

CAs as Vitiya Mitra - A Call to Action

On an average, worldwide, only 1 out of 3 adults is financially literate. As per the survey conducted by S&P Global FinLit, Financial Literacy rate in India is 24% as compared to 57% in developed economies such as United States. As partners in nation building Chartered Accountants can play the role of force multipliers in the Financial & Tax Literacy (FTL) initiatives of our country. Read on....

CA fraternity has been a silent contributor at various life stages of our clients, family, and friends, acting as the lender of last advice to innumerable people. Let us re-visit few illustrative real-life examples on how CAs play the role of Vitiya Mitra: -

- a. When there is an unfortunate and sudden demise in extended family or network, a CA friend (Vitiya Mitra) would receive a stress call from the surviving family members on how to claim monies lying in the deceased bank



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- b. When a young citizen responds to a job offer, he or she would reach out to a CA friend (Vitiya Mitra) seeking assistance on the net take home salary that would be deposited in his/her bank account post TDS implications
 - c. When a start-up entrepreneur seeks guidance from CA friend (Vitiya Mitra) on share-based compensation payments or tax implications of ESOPs in the hands of his/ her star performing employee
 - d. When a senior employee reaching his retirement age seeks advise on how to invest his life savings to ensure corpus protection and regular income, he or she reaches out to a CA friend (Vitiya Mitra)
- Above are daily life examples where our fraternity keeps selflessly guiding our society in national interests.
- As a developing nation our country faces several key challenges and one of them is the low rate of financial literacy in India. Globally financial literacy is now on the agenda of the G 20, financial services regulators, statutory bodies and financial services players



Financial Literacy

as there is an awakening on the significance of the financial literacy or Vitiya shaksharta. This article provides an outline to CAs whether in practice or employment on how they could look at making FTL initiatives as one of their life goals in the interest of nation building.

Financial Literacy – For Individuals

“Financial literacy is ‘a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being.’ - OECD/ INFE High-level Principles on National Strategies for Financial Education (2012)

Financial Literacy – For MSMEs

“Financial literacy is the combination of awareness, knowledge, skills, attitudes and behaviour that a potential entrepreneur or an owner or manager of a micro, small or medium sized enterprise should have in order to make effective financial decisions to start a business, run a business, and ultimately ensure its sustainability and growth.”

- OECD/INFE Core Competencies Framework on Financial Literacy for MSMEs 2018

The concept of financial literacy is surrounded by several myths, one of them is educated people are financially literate. Global studies have shown that highly educated people can also be

financially illiterate. Published data from various states in India show that highly literate states such as Kerala where literacy rate is as high as 84-90% have only 36-40% of financial literacy (as per National Centre for Financial Education Report 2015). A former governor of RBI states that “the most fundamental reason why people should strive to become financially literate is to help them reach their personal financial goals. From a national perspective, the payoff is large”, therefore financial and tax education is a strategic concept as: -

- Stability of financial system is intrinsically linked to the quality of decision making at the individual level.
- Financial literacy contributes to global economic growth and sustainable development by improving financial inclusion and well-being outcomes. Improving financial literacy levels around the world helps bridge remaining socio-economic gaps and inequalities across and within countries, thus leading to more inclusive societies for all.
- Financial education dissemination can support the achievement of broader economic and social outcomes by strengthening consumers’ resilience to major financial shocks.
- Building trust is a primary condition for growth and

stability in digital age. By virtue of promoting financial literacy and robust financial consumer protection frameworks countries empower consumers to become effective users of financial products

Financial Inclusion is on the Global Agenda

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

Financial inclusion has been identified as an enabler for 7 of the 17 Sustainable Development Goals (SDGs) set up by the United Nations:

- SDG 1 on eradicating poverty -
Financial inclusion ensures accessibility of financial tools for savings, insurance, and credit to poor people, which can help whole communities lift



Globally financial literacy is now on the agenda of the G 20, financial services regulators, statutory bodies and financial services players as there is an awakening on the significance of the financial literacy or Vitiya shaksharta.

themselves out of poverty. CAs can conduct clinics on dissemination financial tools.

b. SDG 2 on ending hunger -

Financial inclusion of farmers can empower them for bigger investments in the planting season. This can lead to better yields and progress toward greater food security. People from the rural areas should be included in the financial system so that they come out of poverty trap and eradicate hunger. CAs through their extended network in the rural heartland can conduct orientation sessions for farmers in distress.

c. SDG 3 on profiting health and well-being -

A CA friend (Vitiya Mitra) can help throw light on the benefits of health insurance which helps improve access to healthcare and lowers out-of-pocket expenses in case of medical emergencies.

d. SDG 5 on achieving gender equality -

It is essential for women to access and use digital transactions to become financially independent. Findings of the NCFE-FLIS 2019 Survey highlighted that Financial literacy rate in India among women is 21% against a 29% rate among male respondents. Financial inclusion targeted

to women can help achieve gender equality.

e. SDG 8 on promoting economic growth and jobs -

The financial inclusion through credit, can increase investment in production activities, thereby increasing jobs and economic growth in the country. CAs can identify credit needs and provide lending access to first time borrowers.

f. SDG 9 on supporting industry, innovation, and infrastructure -

Investment in infrastructure and innovation are crucial drivers of economic growth and development. Moreover, due to digitization and advent of UPI based digital payments, India has observed a huge surge in Digital transactions. This boom in digital payments is an indicative of increase in ease of access to financial services. A CA as a Vitiya Mitra can Support digital payments to promote digital financial literacy and financial inclusion.

g. SDG 10 on reducing inequality -

With the outbreak of Covid-19 pandemic, widening disparities in income levels of people are much more evident. Its only through financial inclusion that we can empower lower income earners and promote economic



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inclusion of all classes of people.

It is evident from the facts that in our country financial illiteracy is widespread and can be seen as a concern for the global and national economy.

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There exists a gap in financial literacy around the world. Chartered Accounts can use this global challenge as an opportunity to test ourselves as a Vitiya Mitra. Financial Literacy can be posed as a new area of focus and a new field of practice in order to contribute to development of the nation. ICAI has formalized FTL initiatives by launching a comprehensive and dedicated national portal viz., <https://vitiyagyan.icaai.org/>. This portal provides a good starting point for CAs to build on their general FTL related guidance to clients, family and friends with basic concepts explained in English and regional languages.

Although internet connectivity in rural areas is still low as compared to urban area, due to the tremendous growth of the Internet, more people are having access to technology at a faster rate. Many CA's are using this opportunity to educating masses and students through short and interactive videos on various social media platforms such as YouTube, WhatsApp and Instagram to encourage financial freedom.

Scams and manipulations on the rise, it is the gate keeping duty of a CA friend to advocate financial safety and protect the general public from financial fraud schemes by promoting financial awareness. CAs in their day to day practice guide their family and clients on tax basics while also assisting them in selecting safe and right tax investments. CAs can take a further step as a Vitiya Mitra and Conduct seminars/webinars on importance of tax literacy to educate the masses.

In summary, a CA friend can educate the masses on: -

1. Benefits of record keeping – Having an effective record keeping can help an individual and business track their money and organize financial activities. It also provides an evidence of financial transactions and wealth creation.
2. Benefits of Budgeting – Masses should be educated on spending on needs first, wants later and never on waste! This can help in better money management to reduce expenses, improve savings and building of assets to meet financial goals faster. Awareness can be created about budgeting rule such as 50:30:20.

3. Benefits of positive Debt Cycles – Borrowers must have clear knowledge of interest rate, tenure, repayment terms and charges and the focus should be on building income generating assets.
4. Benefits of Financial Risk Management – Masses can be advised on how financial risks can be managed by having multiple sources of income, creation of an emergency fund and by purchasing insurance policy in order to transfer risk.

CA as Vitiya Mitra can be a financial friend to the masses who can guide the society on “Life Skills” such as Investment basics, Tax basics, Insurance basics, Savings for short term & retirement, Estate planning, Will writing and so on.

Role of an Aspiring CA Student

As young CA students, the curriculum includes accounting, taxation and financial management which imparts sound financial knowledge on a wide range of topics.

Concepts of capital budgeting, borrowing, investment decisions and tax laws are few among the key financial concepts that a CA Student is well aware of that can be used to alleviate the problem of financial and tax illiteracy.

Moreover, Articleship experience also adds to the theoretical knowledge of students by providing exposure to real life situations.

Take Initiative! Volunteer!

- Students can attend seminars and workshops on financial literacy to widen their knowledge base



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- Students can start with their own college and encourage such educational institutions to conduct seminars on financial literacy
- Active volunteering work can be undertaken by students to promote financial literacy.
- Students can contribute articles on financial and tax literacy to various publications

India being the 5th largest economy in the world also happens to be at 101st position among 116 countries in the Global Hunger Index (GHI) 2021, which is an indicator that millions of people in India are living in extreme poverty. Financial literacy is low across the world. However, it is alarming to know that the financial literacy rate in India is way behind other countries. We Chartered Accountants as Vitiya Mitras, can use our knowledge as our potent force to aid the people of our country towards better financial prospects. It is through better access to financial and tax literacy that, we can improve India's situation in current times and make judicious use of our demographic dividend. **India needs CA Vitiya Mitras to uplift our country out of the tag of a developing nation. ■■■**