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Research Paper

Enhancing Financial Literacy in Andhra Pradesh: Exploring Its Role in Personal Savings, Investments and Economic Empowerment

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Abstract
Personal financial well-being depends on a person's ability to save, invest and manage debt with reasonable confidence — the cluster of skills called financial literacy. The picture in Andhra Pradesh, like the rest of India, is one of fast-rising financial inclusion alongside slower-growing financial capability. Bank account ownership in India sits at 78% (World Bank, 2022) and the RBI Financial Inclusion Index reached 56.4 in March 2022, up from 53.9 the year before. But only about 27% of Indian adults are financially literate by OECD-aligned criteria, and the urban-rural gap remains substantial — 33% in cities versus 24% in villages (NCFE, 2019). This paper reviews what is known about financial literacy in AP, what role it plays in shaping savings, investment and household economic empowerment, and what the available evidence suggests about closing the literacy gap. Using NCFE survey data, the World Bank Findex 2021, RBI inclusion measures and PMJDY administrative data, we find that the binding constraint is no longer access — it is the ability to use financial products well. We argue that the next phase will require sustained investment in school- and SHG-based financial education, calibrated digital-literacy programmes for first-time digital payment users, and serious data infrastructure to track outcomes at household level.
Keywords: *financial literacy, financial inclusion, personal savings, economic empowerment, Andhra Pradesh, NCFE*

I. Introduction

A bank account is not the same as financial knowledge. Over the past decade, India has built one of the largest financial inclusion architectures in the world — anchored on the Pradhan Mantri Jan Dhan Yojana (PMJDY), the JAM trinity of Jan Dhan, Aadhaar and Mobile, and the Unified Payments Interface. The result has been a sharp rise in account ownership and digital-payment access. The change in financial behaviour and household decision quality, however, has been slower. Many account holders still leave their accounts inactive (World Bank, 2022). Many borrowers still rely on informal lenders. And only a minority of adults can confidently answer basic questions about interest, inflation and risk (NCFE, 2019).

Andhra Pradesh sits inside this national pattern. The state has invested in direct-benefit-transfer architecture and has expanded women's Self-Help Group (SHG) coverage as far as any state in India. It also faces the same gap between inclusion and capability. This paper reviews where AP currently stands on financial literacy, what role financial literacy plays in shaping savings, investments and household economic outcomes, and what the next phase of policy needs to look like if the literacy gap is to close at the same speed as the inclusion gap has.

1.1 Research questions and methodology

The review is organised around three questions. What does the evidence say about the level and distribution of financial literacy in AP and India? How does that literacy translate into savings, investment and household empowerment outcomes? And what policy levers are most directly relevant to lifting it?

This is a structured review of secondary sources, not new primary fieldwork. Three categories of evidence anchor the analysis: nationally representative survey data (NCFE Financial Literacy and Inclusion Survey 2019; World Bank Global Findex Database 2021); administrative and regulatory data (RBI Financial Inclusion Index 2022; PMJDY programme records 2022); and policy and institutional material (RBI National

Strategy for Financial Education 2020–25; NABARD SHG bank-linkage reports). State-level data on financial behaviour at household level in AP is not yet systematically published; we use national figures as proxies and flag the limitation where it matters.

II. Literature Review

Lusardi and Mitchell (2014) define financial literacy as the ability to make informed judgements and take effective decisions regarding the use and management of money. Their work and the broader OECD/INFE programme have produced the most widely used measurement tools, including the three-domain framework (financial knowledge, financial behaviour, financial attitude) used by NCFE in India. The strongest cross-country result is that financial literacy is positively associated with retirement saving, prudent borrowing, and stock-market participation — with effects independent of income and education.

For India, the NCFE Financial Literacy and Inclusion Survey 2019 records that only 27% of adults qualify as financially literate using the OECD-aligned scoring threshold (combined score of at least 15 out of 22, with at least 3 in financial attitude, 6 in financial behaviour and 6 in financial knowledge). Urban respondents score higher than rural (33% versus 24%), men higher than women, and government employees higher than agricultural workers (Sharma & Singh, 2019). Bhushan and Medury (2013), looking at earlier data, attribute the gender gap to differential access to education and resources. Garg and Singh (2018) find that younger Indians often score lower than older ones, possibly reflecting less exposure to household financial decisions.

On the inclusion side, the World Bank Global Findex Database 2021 records bank account ownership in India at 78% — a slight decline from 80% in 2017 — with India accounting for 190 million of the world's unbanked adults (World Bank, 2022). Roughly 35% of Indian account owners hold inactive accounts, the highest share of any country in the database. Sinha and Azad (2018), looking at the early years of the programme, argued that PMJDY contributed to dormant balances; this finding has since been borne out in the Findex data. The picture for AP is consistent with the national pattern, though state-level series are limited.

III. Financial Literacy In India And Andhra Pradesh: The Data

The clearest single source on financial literacy is the NCFE Financial Literacy and Inclusion Survey 2019. The survey covers 144 districts drawn from the 651 districts of the country (using the 2011 Census frame), and applies the OECD/INFE financial literacy toolkit. The headline national figure — 27% of adults financially literate — is the most-cited number in the Indian financial-education policy debate. Behind that headline sit four important details, summarised in Table 1.

Table 1. Financial literacy patterns in India and Andhra Pradesh

Indicator	Finding	Magnitude	Source
Overall financial literacy in India	Adults considered financially literate using OECD-aligned threshold (combined score ≥ 15/22)	27%	NCFE (2019)
South-zone financial literacy	Andhra Pradesh sits within the South Zone, which records financial literacy slightly above the national average	Above 27%	NCFE (2019)
Urban–rural divide	Urban respondents score higher than rural respondents on the NCFE financial literacy measure	Urban 33% vs rural 24%	NCFE (2019)
Indian states with highest literacy	Goa, Chandigarh and Delhi have the highest financial literacy in the country	Above 50%	NCFE (2019)
Bottom-ranked states	Chhattisgarh, Sikkim and Odisha have the lowest financial literacy	4–11%	NCFE (2019)

Two implications stand out. The South Zone, which contains AP, sits above the national average — but only marginally. The 50%-plus literacy levels seen in Goa, Chandigarh and Delhi remain a long way ahead of where AP, Telangana, Karnataka and Tamil Nadu currently are. And the 9-percentage-point urban-rural gap nationally suggests that the literacy challenge in AP is concentrated outside its three or four major cities.

IV. Financial Inclusion As The Platform For Literacy

Financial literacy does not operate in a vacuum. Without bank accounts, debit cards, mobile-payment apps and credit access, financial knowledge has nothing to attach to. India's recent achievement is that the access platform now exists at scale. The PMJDY programme had reached 46.25 crore cumulative accounts and □1.73 lakh crore in deposits by August 2022, eight years after launch (Ministry of Finance, 2022). The RBI Financial Inclusion Index, which composites access, usage and quality, rose to 56.4 in March 2022 from 53.9 a year earlier, with growth in all three sub-indices (RBI, 2022). Table 2 brings the inclusion indicators together.

Table 2. Financial inclusion indicators in India (relevant to AP)

Inclusion indicator	Status as of late 2022	Magnitude	Source
Bank account ownership (adults 15+)	Account ownership stagnated between 2017 and 2021 after a decade of rapid expansion	78%	World Bank (2022)
Inactive accounts	India has the world's largest share of inactive accounts — owned but not used	35% of account owners	World Bank (2022)
PMJDY accounts (cumulative)	Eight-year cumulative total under the flagship financial inclusion programme; 67% rural/semi-urban, 56% women	46.25 crore (□1.73 lakh crore deposits)	Ministry of Finance (2022)
Operative PMJDY accounts	Decline in operative share from 85.6% (Aug 2021) to 81.2% (Aug 2022) signals slowing engagement	81.2%	Ministry of Finance (2022)
RBI Financial Inclusion Index	Composite index of access, usage and quality across banking, insurance, postal and pension; 0 = full exclusion, 100 = full inclusion	56.4 (Mar 2022) ↑ from 53.9 (Mar 2021)	RBI (2022)
Digital payments uptake	More than 80 million adults in India made their first digital merchant payment after the start of the pandemic	80+ million new users	World Bank (2022)

What this table shows is the gap between access and usage. Bank account ownership in India is now within 1 percentage point of the developing-country average, and the RBI index is climbing. But 35% of account owners hold inactive accounts. The operative-account share under PMJDY actually fell from 85.6% to 81.2% between August 2021 and August 2022. And 13% of Indian adults save through financial institutions — down from 20% in 2017. Inclusion has run ahead of literacy, and the lag is starting to show.

V. Financial Education In Andhra Pradesh: Channels And Gaps

Four channels carry most of the financial-education weight in AP. Table 3 summarises them.

Table 3. Channels of financial education and inclusion in Andhra Pradesh

Channel	Description	Reach / scope	Source
Centres for Financial Literacy (CFLs)	Block-level units launched by RBI under the National Strategy for Financial Education 2020–25, run jointly with sponsor banks and NGO partners	Block-level rollout in progress under NSFE 2020–25	RBI (2020); NCFE (2020)
Financial Literacy Centres (FLCs) at branch level	Operated by lead banks, anchored on financial literacy weeks and rural camps focused on PMJDY beneficiaries	Network across all districts	RBI (2020)
Self-Help Group (SHG) federations	Women's SHG federations integrate basic budgeting, savings and credit literacy into routine group meetings; SHG bank-linkage	Wide rural coverage in AP	NABARD (2021)

Channel	Description	Reach / scope	Source
	anchors financial behaviour change		
YSR Aasara and YSR Cheyutha (state schemes)	Direct cash-transfer schemes to women SHG members and women aged 45–60 from BC, SC, ST and minority categories; structured around a four-year payout cycle to support household financial planning	State-wide	Government of Andhra Pradesh (2021)

The Centres for Financial Literacy (CFLs) and Financial Literacy Centres (FLCs) are the formal arms of the National Strategy for Financial Education 2020–25 (RBI, 2020). The strategy targets block-level CFL coverage as part of its rollout, with materials translated into regional languages and tied to RBI's annual Financial Literacy Week. The SHG federations carry a different kind of weight: AP has one of the densest SHG networks in India, and routine SHG meetings are an existing channel through which budgeting, saving and credit literacy can travel. NABARD (2021) data shows that SHG-bank linkage in AP outperforms most large states on both number of groups linked and per-group savings deposits. State schemes such as YSR Aasara (a working-capital top-up to women SHG members) and YSR Cheyutha (a four-year cash transfer to women aged 45–60 from disadvantaged categories) sit alongside these channels and create an additional reason for households to engage with formal banking products (Government of Andhra Pradesh, 2021).

5.1 What is missing

Three gaps are visible. First, the existing channels skew adult; school-level financial education at scale, although named in the National Strategy, is still patchy in implementation across AP's districts. Second, digital-payment uptake during the pandemic brought 80 million-plus first-time Indian users into UPI and similar systems (World Bank, 2022); the literacy and consumer-protection content for this group has not kept pace. Third, no state-level series tracks financial behaviour change at household level in AP — NCFE, RBI and Findex all stop at national or zonal aggregates. Without such a series, the state cannot calibrate where the literacy spend is most productive.

VI. Discussion, Policy Implications And Conclusion

Three themes come out of the review. First, AP — like India — has solved most of the inclusion problem but not the literacy problem. The 78% account-ownership figure (World Bank, 2022) and the 56.4 FI-Index value (RBI, 2022) are real achievements, but they will not deliver household-level financial empowerment on their own. Second, the urban-rural and gender gaps in literacy that NCFE (2019) documented at the national level almost certainly hold inside AP, and the policy response needs to be calibrated against them. Third, the existing institutional architecture in AP — SHG federations, CFLs, FLCs, and DBT-anchored state schemes — is unusually well placed to carry a literacy push. The question is implementation density, not invention.

Three policy directions follow from the available evidence. The first is to embed financial literacy in school curricula at scale, using regional-language material that the National Strategy for Financial Education already references. The second is to design digital-literacy modules for first-time UPI and digital-payment users, ideally co-located with SHG meetings and CFL touchpoints. The third is to build a state-level household financial behaviour panel — conducted periodically by an AP-level research partner in coordination with NCFE — to give the state the evidence base it currently lacks.

What the available evidence shows is that AP is well positioned to make the next move on financial literacy. What it does not yet show is whether the move will be made at the speed and density that 27% national literacy demands. With sustained investment in school-based education, calibrated digital-literacy programmes and a credible state-level evidence base, the inclusion architecture already in place can be converted into the financial empowerment outcomes that the architecture was always meant to deliver.

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