

---

## **Empirical study of National Strategy for Financial Education of India (2020 – 2025) with special reference to awareness of Insurance & Pension Plans**

---

### **Author's Names –**

**Mr. Sachin Pimple**, Ph. D. Research Scholar, Changu Kana Thakur Arts, Commerce & Science College, New Panvel, Maharashtra,  
Email – sachinpimple2304@gmail.com

**Dr. (CA) Kishore Peshori**, Principal, Smt. MMK College of Commerce & Economics, Bandra, Mumbai, Maharashtra

---

### **ABSTRACT –**

The Organisation for Economic Co-operation and Development (OECD) and its International Network on Financial Education (INFE) is working constantly for the understanding the level of Financial Literacy (FL) and measures to improve it at global level. Government of India has also followed the definition of FL provided by OECD/INFE and further working on the lines of improvement of FL level in the country as the improved financial level of countrymen will also support the development of economy. Indian Government has made its vision very clear about FL that every Indian shall be financially literate and empowered. To achieve this vision Government of India has designed National Strategies for FE time to time. The current National Strategy for Financial Education (NSFE) is designed for the period of five years from 2020 to 2025. This NSFE (2020-2025) policy is designed with a holistic approach to make Indian citizen aware about financial education (FE) related to banking services, financial market services, loan facilities, insurance cover, pension plan the working of all these. Strategy also discusses about the strengthening of banking ombudsmen and other consumer forums for the protection of consumer rights effectively. This study is an attempt to understand the effectiveness of the efforts of government to reach to common people to improve their FL level. Study is conducted in Mumbai Metropolitan Region area to know how the people of the financial capital of the country are equipped with FE. The Study is however, limited to understand the awareness level of people only about insurance and pension related concepts.

**Keywords –** National Strategy for Financial Education of India, Financial Literacy, Insurance awareness in India, Pension awareness in India

---

## ● Introduction

The OECD and INFE support policy makers, government establishments and finance sector stakeholders to frame national strategies for FE along with implement programs to improve FL level of individuals, and do propose innovative means for enhancing FL among the citizens of partner countries. The OECD INFE has defined FL as follows: ‘A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.’<sup>1</sup> Government of India has also followed this definition while preparing NSFE (2020-2025).

(<sup>1</sup> – <https://www.oecd.org/financial/education/2018-INFE-FinLit-Measurement-Toolkit.pdf>)

## ● Financial Education

It can be a stepping stone to complete financial inclusion. FE assists the person to help to take necessary decisions in financial matter more precisely. FE may include following,

- **Budgeting** – Budgeting is making a plan which contains future expenses and future incomes. It is actually noting down of the incomes which are estimated and quite sure to receive in future. Once a person is aware of his possible incomes for the upcoming period, he/she can plan his expenses accordingly. Preferred expenses are ordered first and other expenses are lined up later. It helps to avoid spending for unnecessary shopping. It also avoids the trap where person stuck about loans to buy consumer products.
- **Understanding Interest Rates** – When the hard-earned money is invested in different avenues it is very essential to know the returns on such investments. It facilitates to choose right investment option. Interest rate knowledge not only helps for investment planning but it also proves beneficial for debt management. As it permits persons to compare between various available debt options and choose the right one.
- **Prioritizing Saving** – Individuals generally plan for the expenses first and the balance amount is saved. It affects their propensity to create higher investment corpus. FE imparts among the individuals that the income shall be saved first for achieving financial targets and the residual amount shall be spent on daily expenses. It gives to benefits to individuals one, substantial amount of investment corpus is created and second, only prioritized expenses are made rather than blind shopping.
- **Debt Management** – When a big expense is expected then it is always better to make necessary provisions for the same in advance. It allows to have dedicated amount for the expense and the shortfall amount can be taken as loan without

borrowing whole amount of need. Contingencies can be planned up to some extent by making emergency funds or through insurances.

- **Taxation** – Cambridge Dictionary defines taxation as a sum of amount paid to the local body depending on the earned income of a person or the value of purchasing goods/services. It supports any government to fund public services and infrastructure. Many individuals are reluctant to pay taxes to local body. It impacts the growth of the national economy negatively. Also, it can attract penalty or even criminal punishment to the individual.
- **Personal Financial Management** – A comprehensive term encouraging financial welfare of an individual. It includes savings, investment, insurance, taxation, retirement planning, financial goal building, estate planning, and strategies help in achieving financial goals.
- **Awareness about Frauds** – FE is making individual aware about fundamental financial transactions, acquaints about various investment avenues, familiarizes about insurances, consciences about taxes, sensitizes about financial planning for old age and alerts about other financial matters. When some fraudulent tries for any gimmick or hoax financially educated mind alerts an individual about forthcoming danger. It trains individuals to check all necessary specifics of the transactions before entering in to it. And even if individual falls a prey to any Ponzi scheme, then he/she is aware about ombudsmen procedures.

- **Importance of Financial Education**

FE helps an individual in multiple ways. FE can benefit individuals to take improved financial choices in following matters –

- Understanding of Complex Financial Instruments - Number of institutions providing financial products/services is ever increasing. Banks, insurance providers, credit card facilitators, brokerage firms, investment management organisations, and further institutes which provide financial service are all competing for assets, causing customer uncertainty. Even every financial institution mentioned above provide numerous products; like each bank providing various offers of housing loan itself. Each product will be having different regulations. FE will aid to evaluate the characteristic of every kind of services and products.
- Awareness to select precise financial product according to the need – Consumers are now being asked to select from a variety of investing and savings alternatives. These products are more sophisticated than they were earlier, forcing consumers to choose from varied alternatives with different rate of interest and maturities, decisions they are frequently ill-equipped to make. These decisions can have an influence on a consumer's capacity to purchase a house, fund a higher education, or save for retirement, adding to the decision-making pressure. To take wise

decisions it is essential to have adequate knowledge of financial concepts to assess various alternatives minutely. FE plays vital role in this.

- Benefits national economy – Drop a pebble into a lake or pond and watch the ripples spread outward with ever-wider impacts. This is also true for FE. Consumers who are well-informed and educated can cause economic waves. They make better financial decisions for themselves and their family, which increases their financial stability and well-being. As house owners and voters, secure families are more active in their communities. As parents, they are more active with their children's schools and instructors, resulting in better educational and economic outcomes for their children. They contribute to dynamic, thriving communities, which in turn promotes community economic growth. As a result, FL is vital not just for individual households and families, but also for communities and societies. Well-informed and financially literate customers help to maintain economic stability by making wise investments that help to inject funds into the economy. Consumers who are financially informed can assist emerging nations assures that the financial industry contributes effectively to genuine economic growth and poverty reduction. FL is particularly important in more developed countries to guarantee that individuals save enough for a comfortable retirement while avoiding high debt levels that might lead to bankruptcy and foreclosure.
- Adequate retirement planning - Retirement planning establishes retirement income objectives and the activities and decisions required to meet those goals. Identifying sources of income, calculating consumption, devising a savings strategy, and managing assets and risk are all part of planning for retirement. Future cash flows are anticipated to check whether retirement income goal will be achieved. Some retirement plans differ based on where you live as the government framework of the country has its own system of workplace-sponsored plans. Retirement planning should ideally be a lifetime endeavour. You may start whenever you choose, however, most efficient if you include it into your financial planning from the beginning. That is the most successful technique for ensuring a comfortable, joyful, and safe retirement. A person with good financial knowledge prepares retirement planning in advance to procure adequate corpus for retired life.
- Goal based personal financial management - A solid grasp of concepts in finance may assist people in understanding and navigating the financial environment, and also managing financial risks and avoiding financial errors. FL can assist one in developing money, attaining goals, safeguarding oneself in case of an emergency, securing the future of one's family, and making retirement plans, which means person will live a stress-free life.
- Effective debt management - It's just borrowing and spending money you don't have. Debt encompasses different borrowing methods, including credit card, bank loans, among others. However, every debt liability is not bad debt, and one shall

understand the difference between bad and good debt. This distinction is necessary since not everyone is wealthy enough to fund higher education, a house, or a car, therefore borrowing a loan is an only option available. Borrowing money for items that are essential for creating a livelihood, such as paying for higher education or purchasing a house or vehicle, is considered good debt. Bad debt comprises borrowing to cover unneeded costs, like use of credit cards to satisfy luxurious demands. To conclude, one shall try to evade bad debt at highest possible level. It is the fundamentals of dealing debt, and being wise to discriminate between good debt, which is essential, and bad debt, which is unneeded spending, can save a person from falling into a debt trap. Knowledge of financial facts will help to make such differentiation and also will assist in choosing right debt product according to the need.

- Encourages financial inclusion – Individuals with financial inclusion are having access to useful and cheap financial services and products that fulfil their requirements, such as transactions, payments, savings, credit, and insurance, supplied responsibly and sustainably. Because a bank account lets persons to keep money and make & collect payments. Access to such account is a first step towards greater financial inclusion. It is a type of account that connects a person to other financial services. Financial access makes daily life easier and assists families in planning for anything from long-term objectives to unforeseen crises. People who have bank accounts are may utilise other financial services like credit and insurance to set up and develop enterprises, invest in education or health, manage risk, and weather financial shocks, all these can enhance their overall quality of life. FE encourages to take part in financial inclusion and also facilitates to get highest benefits of financial inclusion.
- Plans for suitable insurance – Insurance plans give additional advantages mere than security, which is the fundamental objective of insurance. Insurance is important in life for more reasons than just financial security in event of a mishap. There are varied insurance policies available, each with different characteristics according to the needs of an individual. For example, other than saving and building corpus for future requirements, doubling wealth is a benefit that many policyholders value. An insurance policy's payment may cover significant costs like as further education or child weddings, among other things. Financial knowledge education can assist in choosing right insurance policy as per the need of an individual. Basically, clarity in financial concepts will bring better understanding for financial goals which ultimately will help persons to make their choices to take them on right path of financial betterment.
- Avoids tax evasion –It is the unlawful act of seeking to evade paying one's tax responsibilities by an individual or a company. It includes, among other things, hiding or inventing income, misrepresenting deductions without proof, and neglecting to disclose cash transactions. It is a serious offence that may lead to criminal charges or/and hefty fines. Taxation is never easy since many are

reluctant to give up a proportion of their income to local body, yet the fact remains that tax is an important source of money for the government. Because, it is used for various development projects aimed at strengthening the economy. Therefore, the government considers this as a serious problem with tax evasion. People who should be paying taxes have discovered means to avoid paying them, and as a result, the country's income may be considered to be suffering. So, let's take a look at how individuals avoid paying taxes and what the penalty are for doing so. FL inculcates the need of payment of taxes in the minds of individuals. It also encourages legal or ethical way to save tax (not evasion) through investments for the longer period etc. which not only develops the economy of the nation but also adds to the corpus of the person.

- Legal Estate planning – The planning of activities to manage assets in case of incapacity or death of a person is called as estate planning. Estate planning includes both the allocation of properties to legal inheritors and the planning of taxes for estate. It is process of establishing how a person's properties will be safe-guarded, managed, and dispersed post death. It further considers the administration of an assets and financial responsibilities of a person in case he/she becomes disabled or unfit. Will writing, establishing trusts and/or arranging charitable gifts to reduce inheritance taxes, appointing an executor and heirs, making funeral arrangements are all examples of planning responsibilities. In the absence of an estate trust, governments may decide how assets are distributed. It is possible that a friend or a non-family member will inherit the assets before direct family members. As a result, it is critical to arrange the distribution of assets so that the assets are assigned to the correct persons who the grantor of the estate planning judges to be the beneficiaries. Also, absence of will may create controversies or fights among the heirs. FE explains the importance of presence of will and therefore, financially literate persons do take necessary steps to make estate planning.
- Creation of wealth – Wealth creation is goal of every individual. All persons do save money to create funds for future. FL plays extremely important role in creation of wealth. It starts with differentiating saving with investment. Many persons who are weak in financial concepts they may not be able to recognize this difference. Mere saving money will not help to create good corpus amounts shall park with better investment options in systematic way. FE makes an individual aware about various investment avenues available along with its features, advantages & short comings. There are different strategies of investment at different phases of the human life, which FL explains clearly. FE further illuminates about building financial goals, creation of financial plans and further implement it to achieve those goals. FL clarifies about how the human desires are to be converted into financial aspects and how a plan shall be made to realize those goals. FE teaches about wealth management which includes accumulation, enhancement, maintenance and transferring of wealth during lifetime and after the



death or incapacitation of a person. In other words, FE demonstrates about saving, investment, tax planning, insurance planning, planning for retirement and estate planning for the betterment of financial wellbeing of a person.

- Reduction in poverty – People's FL relates to their grasp of financial ideas, their skills and ability to handle money and make sound financial decisions. Financially illiterate families and individuals with lesser cognitive capacities struggle to manage their daily expenses, economic transactions, and financial resources. This is especially true and troublesome for the poor, who are generally financially illiterate on the one hand and confront persistent and cumulative financial pressure on the other. Due to their lack of skills and capability to manage their already restricted resources to satisfy numerous basic living necessities exacerbates the material suffering caused by their low and irregular wages. FL aids the poor by educating them about financial challenges and options, and developing methods to address their monetary situation. FL influences people's financial behaviour and economic decision-making, according to both economics and consumer behaviour research. FL impacts financial behaviour as this is an innate motivator for people to seek out knowledge and do act on what they learn. The poor, on the other side, are generally financially excluded, and one among the demand-side hurdles to financial inclusion is a low FL. FL improves people's knowledge and comprehension of financial services, which is especially crucial for encouraging the unbanked to join the financial structure. FL is particularly important for individuals who are presently enrolled since it has an influence on different financial habits which are assumed essential for asset growth and wealth generation.
- Improves standard of living – It is quantifiable wellbeing of general public. FL is a set of financial skills and information that a person must possess to manage or use a specific value of money which will enhance his standard of life and reach success. The people's living standard is expected to rise with proper financial management and FL, because even though person's income level is high, financial security will be not be achieved without proper financial management.

- **Benefits of Financial Education**

Previously many researchers worked in the area of FL and education. Success of FE is also evaluated across the world. Following pros of the FE observed in past –

Lusardi (2003) observed that seminars on the FE focusing retirement planning increased the financial wealth towards retirement. Different social sub groups are beneficiaries of such seminars on FE.

OECD Observer in its Policy Brief 2006 edition published research on the relevance of the FE. In this research it is stated that consumer awareness is increased due to FE. It also

mentions that in USA workers increased their participation in the retirement saving plans after offering FE to them. However, it also cautioned that FE won't achieve financial well-being alone, Consumer protection, fair financial policies, regulation of financial institution, better and accessible opportunities of financial inclusion shall also be accompanied with.

Study made by Varcoe, Pho & Choi (2012) indicated that, FE programs increased financial knowledge amongst the youth. And also, positive financial behavior could observe up to some extent. Authors also discussed about the delivery methods, policies, target participants for efficient FE.

However, O'Connell (2008) put his finding in OECD Journal: General papers that evidences proving education causes better FL are less or absent. He also suggested that) successful FE may not have same success elsewhere. When he studied different research work done in the past, he found contradictory findings like Bernheim and Mandell both studied about FE in US high schools in different times. Bernheim opined that the FE in schools result into higher savings later in their lifespan whereas Mandell could not find evidences that FE improves personal financial decisions.

● **National Strategies for Financial Education – Global Scenario**

OECD is an international organisation that works to build better policies in the field of social, economic and environment together with governments, legislators and civilian. In 2002 OECD government officially recognized importance of the FL and launched a comprehensive project. This project was further widened in 2008 and created International Network on FE (OECD/INFE). Designing policy instruments and promote effective implementation & monitoring are few of the aims of OECD/INFE.

It has made a report in 2013 stating Status of National Strategies for FE. The report says 23 countries have either accepted the national strategy on FE or implemented it. Whereas, 24 countries have started considering and/or designing a NS (however, not yet implemented it). Following table (Table 1) summaries it.

<b>National Strategy</b>	<b>Count</b>	<b>Countries</b>
1) Countries that have implemented a National Strategy or have approved one and are going for implementation	23	Australia, Brazil, Czech Republic, El Salvador, Estonia, Ghana, India, Ireland**, Japan, Malaysia, Mexico, Netherlands, Nigeria, New Zealand, Portugal, Russian Federation, Singapore, Slovenia, South Africa, Spain, USA, United Kingdom, Zambia
2) Countries that have started considering and/or designing a National	24	Armenia, Canada, Chile, China, Colombia, Indonesia, Israel, Italy, Kenya, Latvia, Lebanon, Malawi, Morocco, Peru, Poland, Romania, Serbia, South Korea, Sweden,



Strategy (however, yet to implement)		Tanzania, Thailand, Turkey, Uganda, Uruguay.
--------------------------------------	--	--

(Source: Current status of national strategies for FE. OECD/INFE Comparative Analysis and Relevant Practices [https://www.oecd.org/daf/fin/financial-education/TrustFund2013 OECD INFE Current Status of National Strategies for Fin Ed .pdf](https://www.oecd.org/daf/fin/financial-education/TrustFund2013%20OECD%20INFE%20Current%20Status%20of%20National%20Strategies%20for%20Fin%20Ed.pdf))

\* The information is updated as of April 2013. Denmark is not having a NS as such and even not considering designing one due to budgetary constraints, however it established a national board with responsibilities for FE.

\*\* Ireland on the other side has an approach as steering group recommended, but this does not include a NS. Nevertheless, it has much in common with national strategies elsewhere and so is involved in above analysis.

- **National Strategy for Financial Education – Indian Scenario**

*“India is having large population, a fast-growing economy with national focus on inclusive growth and an urgent need to develop a vibrant and stable financial system, it is all the more necessary to quickly formulate and implement a national strategy.”*<sup>2</sup> Said by former Hon’ble Finance Minister of India, Shri Pranab Mukherjee during his speech delivered at RBI- OECD Workshop on Delivering FL in March 2010

(<sup>2</sup> – <https://www.rbi.org.in/scripts/PublicationDraftReports.aspx?ID=675>)

- **National Strategy for Financial Education (2012-13) (source - <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/NSFE016072012.pdf>)**

NSFE was framed in 2012-13 with a vision of *“A financially aware and empowered India”* strategy has following key components-

- **Objectives –**
  - To create awareness among consumers about access to financial products and to educate them.
  - To develop attitudes of individuals to convert knowledge into conduct.
  - To make consumers aware about their rights and duties.
- **Key Components of FE Efforts –**
  - Know the key financial products/services person may need throughout his lifetime.
  - To recognize basic financial concepts.

- Developing an awareness about financial risk and opportunity about skills and confidence
- To make wise financial decisions about spending, saving, investing, insuring, and managing the debt.
- **Key Component of Consumer Protection Efforts –**
  - Creation of awareness about district, State, National Level Consumer protection forums
  - To provide easy access in quick timespan to financial sector ombudsmen and strengthening the network and reach of such ombudsmen across the nation.
- **Simple Messages of day-to-day Finance which could spread across country –**
  - Why Save?
  - Why invest?
  - Why insure?
  - Why you will need regular stream of income post working life – pension?
  - Why save or invest frequently and consistently?
  - Why insure fully?
  - Why to save with financial institutions (like banks)?
  - Why to borrow within one's limit?
  - Why borrow from financial institutions (like banks)?
  - What is the distinction between saving and investment of funds?
  - Why to borrow with a reason of generation of income?
  - Why to repay loans?
  - Why to repay loans within stipulated time frame?
  - Why do you require insurance?
  - What is interest?
  - How moneylenders charge very high interest rates?
- **National Strategy for Financial Education (2020-2025)** (source - <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/NSFE202020251BD2A32E39F74D328239740D4C93980D.PDF>)
  - **Vision** – A financially aware and empowered India.
  - **Objectives** –
    - To inculcate concepts of FL
    - To encourage savings behaviour actively
    - To encourage decision making for financial matters
    - To develop credit repayment discipline and boost availing of loans.
    - To improve practice of use of digital financial services
    - To manage risks at different stages of the life through applicable and appropriate insurance cover

- To plan for retirement and old age
- To know about rights, duties and means for grievance redressal
- To improve research and to better evaluation methods to ascertain the growth of FE
  
- **Action Plan to Attain the Strategic Objectives –**
  - 5-C Approach
    - ✓ Content – Education Material
    - ✓ Capacity – Strengthening intermediaries in FE
    - ✓ Community – disseminating FL
    - ✓ Communication – dissemination of FE messages
    - ✓ Collaboration – Integration with necessary bodies
  
- **Components of FE –**
  - Basic FE
  - Sector Specific FE
  - Process Education
    - ✓ How to use an ATM card?
    - ✓ How to perform UPI Transaction?
    - ✓ How to avail benefits for depositing money through a Banking Correspondent?
    - ✓ How to fill up an application form for loans?
    - ✓ How to evaluate and choose a loan product appropriate for timely need?
    - ✓ How to purchase an insurance policy to cover risks?
    - ✓ How to complete transactions in securities markets?
    - ✓ How to create funds for pension plan (and allocate money)?

*\*\*This Study is carried to emphasis on two of the aims of NSFE (2020-2025). One is insurance and other one is retirement plans.*

- **Insurance**

Cambridge dictionary defines insurance as *an agreement in which you pay a company money, either in one payment or in regular payments, and they pay your costs, for example, if you lose or damage something, or have an accident, injury, etc.*

In other words, insurance company charges a single premium or in regular intervals to cover the risk associated with any asset, life or health. In case any damage or loss occurred during the contract period insurance company may provide the compensation to victim or his/her legal heirs as per the terms.

○ **Types of Insurance**

- Life Insurance – To insure the risk of human life.
- General Insurance
  - Medclaim Insurance – To cover risk of hospitalizations and medicines of humans
  - Fire Insurance – To cover risk of fire for properties
  - Marine Insurance – To protect risk of marine
  - Motor Insurance – To cover risk of damage of car due to accidents
  - Travel Insurance – To cover risk of contingencies during travel
  - Property Insurance – To cover risk of property damage
  - Mobile Insurance – To cover risk of loss of mobile through theft or other
  - Home Insurance – To cover risk of damage, fire, peril, wear and tear of home
  - Cattle Insurance – To cover health, life of cattle
  - Crop Insurance – To cover crop from natural calamities
  - Natural Calamities Insurance – To cover property from natural calamities
  - Micro Insurance – To cover risk charging smaller premium amount affordable to all those who may not get access to formal banking and insurance network

○ **Benefits of Insurance**

- Financial back-up for an emergency – Core feature of the insurance is to pay in the instance of contingency. Insurance works as a fund needed for an emergency. Insurance may serve as back up in three different ways, one it will give money to the authorized legal heirs of the deceased so that at least financial loss due to death of a person can be reduced. Secondly, at the instance of emergency the insurance can be surrendered and amount can be retrieved. And lastly, if the insurance is planned well in advance, then the money may available at the time of the need.
- Transfer of Risk – Insurance acts on the proposition of sharing of risk. Premium is payable by the people to the insurance company. Insurance company, in return, is liable to pay compensation/maturity amount to the person. So, person is transferring the risk of life (or the property) to the insurance company. Insurance company may further transfer the risk by taking reinsurance.
- **Helps in securing future – Life insurance gives the maturity benefit or survival benefit which can turn as huge amount depending on the premium and period of the insurance. Well planned insurance can work as good investment avenues which may benefit for the long term.**

**Financing various life events like higher education, marriage, hospitalization, house purchase and other may be arranged with insurance with meticulous planning.**

- Tax Benefit – Payment of premium for life insurance provides tax benefit u/s 80C of income tax act, also returns from insurance like survival benefits or death benefits are tax free income. Payment of general insurance by business houses can be deducted as allowed expenses from taxable income and premium of medical insurances are deducted u/s 80D from taxable income of an individual.
- Cash Flow Management – Life Insurance may be planned in prior to make necessary arrangements for cash flow at the instance of need of money or during emergency.
- Compliance to Law – Some types of general insurance are mandatory in nature like vehicle insurance, marine insurance etc. Running of business will not be permissible if premiums for mandatory insurances are not paid by businesses.
- **Gives peace of mind – Insurance mainly works as a device which provides compensations during emergency. It assures work with more intensity as the stress due to inherited jeopardy of the business is transferred on insurance company so that business houses will be able to concentrate more on their routine work. Life insurance also gives peace of mind as benefits will be provided to legal heir after the death which can release some pressure from an individual.**

- **Pension**

Cambridge dictionary defines pension as *a regular income paid by a government or a financial organization to someone who no longer works, usually because of their age or health.*

In simple words, pension is payable to a person after retirement which may replace his salary income. However, pension has some types and associated rules. Pension is treated as an income received on regular intervals (mostly monthly) from concerned authorities.

- **Broadly following can be types of pensions –**

- **Employees' Pension Schemes–**

Pension payable to employees post retirement

- Government Employees – Pension payable to government employees from government post retirement.
- Private Employees – Pension payable to private employees by private employers
- Employee Provident Fund Organization (EPFO) – Pension element receivable to the subscribers (accountholders) of EPFO

- **Pension scheme for General Public –**  
Pension payable to general public (businessmen, homemakers etc.) from the voluntary contribution made by them during legitimate period.
  - Public Provident Fund – A Scheme by Government of India wherein contribution is made by an individual and annual interest is awarded by government.
  - Insurance Company Schemes – Companies selling insurance plans also provide annuity plans where pension like cash flow is provided at regular intervals. This may be immediate or deferred annuity, which starts immediately on purchase of insurance cover(policy) or after stipulated period respectively.
  - Mutual Fund Schemes – The schemes of Mutual Funds with Systematic Withdrawal Policy (SWP) can be utilized as pension plan.
  - Bank Schemes – Commercial banks provide investment schemes for long-term.
  - Post Office Schemes – Indian Post provide various long-term schemes and special schemes for senior citizens.
  - National Pension System – This is special pension scheme administered by Pension Fund Regulatory & Development Authority of India. It further invests investors' funds in varied instruments from capital & debt market instruments. This scheme is available for both general public and employees.
- **Family Pension –**  
It is given to the family members of deceased employees as per various terms of service. *(This type of pension is not considered in current study as it cannot be pre-planned)*

- **Literature Review**

- **Jhalani & Kaushal (2015)** studied awareness about pension plans among working Indian individuals, they commented that the awareness level of pension plans is very low in working individuals as compared to other kinds of investments. In fact, when individuals purchase or hold at least one kind of pension plan/s then the awareness boosts. But purchasing the first plan itself needs awareness. Authors opine that, major reason attributed to low awareness is the time lag between the contribution periods and benefit period. It reduces individuals' attentiveness in the pension plan.
- **Pushpa B. V. (2021)** examined the awareness on pension plans among investors from Bengaluru City. Researcher concluded that most individuals does not plan their retirement. Many salaried people fail to realize the need of financial requirement post retirement to maintain their living standard. Researcher further proposes that, FE program is very vital and required to be conducted more effectively with widened coverage of it.



- **Nation-wide Insurance Awareness Survey conducted by Insurance Regulations & Development Authority of India (IRDAI) through National Council of Applied Economic Research (2011)** concludes that large number of households do not understand the concept of insurance comprehensively, instead many relate insurance with mainly with death of human, (therefore as much as 60% of the households aware only about life insurance) as they do not possess much knowledge about other types of insurance covers which are existing in the market. In fact, many insurance policyholders are not even aware that their policy may could be cancelled due to non-payment of premiums. Also, it is observed that those individuals who are uninsured, their knowledge about insurance is very less. Alarming outcome from the study is every fourth person does not feel life insurance is important or required. Also, more than half (56.2%) of the uninsured population consider insurance as very expensive and not in a position to afford it. Another important outcome of the study is education is very vital to enhance the knowledge of people and in improving their confidence level in dealing with the various stakeholders of insurance.

### **Need of the Study**

OECD and INFE is working constantly for the understanding the FL level and measures to improve it at global level. Government of India has also followed the definition of FL provided by OECD/INFE and further working on the lines of improvement of FL knowledge level in the country as the improved financial level of countrymen will also support the progress of economy. Indian Government has made its vision very clear about FL that every Indian shall be financially literate and empowered. To attain this vision Government has designed National Strategies for FE time and again. The current NSFE is designed for the timeline of five years from 2020 to 2025. This NSFE (2020-2025) policy is designed with a comprehensive approach to make Indian citizens aware about FE related to banking services, financial market services, loan facilities, insurance cover, pension plan and the process of above-mentioned. Strategy also discusses about the strengthening of banking ombudsmen and other consumer forums for safeguarding of consumer rights effectively. The study is an attempt to know the efficiency of the efforts of government to reach to common people to improve FL knowledge level. Study is conducted in Mumbai Metropolitan Region area to know how the persons from financial capital of India are equipped with FE. However, study is limited to know the understanding level of people only about insurance and pension related concepts.

### ● **Research Methodology**

#### ● **Objectives**

- To understand National Strategy for the FE.
- To gain understanding of Insurance & Pension Plans
- To know level of awareness of insurance among general public
- To understand level of awareness of pension plans among general public
- To draw findings and offer suggestions from study.

- **Hypotheses of the Study**

The study will be based on following hypotheses.

- Hypothesis 1

- $H_0$  – Awareness of Insurance is not dependent on the gender of the respondent.
- $H_1$  – Awareness of Insurance is dependent on the gender of the respondent.

- Hypothesis 2

- $H_0$  – Awareness of pension plans is not dependent on the gender of the respondent.
- $H_2$  – Awareness of pension plans is dependent on the gender of the respondent.

- **Research Methodology**

Research design – Descriptive and Explanatory

Sampling method – Random sampling

Sample size – 103

Tool used – MS-Excel & SPSS

Data collection tool – Questionnaire

Data analysis tool – Frequency & Percentage analysis

Data presentation tool – Table

Hypothesis testing – Two-Tailed Mann-Whitney  $U$  test

- **Limitations of the Study**

- Study is not considering all objectives/policy plan of the NSFE except insurance & pension awareness.
- Study has not considered respondents beyond the geographical boundaries of Mumbai Metropolitan Region (MMR)
- Study is limited to respondents from urban area.

- **Data Analysis & Interpretation**

- **Hypotheses Testing**

Hypothesis	Null Hypotheses	P Value	Decision
1	Awareness of Insurance is not associated with gender of respondents.	0.041	Null Hypothesis Rejected
2	Awareness of Pension Plans is not associated with gender of respondents.	0.134	Null Hypothesis Accepted

● **Findings**

1. It is observed that 37.86% of respondents have not covered by any type of insurance and 55.34% of respondents have not made any investment in pension funds. These are alarming findings as not even half respondents are having any provision for retirement and more than one third are without any insurance cover.
2. Education is not a key factor in insurance and pension awareness as average awareness of insurance among the ungraduated respondents is 49.52% and that of respondents with graduation or more education is 50.48%. and in case of awareness in pension funds is 50% each.
3. Income level is important factor of awareness level, it is observed that the awareness level increases with the rise in income level of the respondent. It can be seen in following table –

Table 2

Sr. No.	Level of Income	Awareness about insurance Concepts (Average)	Awareness about Pension Fund Concepts (Average)
1	Less than Rs. 2,50,000	58.43%	57.50%
2	2,50,000 – 5,00,000	71.07%	58.13%
3	5,00,000 – 7,50,000	86.43%	69.17%
4	7,50,000 – 10,00,000	87.95%	78.13%
5	10,00,000 – 20,00,000	87.70%	82.72%

(Only one respondent had income level more than 20,00,000 therefore not considered for the analysis shown.)

● **Conclusion**

It is observed that insurance awareness is lower among respondents. IRDA (Insurance Regulatory & Development Authority) of India along with other stakeholders need to penetrate awareness about insurance concepts and its importance.

Awareness about pension is vital as it has direct association with retirement planning. It may impact financial wellbeing post working years of respondents.

NSFE implementation plan affected due to pandemic situation of COVID-19; however, it is essential to emphasis on implementation of strategy as it will improve awareness about financial services/products. Such awareness will support individuals to take financial decisions wisely. This will lead to betterment of financial wellbeing of individuals.

Glossary –

- i. OECD – Organisation for Economic Co-operation and Development
- ii. INFE – International Network on FE
- iii. FE – Financial Education
- iv. FL – Financial Literacy
- v. NSFE – National Strategy for Financial Education

● **References -**

- Askar M. W., Ouattara B., Zhang (2020), “Financial Literacy and Poverty Reduction: The Case Of Indonesia”, ADBI Working Paper Series No. 1097, Asian Development Bank Institute, (<https://www.adb.org/sites/default/files/publication/574816/adbi-wp1097.pdf>)
- Lusardi A., (2008), “Increasing the Effectiveness of Financial Education in The Workplace”, CFS Working Paper, No. 2008/18, Center for Financial Studies (CFS), Goethe University Frankfurt, (<https://www.econstor.eu/bitstream/10419/25553/1/57755364X.PDF>)
- Varcoe K., Go C. G. Eng T., Pho W., Choi L., (2012), “Money Savvy Youth: Evaluating the Effectiveness of Financial Education for Fourth and Fifth Graders”, Community Development Working Paper No. 2012, Federal Reserve Bank of San Francisco (<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.296.3252&rep=rep1&type=pdf>)
- O’connell A. (2008), “Evaluating the Effectiveness of Financial Education Programmes”, OECD Journal: General Papers, Volume 2008/3 ([https://read.oecd-ilibrary.org/economics/evaluating-the-effectiveness-of-financial-education-programmes\\_gen\\_papers-v2008-art17-en#page11](https://read.oecd-ilibrary.org/economics/evaluating-the-effectiveness-of-financial-education-programmes_gen_papers-v2008-art17-en#page11))
- Lusardi A. (2003), “Saving and the Effectiveness of Financial Education”, Wharton Pension Research Council Working Papers, 430 ([https://repository.upenn.edu/prc\\_papers/430/?utm\\_source=repository.upenn.edu%2Fprc\\_papers%2F430&utm\\_medium=PDF&utm\\_campaign=PDFCoverPages](https://repository.upenn.edu/prc_papers/430/?utm_source=repository.upenn.edu%2Fprc_papers%2F430&utm_medium=PDF&utm_campaign=PDFCoverPages))
- Grifoni, A. and F. Messy (2012), "Current Status of National Strategies for Financial Education: A Comparative Analysis and Relevant Practices", OECD Working Papers on Finance, Insurance and Private Pensions, No. 16, OECD Publishing, Paris, (<https://doi.org/10.1787/5k9bcwct7xmn-en>).
- Messy, F. and C. Monticone (2016), "Financial Education Policies in Asia and the Pacific", OECD Working Papers on Finance, Insurance and Private Pensions, No. 40, OECD Publishing, Paris, (<https://doi.org/10.1787/5jm5b32v5vvc-en>)
- National Strategies for Financial Education (2015), OECD/INFE Policy Handbook (<https://www.oecd.org/finance/financial-education/nationalstrategiesforfinancialeducation.htm>)
- National Strategy for Financial Education (2012) (<https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/NSFE016072012.pdf>)
- National Strategy for Financial Education (2020-2025) (<https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/NSFE202020251BD2A32E39F74D328239740D4C93980D.PDF>)
- Reddy Y. V. (2006), “The role of financial education – the Indian case”, BIS Review 87/2006 (<https://www.bis.org/review/r060921b.pdf>)

- Current status of national strategies for financial education (2013), OECD/INFE Comparative Analysis and Relevant Practices ([https://www.oecd.org/daf/fin/financial-education/TrustFund2013\\_OECD\\_INFE\\_Current\\_Status\\_of\\_National\\_Strategies\\_for\\_Fin\\_Ed.pdf](https://www.oecd.org/daf/fin/financial-education/TrustFund2013_OECD_INFE_Current_Status_of_National_Strategies_for_Fin_Ed.pdf))
- Atkinson, A. (2017), "Financial Education for MSMEs and Potential Entrepreneurs", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 43, OECD Publishing, Paris, <https://doi.org/10.1787/bb2cd70c-en>
- Damayanti S. M., Murtaqi I., Pradana H. A., (2018), "The Importance Of Financial Literacy In A Global Economic Era", *The Business and Management Review*, Volume 9 Number 3 ([https://cberuk.com/cdn/conference\\_proceedings/2019-07-14-11-03-17-AM.pdf](https://cberuk.com/cdn/conference_proceedings/2019-07-14-11-03-17-AM.pdf))
- Atkinson, A. and F. Messy (2015), "Financial Education for Migrants and their Families", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 38, OECD Publishing, Paris, <https://doi.org/10.1787/5js4h5rw17vh-en>
- Atkinson, A., et al. (2015), "Financial Education for Long-term Savings and Investments: Review of Research and Literature", *OECD Working Papers on Finance, Insurance and Private Pensions*, No. 39, OECD Publishing, Paris, <https://doi.org/10.1787/5jrtgzfl6g9w-en>
- Pre-launch Report of Insurance Campaign (2011), Insurance Regulatory and Development Authority, (<https://www.policyholder.gov.in/uploads/CEDocuments/Insurance%20Awareness%20Survey%20Report.pdf>)
- Jhalani R., Kaushal R., (2015), "A Study on Awareness about Pension Plans among Working Individuals", *Advances in Management*, Volume 8, Issue 11 (<https://www.proquest.com/openview/03b11bcc525974f88a2750c54a5ea915/1?pq-origsite=gscholar&cbl=2030322>)