

ACCOUNTING FOR NATION BUILDING

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Growing Efforts for Financial Literacy for Better Household Accounts

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Abstract

Over the recent years, financial landscape has changed considerably in our country. Domestic financial stability remains a crucial challenge in many households. People find it difficult to take decisions regarding personal finance issues confidently and often make mistakes which leads to poor household accounts i.e. lower disposable income, unplanned spending, deficient savings and financial assets and overindebtedness of households. Recent economic crisis has also confirmed that skills related to personal financial management have become necessary in current societal and financial context. The focus of any discussion on financial literacy is mainly on the households, who usually have limited resources and inadequate skills to understand the complexities of financial dealings on a day to day basis. Financial literacy helps households to manage their financial affairs such as saving, investment, credit, insurance, retirement planning etc. and improve their standard of living and financial wellbeing which ultimately helps in the growth of the whole economy. The present paper is an attempt to throw some light on the initiatives taken by regulatory authorities and others for improving financial literacy in India and its repercussions on household accounts.

Key words: Financial Literacy, Household Accounts, Household

Introduction

Financial Literacy:

Organization for Economic Co-operation and Development has defined Financial Literacy as "a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual wellbeing". In a broader perspective financial literacy can be stated as "Understanding of economics and how economic conditions and circumstances affect household decisions". (Worthington, 2006) A narrow definition of financial literacy focuses on "basic money management tools such as budgeting, saving, investing and insurance". (Natalie Gallery, 2010) Financial literacy can be summarized as confluence of knowledge, ability and skill to understand basic money management concepts, financial market products, especially rewards and risks associated with them to make informed choices and using one's financial resources wisely leading to the lifelong financial wellbeing and economic security of oneself, one's household and the economy as a whole.

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