum marks considering products	0	0	0
Maximum marks per product	1	2	3

2.2.1 ZONAL DISTRIBUTION OF FI

Zonal Distribution of FI

■ Savings related Banking Products_FI   ■ Non_Banking Products_FI   □ Overall_FI

Zone	Savings related Banking Products_FI	Non_Banking Products_FI	Overall_FI
Central	87%	17%	16%
East	87%	11%	10%
North	92%	14%	14%
NorthEast	78%	21%	20%
South	88%	18%	17%
West	86%	18%	18%
All_India	87%	16%	15%
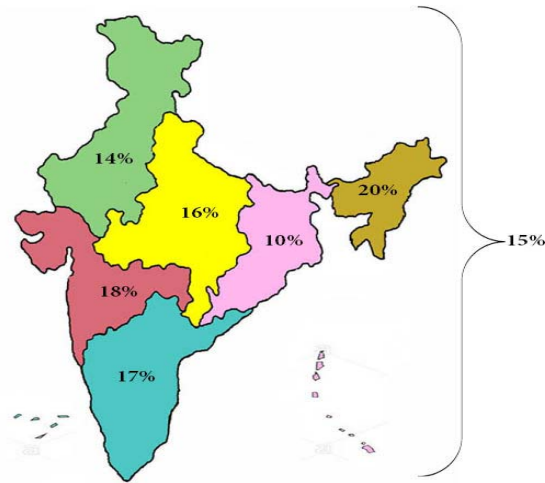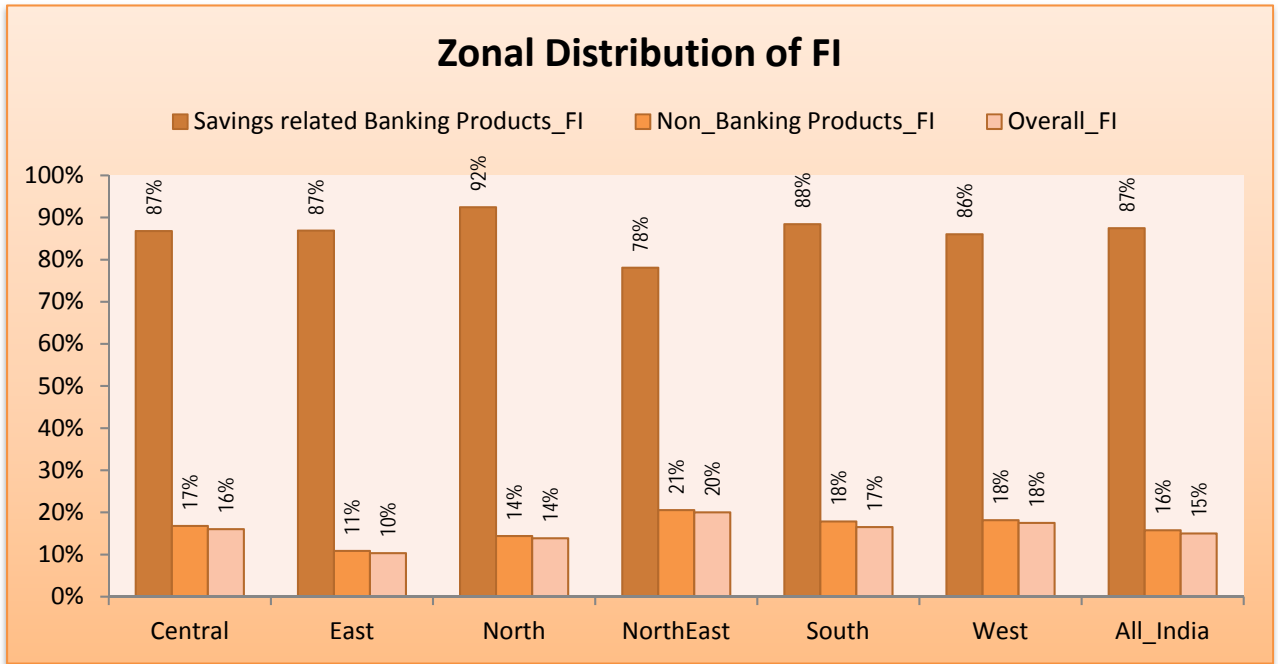
Financial Inclusion in India based on the accepted methodology is measured at 15%. The North-East zone (20%) is leading in Financial Inclusion followed by West (18%), South (17%), Central (16%), North (14%) and East (10%) zones.

2.2.2 STATE-WISE DISTRIBUTION OF FI

Savings related Banking Products (>=2 Marks)

State	%
ANDAMAN & NICOBAR…	100%
CHANDIGARH (04)	100%
GOA (30)	100%
SIKKIM (11)	100%
DADRA & NAGAR HAVELI…	100%
DAMAN & DIU (25)	100%
CHHATTISGARH (22)	99%
PUDUCHERRY (34)	99%
HIMACHAL PRADESH (02)	97%
MIZORAM (15)	97%
KERALA (32) +…	95%
HARYANA (06)	95%
BIHAR (10)	95%
PUNJAB (03)	95%
RAJASTHAN (08)	93%
NAGALAND (13)	91%
KARNATAKA (29)	90%
JHARKHAND (20)	90%
UTTARAKHAND (05)	89%
TAMIL NADU (33)	89%
MADHYA PRADESH (23)	88%
JAMMU & KASHMIR (01)	88%
GUJARAT (24)	88%
All_India	87%
MAHARASHTRA (27)	85%
ANDHRA PRADESH &…	84%
UTTAR PRADESH (09)	84%
DELHI (07)	83%
WEST BENGAL (19)	83%
ARUNACHAL PRADESH…	81%
MEGHALAYA (17)	81%
ASSAM (18)	78%
ODISHA (21)	77%
MANIPUR (14)	74%
TRIPURA (16)	67%

- **The percentage of respondents holding at least one savings related bank account for India is 87%. The lowest banking inclusion is 67% in the state of Tripura.**

Other Savings related Products(>=2 Marks)

State	%
MADHYA PRADESH…	35%
KARNATAKA (29)	31%
UTTARAKHAND (05)	29%
CHHATTISGARH (22)	29%
GUJARAT (24)	26%
ASSAM (18)	24%
ODISHA (21)	23%
HARYANA (06)	22%
ANDHRA PRADESH &…	22%
JHARKHAND (20)	21%
KERALA (32) +…	21%
CHANDIGARH (04)	21%
DADRA & NAGAR…	19%
MIZORAM (15)	18%
HIMACHAL PRADESH…	17%
TRIPURA (16)	17%
All_India	17%
PUDUCHERRY (34)	16%
DAMAN & DIU (25)	15%
SIKKIM (11)	13%
MAHARASHTRA (27)	11%
BIHAR (10)	11%
GOA (30)	11%
TAMIL NADU (33)	11%
PUNJAB (03)	10%
WEST BENGAL (19)	10%
MANIPUR (14)	9%
RAJASTHAN (08)	8%
UTTAR PRADESH (09)	8%
DELHI (07)	8%
ANDAMAN &…	8%
MEGHALAYA (17)	7%
JAMMU & KASHMIR…	7%
NAGALAND (13)	7%
ARUNACHAL…	6%

- **Other savings related products include Public Provident Fund, Post Office Savings A/c and NSC / KVP. The highest and lowest inclusion in other savings related products is found in Madhya Pradesh (35%) and Arunachal Pradesh (6%) respectively.**

Capital Market Products (>=2 Marks)
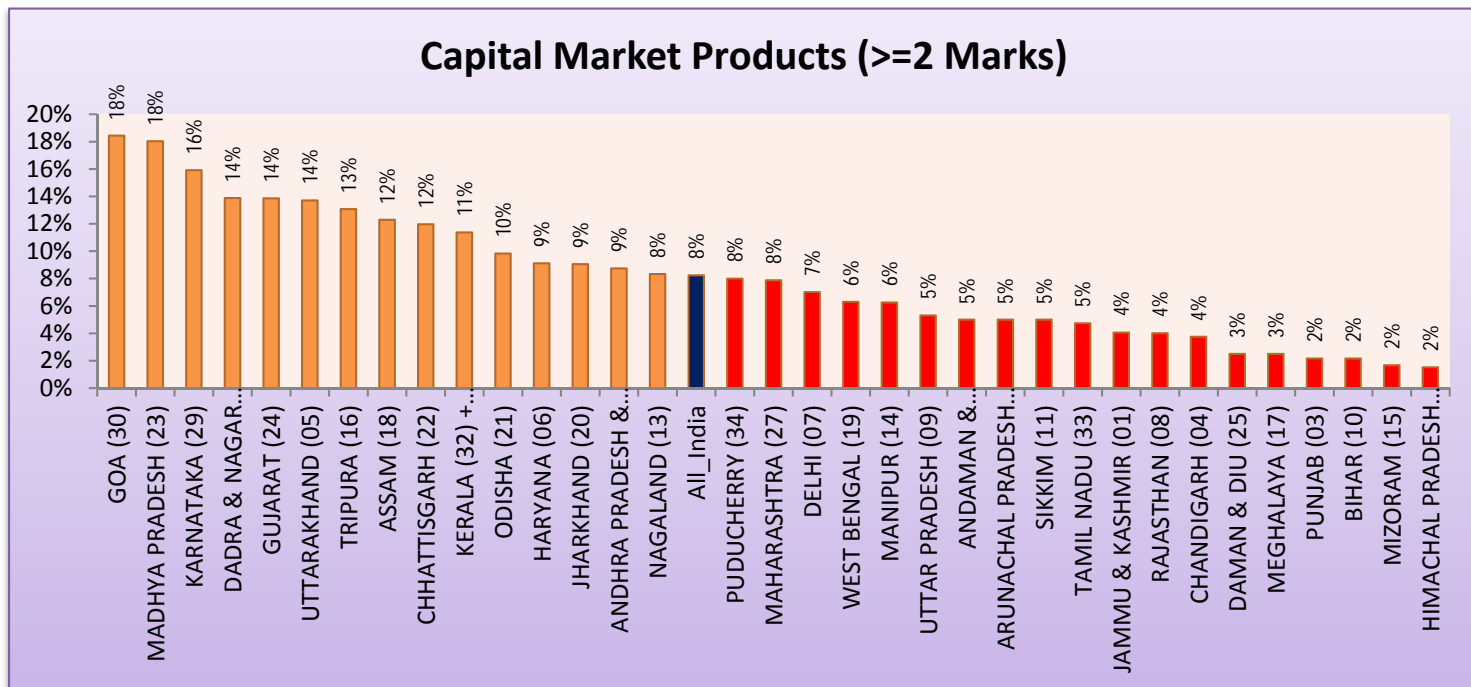
- **Around 8% of financial inclusion in Capital Market products is observed pan India.**
- **Highest and lowest inclusion in Capital Market is recorded for the States of Goa (18%) and in the states of Bihar, Mizoram, and Himachal Pradesh (2%) respectively.**
- **On the Other hand in respect of financial inclusion in Commodity Market, Goa along with Bihar and Nagaland rank at the bottom with negligible inclusion.**
- **Overall only 4% of financial inclusion in Commodity Market is observed pan India.**

Insurance Products (>=2 Marks)

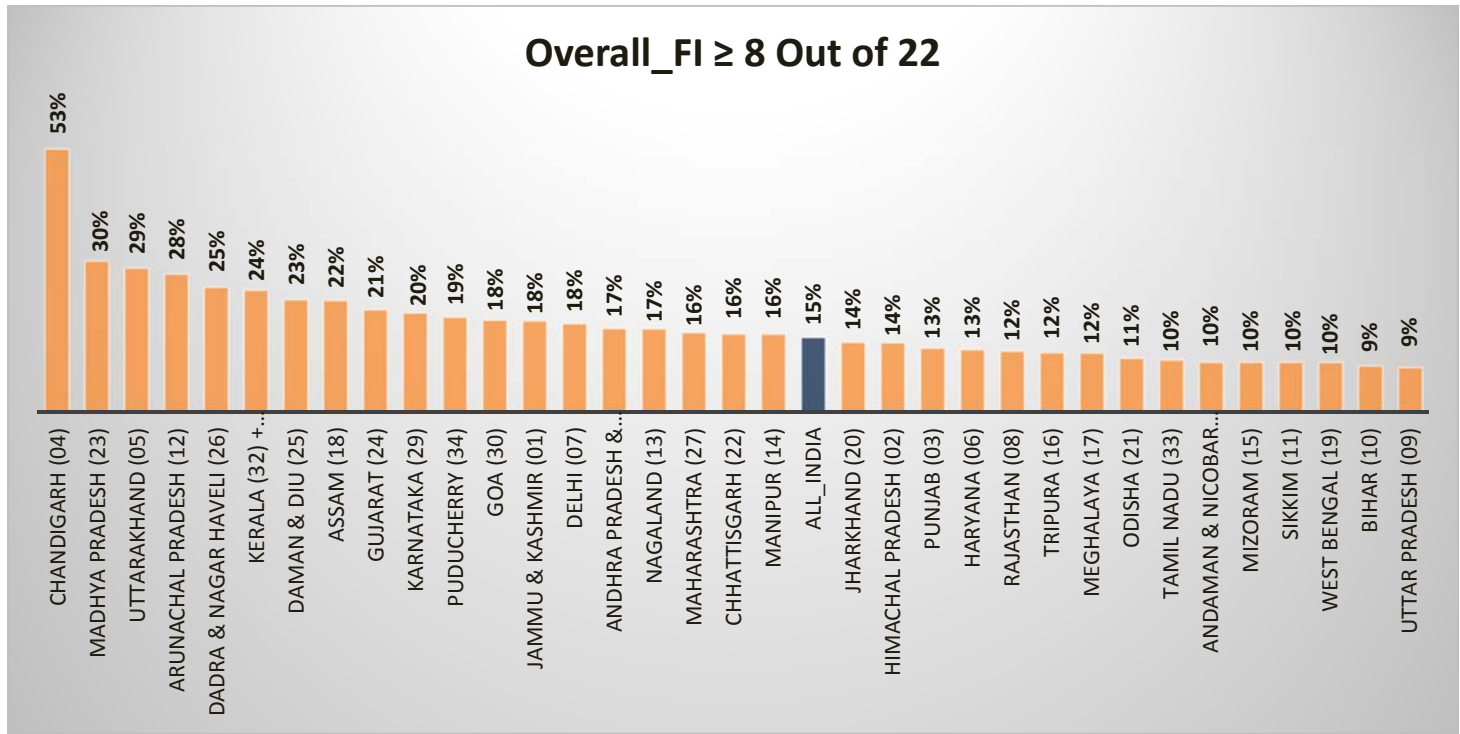| State/UT	%
DADRA & NAGAR…	100%
DAMAN & DIU (25)	100%
PUDUCHERRY (34)	100%
GOA (30)	99%
MEGHALAYA (17)	95%
KERALA (32) +…	95%
HIMACHAL PRADESH (02)	94%
ARUNACHAL PRADESH…	94%
CHANDIGARH (04)	94%
TAMIL NADU (33)	89%
DELHI (07)	88%
ASSAM (18)	88%
MIZORAM (15)	85%
MANIPUR (14)	84%
MAHARASHTRA (27)	84%
GUJARAT (24)	82%
TRIPURA (16)	82%
NAGALAND (13)	81%
BIHAR (10)	80%
MADHYA PRADESH (23)	80%
PUNJAB (03)	74%
KARNATAKA (29)	73%
UTTARAKHAND (05)	73%
All_India	72%
SIKKIM (11)	68%
WEST BENGAL (19)	67%
ANDHRA PRADESH &…	65%
RAJASTHAN (08)	65%
CHHATTISGARH (22)	64%
HARYANA (06)	59%
JAMMU & KASHMIR (01)	56%
JHARKHAND (20)	54%
ODISHA (21)	54%
UTTAR PRADESH (09)	51%
ANDAMAN & NICOBAR…	40%

- **The overall inclusion in Insurance products is observed to be 72% at pan India level.**
- **More than 50% States/UTs have more than India level inclusion.**
- **3 UTs, viz. Dadra & Nagar Haveli, Daman & Diu and Puducherry have 100% financial inclusion in insurance products.**
- **As many as 9 States/UTs have 90% or more inclusion in Insurance.**

Pension Related Products(>=2 Marks)
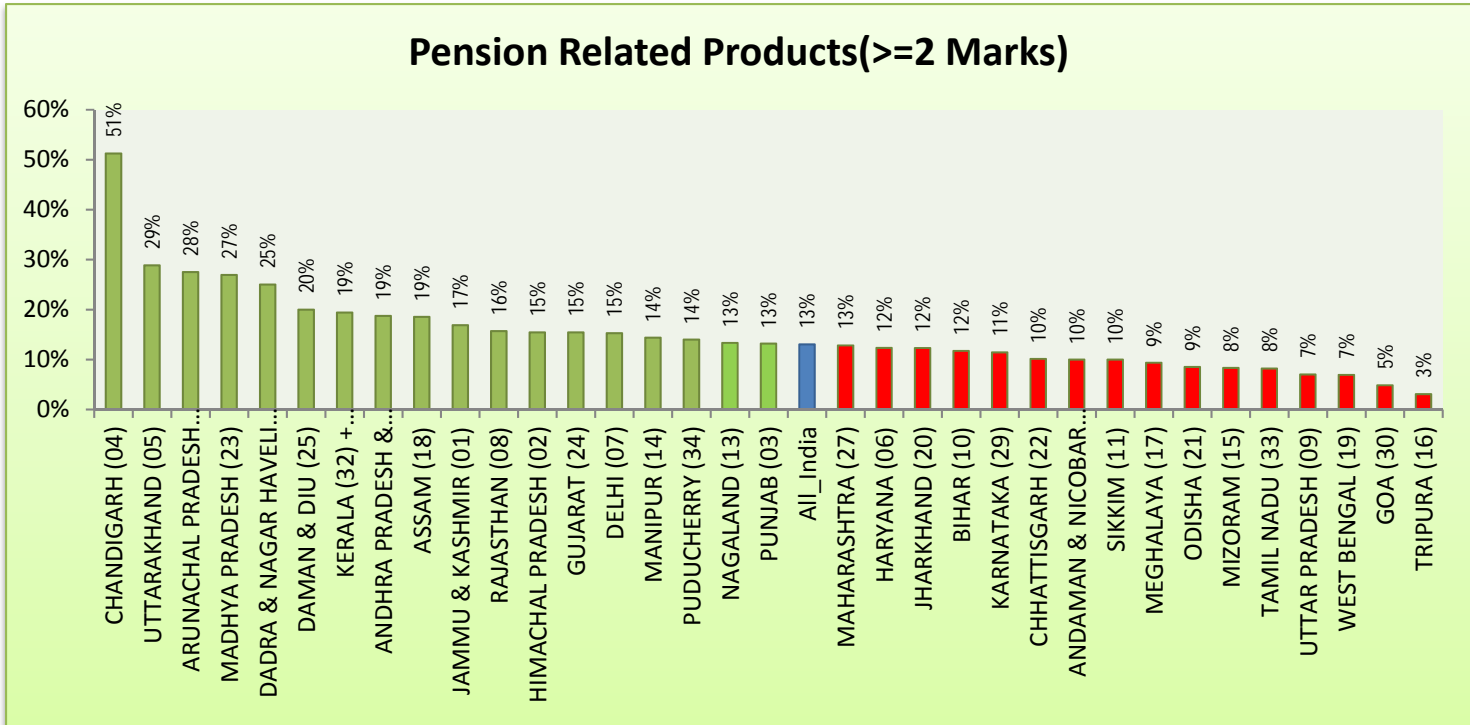
- **Around 13% respondents are found included in Pension Related Products pan India.**
- **11 States/UTs have inclusion of 10% or less in Pension products.**

Non_Banking Products_FI

Overall_FI ≥ 8 Out of 22

Bar chart values:
- CHANDIGARH (04): 53%
- MADHYA PRADESH (23): 30%
- UTTARAKHAND (05): 29%
- ARUNACHAL PRADESH (12): 28%
- DADRA & NAGAR HAVELI (26): 25%
- KERALA (32) +…: 24%
- DAMAN & DIU (25): 23%
- ASSAM (18): 22%
- GUJARAT (24): 21%
- KARNATAKA (29): 20%
- PUDUCHERRY (34): 19%
- GOA (30): 18%
- JAMMU & KASHMIR (01): 18%
- DELHI (07): 18%
- ANDHRA PRADESH &…: 17%
- NAGALAND (13): 17%
- MAHARASHTRA (27): 16%
- CHHATTISGARH (22): 16%
- MANIPUR (14): 16%
- ALL_INDIA: 15%
- JHARKHAND (20): 14%
- HIMACHAL PRADESH (02): 14%
- PUNJAB (03): 13%
- HARYANA (06): 13%
- RAJASTHAN (08): 12%
- TRIPURA (16): 12%
- MEGHALAYA (17): 12%
- ODISHA (21): 11%
- TAMIL NADU (33): 10%
- ANDAMAN & NICOBAR…: 10%
- MIZORAM (15): 10%
- SIKKIM (11): 10%
- WEST BENGAL (19): 10%
- BIHAR (10): 9%
- UTTAR PRADESH (09): 9%

- **More than 50% States/UTs have financial Inclusion in excess of the national average of 15%.**
- **Chandigarh with 53% inclusion tops in financial inclusion in banking and non-banking products and services taken together, followed by Madhya Pradesh (30%), Uttarakhand (29%).**
- **West Bengal, Bihar and Uttar Pradesh are the least included States with 10%, 9% and 9% inclusion rates respectively.**
- **Whereas savings related baking products have very high inclusion for almost all States/UTs, financial inclusion in non-banking segment is very low.**
- **Chandigarh, with 53% inclusion, tops in financial inclusion in non-banking products and services, followed by Madhya Pradesh (32%), Uttarakhand (30%).**
- **West Bengal, Bihar and Uttar Pradesh are the least included States in the non-banking segment with 10%, 10% and 9% inclusion rates respectively.**

2.2.3 SOCIO-ECONOMIC DISTRIBUTION OF FI

FI by Socio-Economic Categories(1)

■ Savings related Banking Products_FI   ■ Non_Banking Products_FI   ■ Overall_FI

FI by Socio-Economic Categories (2)

■ Savings related Banking Products_FI   ■ Non_Banking Products_FI   ■ Overall_FI
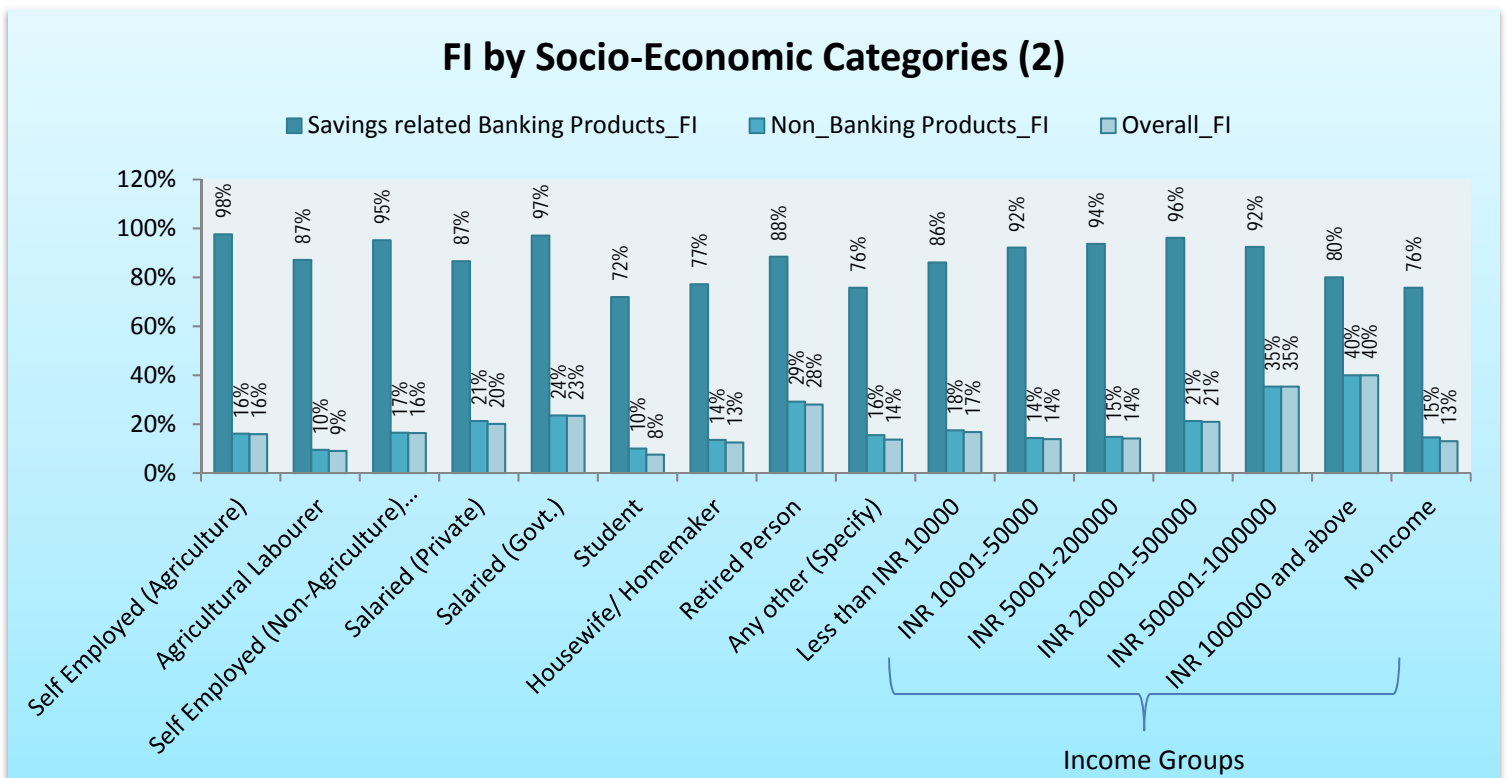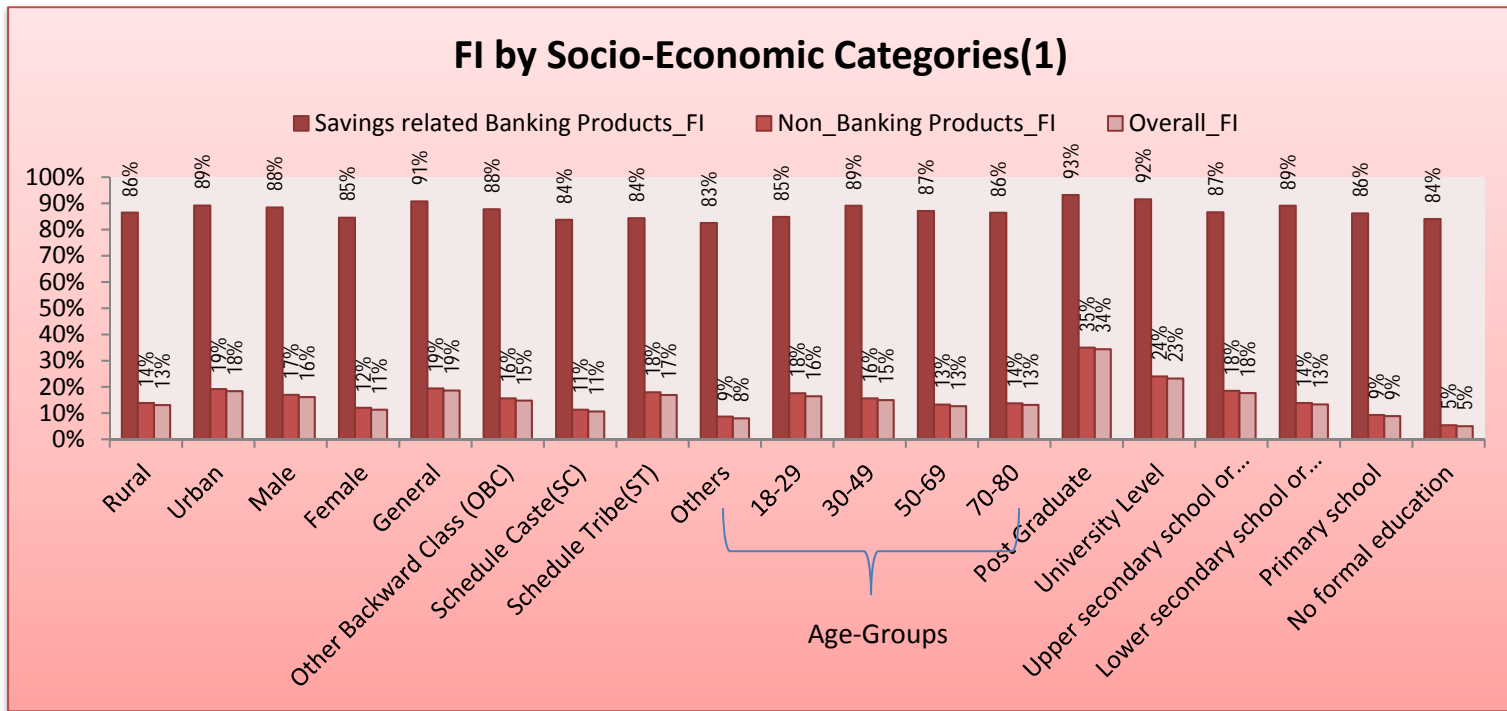
- **The Urban respondents are more financially included than rural respondents by nearly 5 percentage points.**
- **Male respondents are more financially included than female respondents by about 5 percentage points.**
- **The 18-29 yr age-group is leading in financial inclusion followed by 30-49 yr age-group.**
- **General category respondents have shown higher financial inclusion vis-à-vis ST, OBC and SC.**
- **Higher the income level, higher is the financial inclusion.**
- **Retired persons (28%), followed by the govt. employee category (23%) are found to be the most financially included.**

****