

Review Article

# Imparting Knowledge Regarding Financial Literacy (Conceptual Framework of Financial System): The Indian Perspective

Suraj Sharma

Assistant Professor, Management Department from Indore Institute of Management and Research, Indore

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**Abstract** - The study attempts to impart a conceptual framework of financial literacy to intend the sequential knowledge of the Indian financial system. This is possible only for the structural framework of the Indian Financial System. The study focuses on imparting knowledge regarding financial literacy with the conceptual structure of Financial Epistemology in the Indian context. The study investigated data collected through books, journal articles, reports, internet/web sides, research papers, newspapers. This paper has spread conceptual knowledge among the people of India. The study has covered qualitative practices from a different knowledge perspective. The study has determined structural views of financial concepts with proper terminologies of the financial area. This paper also helps all learners made to an understanding of financial overview.

**Keywords** - Financial Literacy, Financial System, Financial Knowledge.

## I. INTRODUCTION

In the present era, Financial Services are rapidly introduced in the current market. So, the entire individual needs to be familiar with Finance Literacy. Financial Literacy means to take knowledge in the area of Finance is the science of Money or money is the blood of fulfilling the various purpose of all deed as well as efficiently and effectively utilization of financial resources that are called Financial Literacy. Financial Literacy is the full epistemology of the financial system, financial services, financial behaviour, and financial inclusion. Financial Education builds the individual ability, knowledge, and behaviour through a labalized understanding of financial literacy [1] (Adriana Zait, 2014).

Financial literacy intent wide ranges of the study, therefore, understanding of financial perception and measure financial activity. It is a vital part of improving knowledge in the field of finance. However, the help of financial literacy

gives the structural framework of financial understanding. It is essential to improve individual financial skills, knowledge, concepts and processes to the working atmosphere of financial services. Financial Literacy also spreads the difference between actual financial knowledge and perceived financial knowledge that helps to decision [1](2014).

It is one of the best factors to identify the role of finance from an Indian Perspective. This study attempts all aspects of finance. In this study, the main focus is on the role of communicator or educator, how can impart knowledge and spread awareness regarding financial literacy among the country people with their communication skills, financial skills. Financial Literacy helps management and professional education to fulfil the task of financial and economic security. Financial Literacy is imparting the knowledge of financial education on how can use the financial product and services by the customer. It is knowledge of the full strength of financial inclusion [2] (Monique Cohen, 2011).

The proper sequence for familiar with Financial Literacy has begun with the following terms, likewise;

**A. Finance:** All activity considered and managed by proper use of money. Money is the basis of Finance. Finance can be defined as the science of money management. Finance is an activity of managing money/funds/financial resources. It is a field that deals with the study of investments. The finance term can be started from money. Finance is the systematic allocation of funds and its spread knowledge-related assets, credit, liabilities, and capital use in any entity. Finance spread in some financial resources. The finance has been applied in every discipline, required as marketing, production, selling, research development, human resource, medical and all areas doing some work activities.

**Financial Resources:** Financial resources mean the usages of financial assets, liabilities, owner's funds, shareholder's funds, and all aspects of financial deed. There



are some most essential resources of finance like assets, liabilities, and owner funds. The term finance and financial resources inculcate the knowledge of all financial activities considered in finance. It is also the procurement of funds that fulfil the need of organizations.

Types of Finance: As per the understanding of financial concepts, finance can be classified in following terms:

**Personal Finance:** Personal finance deals with funds generated to fulfil basic individual wants. It is the management of financial resources for family units, like personal budget, saving, spending money in different financial resources for future making profit or earning. Personal finance is the phenomenon of proper planning and managing all financial events like income earned from working/business etc., spending in the proper platform, saving & investment, and protection. This is a very important aspect of individual financial management[3](CFI, 2015).

**Corporate Finance:** Corporate finance deals with mix structure of capital for a company or artificial personal. The main focus area of corporate finance is creating the value of the company through maximization of EPS as well as the creation of a wealth of company by proper utilization of financial resources of a company. Corporate finances performing work for capital investment, capital financing, and dividend & return of capital. Corporate finance term as follow capital rising, developments, taking risk and returns, and taking decision for the betterment of business [4] (Finserv, 2020).

**Public Finance:** Public finance means the study of income earned by the government and expenditure spent by state, local and central government[5] (Jhingan, 2014). Public Finance Refers to the income and expenditure or outgo of the governments in the pursuit of national objectives. Its means inflow and outflow of financial resources. Inflow means income or revenues come from different Public financial sources of India. Outflow means expenditure goes out from development purpose Public welfare of India. Public Finance is a science that deals with the income and expenditure of public bodies and the Government of a nation.

**Behavioural Finance:** Behavioral finance is a financial event of the human mind. Its deals with how can react the human mind for the financial decision point of it. It creates understanding and reasoning about investment decisions for individual benefits. Behavioural finance main focus on explaining and enhancing the knowing capacity of investors. It influences the investor behaviour for investment patterns. Behavioural finance also studies the financial market and delivers the best platform for investing individual funds in the right directions [6] (Simon, 2000).

**B. Financial Management:** After knowing the concepts of Finance, we should learn about the utilization of financial resources with the help of financial management. Financial management refers to efficiently and effectively utilizing financial resources. Financial management is a part of overall management. It is a managerial activity performed by financial managers. It provides direction to concern with the planning and controlling of financial resources. Financial Management is the use of financial resources in a systematic manner.

Financial Management intent the following functioning, as a take some important decision for better growth and earning, it should take the financial decision, investment decision, and dividend decision. The mean concern of financial management is to maximization of profit as well as wealth maximization. Financial Management is needed to support fund utilization and provide the way for the selection of the best alternatives. Financial Management is basically concerned with financing, acquisition, allocation, and management of financial assets with some pre-defined goals [7] (Dhagat, 2011). Financial Management is full depending on the duties of the financial manager to perform all concerning financial activity for accomplishing the target of the firm[8](M.Y.Khan, 2019). Financial Management covered some decision tools; all tools have given specific results for decision making, computation of cost of capital, capital budgeting, leverage analysis, ratio analysis, capital structure, working capital management, dividend analysis, etc.

**C. Financial Accounting:** Accounting is a very important aspect of financial activity, and it's a very crucial part of finance. Accounting is the process of identification of a financial event, recording in the books of account, classification of financial events, summarizing, analysis and interpretation of financial information, and communication of financial position to end-users of accounting or business concern. Accounting is the language of business. Its actual process of presenting a financial report or account [9](Shukla, 2018). The main concern of accounting is systematic records of financial activities, and all financial information focus on ascertainment of profit and loss of business, showing the financial position of the business and with the help of financial information takes decision for future. Decision-based on managers wants to know if a new product will be profitable, Owners want to know which employees are productive, Investors want to know if a company is a good investment, Creditors want to know if they should extend credit, how much to extend, and for how long, Government regulators want to know if financial statements conform to requirements.

**a) Subfield of accounting:**

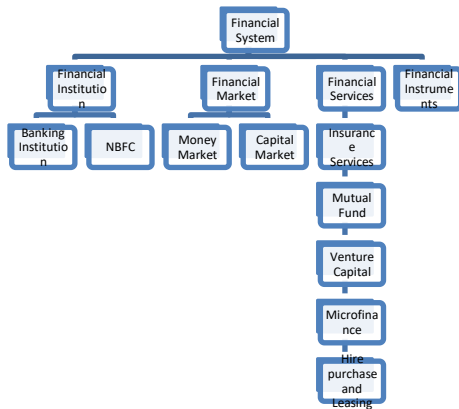
**Bookkeeping:** it's a part of accounting. Use for recording and classification of monetary transactions.

**Accountancy:** it's a systematic record of books of account and records in prescribed formats.

Accounting is a concern with the showing the financial position from the business point of it, but it also introduces some branches for a deal all aspect of accounting likewise:

- Cost Accounting
- Management Accounting
- Human Resource Accounting
- Environment/Green Accounting
- Government Accounting
- Tax Accounting
- Social Responsibility Accounting

**D. Indian Financial System:** Financial System is a process of managing financial activity (Financial Markets and Financial Institutions, Financial Instrument, Financial Services) for achieving organization goal or specific purpose. The financial system is a path for managing financial activities like Financial institutions, Financial Markets, Financial instruments, and Financial Services. Financial system process how can run the financial deed or performance. Financial systems deal with financial activity and work for the exchange of money among the investor, borrower, lender, and savers[10] (L.M.Bhole, 2016). A financial system is a system of financial activities. It's the system of financial performance by a financial institution, financial market, financial services, and financial instrument. The Indian financial system is a broader concept of spreading financial knowledge in structural form. The structural framework of the Indian financial system is given below:



**a) Financial Institution:** Financial Institution provides financial facilities to the customer and fulfils their financial needs. A financial institution is an establishment that conducts financial transactions such as investments, loans, and deposits. Almost everyone deals with financial institutions on a regular basis. Everything from depositing money to taking out loans and exchanging currencies must be done through financial institutions. The financial Institution is classified into two board categories, like as

Banking Institution and Non-Banking Financial Corporation. The financial institutions provide the facilities to fulfil customer wants of deposits and borrowing financial requirements for business concerns and personal financial management concerns. The banking institution provides a platform for proper use of the public fund indifference services intent by institution, given direction for which services are suitable for individual lenders, borrowers, savers, investors, depositors, etc. The following functions financial aspect of fulfilling by Indian financial institutions to facilities of deposit fund in various saving modes like saving account, recurring deposit, fixed deposit, term deposit, to give the facilities for borrow fund for personal use, private use, business point of it, or some purpose of acquiring product and services.

**b) Financial Services:** Financial services can be defined as services provided by the financial institution financial markets with the help of financial instruments. Financial services are a link between investors and borrowers. There are some financial services introduced below [11] (Khan, 2018). In the Indian context, financial services perform a very vital role in the Indian financial market. The financial services intent financial affairs, financial dead, and financial activities performed by all financial institutions. It's to design and deliver financial products for the satisfaction of customer funds. The financial services delivered by the financial institution for investors, customers, money lenders, saviours, borrowers, etc. The financial services focus on giving the benefits on behalf of individual investors for acquiring any financial services. It concerns all financial facilities provided for all individuals or services rendered. They take financial benefits to fulfil future wants.

There is some importance of financial services. It's provided the platform for investment funds and take benefits for the future and present. Help to safety and security of money for a long time. Make funds secured and used for financial development. We can say, It totally helps to the overall development of the nation and economy.

**The Indian Financial Services in India:** The all Indian context is fulfilled with the help of the following services;

- Banking
- NBFC
- Mutual Fund
- Venture Capital
- Leasing
- Hire Purchase
- Consumer Credit
- Factoring and Forfeiting
- Housing Finance
- Insurance Services
- Microfinance
- Bills Discounting

**c) Financial Market:** Financial markets are the place where financial products are bought and sold and satisfaction of financial need to customer. A financial market is a market in which people trade financial commodities, securities, commercial paper, certificates of deposits, derivatives, and all other items of value at low transaction costs and at prices that reflect supply and demand. The two board categories of Indian Financial Market via, Money Market and Capital Market. **Money Market** deals with short-term instruments of the financial market, like commercial paper, certificate of deposits, treasury bills, call papers, etc. The market opens for exchanging the instruments or doing financial deal for a short period of time within one year. **Capital Market** deals with long-term instruments of the financial market, like shares, bonds, commodities/stock, debentures, derivatives, etc. The market opens for exchange and performing financial activities for the long term as more than a year. Both markets are categorized as primary and secondary markets. Primary market open for new issues of financial instrument for buy and sell and secondary market for intended existence of instruments or instruments already run in markets.

**d) Financial Instrument:** Financial Instrument is a financial tool for operating in the financial market, fulfilling the desire for exchange, and exploring new avenues for generating funds or financial securities. There are some important instruments performed in Indian financial markets, Currency, Shares, Bonds, debentures, derivatives financial securities, etc. [12]

**E. International Finance:** The decade of the 1990s can be introduced as the “Globalization Decade”. The entire world, the process of dismantling the barriers to international trade and capital flows were begun in the early 1980s. After globalization, the concept of international finance has introduced to start the exchange of financial activity from country to country[13] (Apte, 2017). International Finance maintains the currencies exchange between the countries and systematically take foreign investment decisions. It takes a financial decision for investing funds in international trade and how can generate more returns for a long period of time. It provides the platform for performing Indian financial services and foreign markets and enhances learning capacity in terms of foreign development. It provides the best alternative for foreign investment and helps economic development.

## II. REVIEW OF LITERATURE

In this area of research, the following selected studies have been conducted.

**Georgios A. Panos, Tatja Karkkainen(2019) [14]** Financial Literacy and Attitude to Cryptocurrencies. The study investigated the role of Financial Literacy in the formation of cryptocurrency in the global market. This study significantly the negative impact of cryptocurrency. It has

likely less awareness among the people. The financially literate are also more likely to be aware, but not to intend to own financially literate are also more likely to be aware, but not to intend to own cryptocurrencies. The study suggested that cryptocurrencies are a part of investors compared to assets and gather more knowledge for future study.

**H. Kent Baker, Satish Kumar, Nisha Goyal(2019) [15]** How Financial Literacy and Demographic Variables relate to Behavioral Biases. The Study found how financial literacy and demographical variable related to behavioural biases. The study presents various kinds of behavioural biases, likewise individual self-perception overconfidence for the financial product at the point of Indian investors. The individual investor always does not act rationally. The study intent the knowledge for the individual investor and also promotes financial literacy for individuals.

**Thomas A Hanson, Peter M. Olson(2018)[16]** Financial Literacy and Family Communication Patterns. The study investigated or hypothesized the family patterns of communication-related to financial skills or knowledge intent for college students. The finding says the more conversation regarding financial terminologies and also able to understand all basic financial activity. The future study indicates to advise to design financial pattern.

**Hamad Omar Bakar, Zunaidah Sulong(2018) [17]** The Role of Financial Inclusion in Economic Growth: Theoretical and Empirical Literature Review Analysis. The study examined how financial inclusion can help in the sustainable development of the economy and also elaborate the impact of financial inclusion as a direction to influence the growth in terms of positive or negative with the help of causality effect. The channels found accessibility of financial services includes increasing bank branches. The study has provided future research will base on increasing numbers of bank branches and due to poor financial systems. The knowledge will be expanded regarding the financial system.

**GG Surendar & V V Subramanya Sarma(2017) [18]** Financial Literacy and Financial Planning among Teachers of Higher Education- A Comparative Study on select Variable. The study found the level of financial literacy with the help of a teacher of Higher education. The study was significantly satisfactory, and no significant difference was non-technical and technical teachers regarded financial literacy and planning. The study limitation to make policy and formulating strategies by practitioners are filling the gap regarding financial literacy among the people.

**Neha Ramnani Bhargava(2016) [19]** A Study on Financial Literacy and Financial Education. The study found various dimensions of Indian financial literacy, just like as description of microfinance services, self-help group, adult education, helpline, and also covered all different kinds of

dimensions help to expand knowledge regarding financial literacy and financial education. The limitation for future studies will organize campaigns to generate knowledge in the field of financial literacy and also will improve financial status as well as skill.

**TokarAsaad, Colleen (2015)**[20] Financial Literacy and Financial Behavior: Assessing Knowledge and Confidence. The study investigated the comparative analysis of actual financial knowledge and perceived financial confidence decisions. Financial confidence was a critical component compared to financial literacy, and it was important for all aspects of knowledge. The study future study will focus on functional knowledge of financial literacy and help all individuals to become confident in finance.

### III. OBJECTIVE

- To get full acquaintance of Financial Literacy with the theoretical perspective of the Indian Financial System.
- To assess the imparting knowledge in the field of Financial Literacy.
- Find out best practices to inculcate epistemology in the area of finance.

### IV. RESEARCH METHODOLOGY

In this research work, the qualitative method of research has been applied for the structural sequence of financial literacy in India. The research design should have been done on the basis of personal reading, observation, and focus on the conceptual framework. Research Methodology basically used for how can design research and how to collect the data every detail given below:

**Data Collection:** In this research, data has been collected from secondary data, described as given below:

**Secondary Data:** In this research work, secondary data has been collected through books, journal articles, reports, internet/web sites, research papers, newspapers.

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