

The Four-Step Path to a Financially Empowered India



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A truly inclusive and resilient economy cannot exist without financially aware and empowered citizens. However, building such a society is not merely about disseminating information or running sporadic awareness drives. It requires a sequenced, structured approach - one that moves people progressively from financial education to financial literacy, then to financial inclusion, and ultimately towards financial wellbeing.

These four stages are distinct yet interconnected. Each step builds upon the previous one, creating a comprehensive ecosystem for sustainable financial empowerment.

1. Financial Education: The Foundation of Understanding

Financial education is the starting point - the process of imparting knowledge about financial concepts, products, and systems. It equips individuals with basic information about money management, saving, credit, insurance, and investments. At this stage, the focus is primarily on awareness and conceptual clarity. Citizens learn what interest rates mean, how compounding works, what mutual funds are, and why insurance is essential. It should result in people becoming aware of financial choices and terminology.

Given the sheer size of India's population and its diversity, if we want financial education to reach all our citizens, it would require co-opting schools and universities, doing workplace programs, public campaigns, and much more. Financial education must be made part of our school and college curricula. Unless we recognize that

financial education is as important as math skills or language skills, we run the danger of an entire generation reaching adulthood without being adequately prepared to manage their money.

However, financial education alone is insufficient. While understanding what a Systematic Investment Plan is or why saving for retirement through the National Pension Scheme is important, this does not automatically help a person make sound financial decisions. Financial education merely enables one to move confidently to the next stage - financial literacy.

2. Financial Literacy: The Ability to Apply Knowledge

Financial literacy is when an individual moves from "knowing" to "doing". It represents the ability to use one's financial knowledge to make informed, effective decisions in a real-life context. A financially literate person can compare savings and investment options, budget effectively, understand risk-return trade-offs, and plan for long-term goals. This stage transforms information into competence.

Financial literacy helps build decision-making capabilities and practical financial skills. Through this, individuals will be able to assess products, manage cash flow, and avoid financial traps. Achieving this would require large-scale and targeted skill-based training, the use of digital tools, and community learning initiatives.

While literacy enables individuals to engage meaningfully with the financial system, many citizens remain outside it due to structural or socio-economic barriers. That's where the third stage - financial inclusion - comes in.

3. Financial Inclusion: The Bridge to Participation

Financial inclusion ensures that access to financial services and products, and the opportunity to use all available financial services, is universally accessible. It is about enabling participation - bringing every citizen, regardless of income, geography, or gender, into the formal financial fold. An inclusive system ensures access to banking, digital payments, securities market products, insurance, pensions, and credit on fair terms. Inclusion transforms literacy into empowerment by providing the tools to act on financial knowledge.

India has successfully democratized access to affordable and appropriate financial services with the implementation of the Jan Dhan Yojana, Pradhan Mantri Jan Jeevan Yojana, Atal Pension Yojana, and many such national-level schemes. This has enabled over ninety percent of Indians to actively use savings, credit, insurance, and investment products. Fintech innovations like UPI, extensive agent networks, and simplified KYC norms have also supported financial inclusion.

But inclusion is not the destination - it is the means to a higher goal: financial wellbeing.

4. Financial Wellbeing: The Ultimate Goal

Financial wellbeing is the state in which individuals can meet their financial obligations comfortably, feel secure about their financial future, and have the freedom to make choices that improve their quality of life. It reflects stability, security, and satisfaction. Financial wellbeing is not just about wealth creation—it is about peace of mind and resilience to financial shocks.

We must enable citizens to lead financially secure and fulfilling lives; building long-term savings through prudent risk management and being retirement-ready are two of many skills that can help them lead lives of reduced stress. This would require equipping our population with the ability to plan their finances holistically. Therefore, behavioural nudges

and long-term investor education programs that integrate the emotional, psychological, and social aspects of money will be necessary.

The Sequential Logic

The four stages form a natural progression: education builds awareness, literacy builds capability, inclusion builds access, and wellbeing builds sustainability. Skipping a step in this progression would lead to fragile outcomes. Financial inclusion without literacy may cause misuse of credit. Education without inclusion may lead to frustration. And literacy without wellbeing may result in anxiety despite knowledge. Therefore, policymakers, regulators, and institutions engaged in investor education need to design programs that consciously move citizens through this learning–using–thriving continuum.

In India, financial inclusion has ensured that every Indian has access to, and can effectively use, the affordable and reliable financial services they require. These services include payments, savings, credit, and insurance. India has a population of over 145 crores, of which the population over 15 years is around 100 crores. Almost 90% of them now have a bank account. The Jan Dhan Yojana has added almost 55 crore accounts. Similarly, the Pradhan Mantri Suraksha Bima Yojana covers about 45 crore individuals, and the Pradhan Mantri Jeevan Jyoti Bima Yojana covers about 21 crore individuals. Over 9 crore individuals are covered by the Atal Pension Yojana and NPS. There are 21 crore demat accounts and over 25 crore Mutual Fund folios.

But we need to look beyond this narrow understanding of financial inclusion because even though most Indians have bank accounts, many find them of little value. About 20% of the Jan Dhan accounts are not operational. Even though the RBI's Financial Inclusion Index has risen from 60% in 2023 to 64.2% in 2024, an NCFE study indicates that only 27% of the Indian population is financially literate. The SEBI Investor Survey 2025 reveals that 37% of the households surveyed were not even aware of at least one securities market product. Equally concerning is the survey finding that only 9.5% of households surveyed had invested in a secondary market product.

This is why financial education and financial literacy are important. While we understand financial literacy as the ability to use financial skills to make informed money-related decisions, it needs to be contextually relevant. The average Indian has limited resources and skills to appreciate the complexities of financial dealings relating to his or her personal finances. The goal has to be to convert India from being a nation of savers to a nation of investors. This can be achieved only by making every Indian financially literate. We need to teach them how to prepare a household budget and about the power of compounding, the risks from inflation, etc. We need to help them prioritize personal financial goals and allocate money to different asset classes.

For Bharat, budgeting is about housing, education, food, and the cost of a bus ticket. A personal financial goal is about their kids' education, owning a house, and retirement. Savings is about operating their Jan Dhan accounts. Investment is about SIPs, Mahila Samman Savings Certificates, and Atal Pension Yojana. Insurance is about Jeevan Jyoti Bima Yojana, Suraksha Bima Yojana, and Jan Arogya Yojana.

Conclusion

A financially savvy society cannot be built overnight. It evolves through a deliberate, sequenced process that begins with education, matures into literacy, expands through inclusion, and culminates in wellbeing.

India's regulatory ecosystem - through initiatives of SEBI, RBI, IRDAI, and PFRDA - is well-positioned to align all financial literacy and investor education efforts to this logical progression. Institutions engaged in investor education, like NISM, have also stepped up their efforts.

When every citizen is financially educated, literate, and included, financial well-being becomes not just an individual aspiration but a cornerstone of national economic resilience.

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