



Empowering College Students: The Role of NEP 2020 on Financial Literacy in India

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ABSTRACT

The National Education Policy (NEP) 2020 aims to transform India's education system by emphasizing practical and skill-based learning. A key aspect of this transformation is financial literacy, which helps students understand money management, saving, investing, and making informed financial decisions. This paper explores how NEP 2020 is shaping financial literacy among college students in India, the challenges in implementing financial education, and strategies for improvement. It also compares India's financial literacy initiatives with global practices and offers recommendations to enhance the impact of financial education.

Keywords: NEP 2020, financial literacy, college students, money management, financial education, India, digital banking, financial security

Introduction

In today's fast-evolving financial landscape, where digital payments, investments, and credit decisions shape everyday life, financial literacy is no longer just an additional skill—it is a necessity. Despite the increasing complexity of financial products, many college students in India graduate without the essential knowledge to manage their personal finances, leaving them vulnerable to debt traps, poor investment choices, and financial instability (Lusardi & Mitchell, 2014).

India, with its rapidly growing economy and expanding financial sector, demands a financially literate youth who can navigate savings, investments, taxation, and digital banking effectively. However, traditional academic curricula have largely neglected financial education, resulting in a knowledge gap that affects students' ability to make sound financial decisions (Agarwal et al., 2015). Recognizing this critical gap, the National Education Policy (NEP) 2020 introduces a paradigm shift by integrating financial literacy into India's education system (Government of India, 2020). By fostering experiential learning, interdisciplinary courses, and digital tools, NEP 2020 aims to equip students with practical money management skills, preparing them for real-world financial challenges.

How NEP 2020 Enhances Financial Literacy among College Students

NEP 2020 prioritizes experiential learning and interdisciplinary education, paving the way for financial literacy to become an integral part of higher education. The policy introduces several mechanisms to improve financial literacy among students:

- **Flexible Curriculum:** Students can take financial literacy courses as part of their academic programs, enabling them to acquire essential finance management skills. Students can take financial literacy courses as part of their academic programs. For example, universities such as Delhi University and IIT Bombay have introduced financial literacy modules in their curriculum to help students understand budgeting, investments, and loans (Sinha, 2021).
- **Real-World Learning:** NEP 2020 promotes practical financial education through internships, industry partnerships, and project-based learning. For instance, the Indian Institute of Management (IIM) Bangalore offers financial planning workshops where students interact with finance professionals to gain real-world insights (Sharma, 2022).
- **Integration of Technology:** Digital platforms, online courses, and financial literacy apps provide students with interactive and accessible learning tools. The National Stock Exchange (NSE) Academy offers

online financial literacy courses that align with NEP 2020's vision, helping students enhance their financial knowledge through gamified modules (NSE Academy, 2021).

- **Early Exposure to Financial Education:** Encouraging schools to introduce basic financial concepts ensures that students enter college with foundational knowledge. Initiatives like the RBI's Financial Literacy Week introduce school students to fundamental concepts such as saving and interest rates, ensuring better preparedness for college-level financial education (Reserve Bank of India, 2021).
- **Entrepreneurial Training:** Business and entrepreneurship programs under NEP 2020 incorporate financial planning and investment strategies, fostering a financially aware student community. For example, the Atal Innovation Mission promotes financial literacy among young entrepreneurs by offering mentorship programs and funding opportunities for student-led start-ups.

Challenges in Implementing Financial Literacy Education

Despite NEP 2020's emphasis on financial literacy, several barriers remain:

- **Lack of Trained Educators:** Many teachers are not equipped to teach financial literacy effectively. Training programs and specialized workshops need to be introduced to bridge this gap (Sharma & Gupta, 2020).
- **Inconsistent Curriculum across Institutions:** The absence of a standardized syllabus leads to varying levels of financial knowledge among students. A structured curriculum would ensure uniform financial literacy education across universities (Sinha, 2021).
- **Difficulty in Understanding Complex Financial Topics:** Some students struggle with financial jargon and concepts such as taxation, investments, and risk management. Simplified teaching materials, real-life case studies, and gamified learning can make these topics more accessible.
- **Limited Access to Digital Tools:** Students in rural or economically disadvantaged areas may lack access to online financial education resources. The government and private sector should work together to provide affordable internet access and mobile-based financial literacy programs (World Bank, 2020).
- **Slow Institutional Adoption:** Some colleges are hesitant to incorporate financial literacy courses, delaying their benefits. Policies should be enforced to mandate financial literacy courses as a part of degree programs.
- **Low Awareness and Motivation among Students:** Many students do not prioritize financial literacy, perceiving it as secondary to their academic subjects. Awareness campaigns, financial literacy competitions, and incentives for students can drive greater engagement (Lusardi et al., 2017).
- **Lack of Practical Exposure:** Theoretical knowledge alone is insufficient. Collaborations with financial institutions, internships in banking and finance, and simulation-based training can enhance practical learning.
- **Language and Cultural Barriers:** Financial literacy content is often available only in English, making it difficult for non-English-speaking students to grasp the concepts. Developing resources in regional languages can ensure inclusivity and wider reach.

Global Best Practices in Financial Literacy Education

Several countries have successfully integrated financial literacy into their education systems, offering valuable lessons for India:

- **United States:** Financial literacy is integrated into the school curriculum across multiple states. Institutions like Harvard University and the University of Pennsylvania conduct extensive research and offer financial education programs in collaboration with financial institutions such as JPMorgan Chase and Bank of America. These programs benefit students by equipping them with investment strategies, credit management skills, and entrepreneurial finance knowledge (Lusardi & Mitchell, 2014).
- **Australia:** The Australian Securities and Investments Commission (ASIC) runs the "MoneySmart Teaching" program, which provides interactive digital tools, online courses, and workshops for students at universities such as the University of Melbourne and Australian National University. This initiative has led to improved financial decision-making skills and responsible spending habits among students (ASIC, 2021).
- **Singapore:** The Monetary Authority of Singapore (MAS) collaborates with institutions like the National University of Singapore (NUS) to offer government-led financial literacy initiatives, workshops, and digital learning platforms aimed at students. These programs emphasize the importance of savings, investment, and financial risk management, preparing students for future financial stability (MAS, 2021).
- **United Kingdom:** Financial literacy is a compulsory part of the school curriculum. Universities such as the London School of Economics (LSE) partner with Barclays Bank and HSBC to provide real-world financial training, mentorship, and investment education to students. These partnerships ensure that students graduate with hands-on experience in personal finance, investment planning, and credit management, making them financially independent (OECD, 2020).

India can incorporate similar approaches to strengthen its financial literacy initiatives under NEP 2020 by fostering collaborations between universities and financial institutions, introducing digital learning tools, and making financial education a standardized part of academic programs.

Strategies to Enhance Financial Literacy Education in India

To maximize the impact of NEP 2020 on financial literacy, the following measures should be considered:

- **Teacher Training Programs:** Specialized training for educators to effectively teach financial literacy concepts. Universities and financial institutions should collaborate to design and implement teacher training programs, ensuring educators are well-equipped with modern financial knowledge (Sharma & Gupta, 2020).
- **Standardized Curriculum:** Developing a common syllabus to ensure consistency in financial education across institutions. This will help students across different universities acquire the same level of financial understanding, reducing disparities in knowledge (Sinha, 2021).
- **Engaging Learning Methods:** Utilizing gamification, case studies, and simulations to make financial literacy interactive and practical. Interactive platforms such as stock market simulators and AI-driven financial advisory tools can enhance learning experiences.
- **Collaboration with Financial Institutions:** Partnering with banks, fintech companies, and stock exchanges to offer mentorship, workshops, and real-world financial training. Collaborations with institutions like RBI, NSE, and SEBI can help bring industry experts into classrooms (RBI, 2021).
- **Government-Led Awareness Campaigns:** Expanding financial literacy programs by RBI and SEBI to reach a wider student audience. Nationwide campaigns promoting financial knowledge and decision-making can foster a culture of financial responsibility among students (SEBI, 2021).
- **Leveraging AI and Data Analytics:** Implementing AI-driven financial guidance platforms to provide personalized financial education for students. AI tools can help students track their spending, investments, and financial goals (World Bank, 2020).
- **Incorporating Financial Literacy in Skill Development Programs:** Integrating financial literacy into vocational courses and skill development programs to ensure broader reach and application. Programs under Skill India and Digital India can be leveraged to educate students on personal finance.
- **Expanding Research and Innovation in Financial Education:** Encouraging universities to conduct research on effective financial literacy strategies and innovate new teaching methodologies. Research collaborations with global financial literacy organizations can enhance the effectiveness of financial education policies.
- **Encouraging Student-Led Financial Awareness Initiatives:** Colleges can promote financial literacy clubs, competitions, and peer-learning groups where students can discuss financial concepts, share investment strategies, and participate in real-world financial planning activities.

Conclusion

NEP 2020 is a transformative step in integrating financial literacy into India's higher education system. By equipping college students with essential financial knowledge, NEP 2020 paves the way for a financially secure and economically empowered generation. Future research should focus on assessing the effectiveness of financial education initiatives and identifying areas for further improvement.

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