

Prioritizing Financial Literacy in Budget 2025: A Path to Financial Inclusive Growth

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Article Written by: Ms. Banisha Begum Shaikh, Mr. Pranav Patwardhan, Mr. Nimish Khedekar

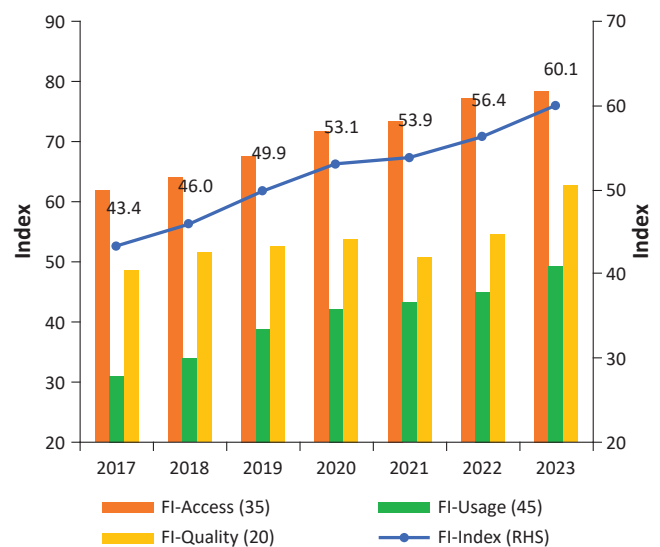
In an increasingly interconnected world, access to financial services and the knowledge to effectively use them is no longer a luxury, but a necessity for ensuring equitable economic growth and development. Despite notable progress in financial infrastructure, millions in India continue to lack basic financial literacy, limiting their ability to potentially utilize formal financial services. This knowledge gap prevents individuals from making informed decisions about savings and investments, which are vital not only for personal financial well-being but also for driving economic growth and expanding beyond traditional savings and investment practices.

As the National Budget for 2025-26 approaches, while attention will be given to various sectors and aspects, the Union Finance Ministry should consider prioritizing the promotion of financial literacy, across demography groups, in India. This focus is crucial to fostering greater financial inclusion and addressing the widening gap between different income groups across the country.

As a key reference point, the RBI's Financial Inclusion Index (FI-Index) suggests an improvement, rising from 43.4 in 2017 to 64.2 in 2024 (Refer Graph No-1), reflecting progress in financial access,

usage and quality parameters. While access has shown significant progress, thanks to initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY), the quality parameter – particularly financial literacy – lags behind. This gap hampers the effective utilization of financial services, highlighting the need for a stronger focus on financial education and awareness.

Graph No-1: FI-Index and Sub-Indices (end-March)



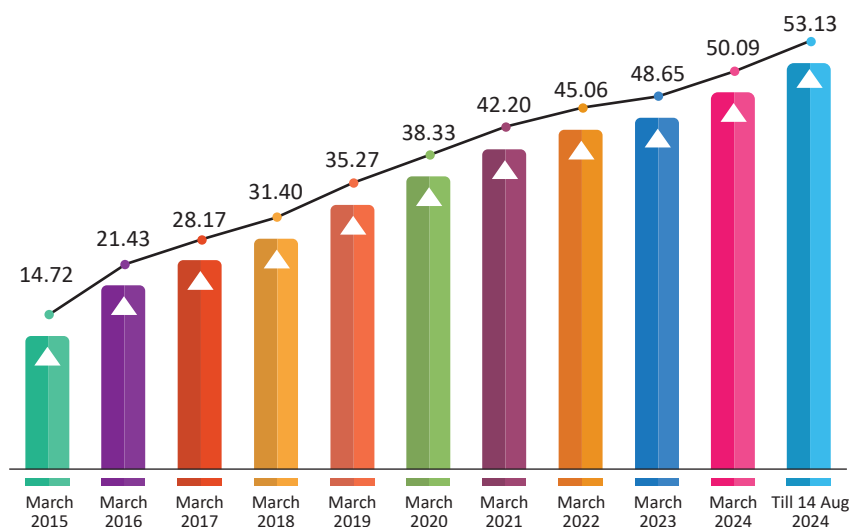
Note: Figures in parentheses indicate weights in per cent in FI-Index.
Source: RBI

Source: RBI, Annual Report 2024



Over the past decade, the government has made remarkable progress on the supply side by strengthening financial institutions and regulatory frameworks. This has significantly improved the Access parameter in the FI-Index. For instance, under the Pradhan Mantri Jan Dhan Yojana (PMJDY), the number of bank account holders surged from 14.72 crore in March 2015 to 53.13 crore as of August 14, 2024 (Refer Graph No- 2). However, on the demand side, there remains a pressing need for improvement, particularly in financial literacy. Currently, only approximately 27% of Indian adults – and just 24% of women – meet the Reserve Bank of India's

Graph No-2: Pradhan Mantri Jan Dhan Yojna



PMJDY Accounts (in crore)

Source: PIB

outcomes. Forecasts indicate that India is set to remain the fastest-growing economy for the next decade. However, without adequate financial knowledge, India's citizens may struggle to fully capitalize on the vast economic & financial opportunities that lie ahead.

Therefore, Budget 2025 should place a strong emphasis on promoting financial literacy across all age groups, genders and socio-economic backgrounds. This focus will help harness India's demographic dividend, bolstering the country's position in the global financial market. Furthermore, a more pronounced emphasis on promoting financial literacy, through institutionalized channels, will play a key role in narrowing the socio-economic inequality gap and empowering marginalized communities to break free from the cycle of poverty.

Article Written by:

Ms. Banisha Begum Shaikh

Senior Research Scholar,
Economics & Econometrics Division,
Policy Advocacy Research Centre

Mr. Pranav Patwardhan

Research Analyst
Economics & Econometrics Division
Policy Advocacy Research Centre

Mr. Nimish Khedekar

Research Intern
Economics & Econometrics Division
Policy Advocacy Research Centre

Kindly Note: Views expressed are personal.

minimum standards for financial literacy. These figures highlight the concerning gap in financial knowledge and the inability of many Indians to fully harness the potential of financial markets & financial services.

A recent survey conducted by Tata AIA on financial awareness among women in the Indian subcontinent revealed that financial independence does not always translate to the freedom to make financial decisions. Among working women, 59% do not independently manage their finances, with this figure rising to 65% in Tier-3 markets. This dependency leaves women particularly vulnerable to economic hardships, financial exploitation and a widening gender gap in the financial market. Furthermore, a recent survey found that only 16.7% of teenagers in India are financially literate, underscoring the urgent need to cultivate financial aptitude from an early age.

While financial institutions such as the RBI, SEBI, NSE, BSE etc., have begun collaborating with schools and colleges to promote financial literacy, the implementation process needs to be significantly expedited to achieve broader and more impactful

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