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Investing in Investor Education in India: Priorities for Action

RBI Governor inaugurates NCAER series of workshops with financial regulators on investor education

Inaugural address by RBI Governor Shaktikanta Das

New Delhi (Wednesday, December 16, 2020): The National Council of Applied Economic Research (NCAER) hosted the inaugural event for a five-part virtual workshop series with financial regulators on investor education and protection. RBI Governor Shaktikanta Das delivered the keynote address, articulating the government’s vision and strategy for investor education. *“Among the multifarious objectives and areas of the Reserve Bank of India... financial inclusion and financial education are critical for India’s economic growth and stability of our financial sector. I appreciate the thoughtful initiative by NCAER in choosing this topic. The stability of any sector is built upon trust, and financial education can only promote the citizens’ trust in the financial sector... I would like to say that in a large country like ours with an aspiring population, financial education cannot remain just the responsibility of financial sector regulators. This aspect is highlighted in the National Strategy for Financial Education 2020-25 document which recommends a multi stakeholder led approach to achieve financial wellbeing of all. Going forward, increasingly, educational institutions, industry bodies and other stakeholders like think tanks, research institutions should come forward to shoulder the responsibility of increasing financial literacy through appropriate awareness campaigns. I invite every such person and institution to be associated with our mission of nation building through creation of a financially aware and empowered India. We will be supportive of future endeavours of NCAER in this space”*

India’s post-pandemic recovery must be accompanied by increasing financial inclusion and digital participation, taking advantage of the digital shock and resulting innovation that countries worldwide are experiencing. Effectively connecting the world’s second-largest population to a formal banking system will be a Herculean task for this decade. Channelling savings from hard-earned incomes to safe, full-disclosure and rewarding investments remains a challenge for the bulk of India’s population.

Digitisation has brought banking to many more during the pandemic. But many are first-time users and don't trust unfamiliar ways of handling their money. At the same time, the demand for entry into investment markets has surged. The number of demat accounts has risen 20% in the last six months during the pandemic, owned mainly by 24-39 year olds. The past five years have seen greater equity investments from Tier 2-and-3 cities. This surge in interest in India's financial markets places a big responsibility on the financial regulatory authorities to demystify finance and encourage informed and safe investing. The just-released [National Strategy for Financial Education 2020-25](#) recognises the unique challenges of creating a financially aware and empowered India. It emphasises the need for India's financial regulators to converge quickly on common approaches to financial education.

These five NCAER workshops with key financial regulators, SEBI, PFRDA, IRDA, and RBI, will be an opportunity for participants to both learn from the regulators about their strategies for investor education and to contribute to refining the priorities for action and for further research and data collection in this area.

The inaugural NCAER workshop benefitted from insights by **G P Garg**, Executive Director, SEBI, and Chairman, National Centre for Financial Education (NSFE), **Shashank Saksena**, Senior Economic Adviser at the Department of Economic Affairs and Secretary, and Secretary, Financial Stability and Development Council, and **Manoj Pandey**, Joint Secretary, Ministry of Corporate Affairs and CEO, Investor Education Protection Fund Authority (IEPFA).

NCAER Director General Shekhar Shah shared his insights “India’s post-pandemic recovery will require us to build on every positive advantage that we can derive from this unprecedented downturn. The pandemic has driven digitalisation in a few months that would have otherwise required years. We need to capitalise on this transformation to now build smarter and more effective investor education and protection platforms so that an ever-growing part of our population is financially savvy”.

While referring to the National Financial Literacy and Inclusion Survey 2019, panelist G P Garg mentioned that *“In India, only 29% of the male population and 21% of the female population are financially literate, with an overall percentage of financial literacy at only 27%. One of the reasons behind this low level of financial literacy is the non-inclusion of financial education topics in the school curriculum. It is now time to include financial education topics as part of school curriculums, both in central and state education boards. Doing so will ensure that our young population is equipped with this essential life skill for their financial well-being in the future.”*

Panelist Manoj Pandey shared his insights on the subject, stating that *“financial literacy, education and inclusion are essential drivers of any country’s socio-economic development, growth, prosperity and overall well-being of its citizens. Keeping in view the mandate given to it under Section 125 of the Companies Act, 2013, IEPFA since its establishment in September 2016 has taken several steps towards investors’ education, awareness and protection. IEPFA is spreading the message across rural, semi-urban and urban areas to enhance the level of financial literacy and awareness using various means like leaflets, handbooks, short films, documentaries and digital media.”*

Upcoming workshops will address investor education across the securities market, insurance, pensions, banking, and payment systems. The workshops will result in a consolidated sectoral action plan to implement the National Strategy for Financial Education against the backdrop of the findings of the NSFE’s 2019

Financial Literacy and Inclusion Survey. NCAER's Investor Education and Protection Fund (IEPF) Chair Professor Dr K P Krishnan shared details on the upcoming workshops *"This event has proved to be the successful launch of an India-focused comprehensive work program on consumer protection in finance. With the RBI Governor's address setting the context, the next in NCAER's series with financial regulators will delve deeper into investor education and protection issues in the securities market, and subsequently with other sectoral regulators in the following weeks."*

The next workshop in the series is scheduled for **December 21, 2020**, and will be chaired by SEBI full-time member, Mr G Mahalingam.

This initiative and workshop series are part of NCAER's IEPF Chair established to conduct research on contemporary issues related to investor education and protection and analyse economic, legal, and regulatory issues that are the root cause of the large gaps in investor protection in India and ways to bridge those gaps.

About NCAER | The National Council of Applied Economic Research

Established in 1956, **NCAER** is India's oldest and largest independent, non-profit, economic policy research institute. NCAER's work cuts across many sectors, including growth, macro, trade, infrastructure, logistics, land, labour, urban, agriculture and rural development, human development, poverty, and consumers. The focus of NCAER's work is on generating and analysing empirical evidence to support and inform policy choices. It is also one of a handful of think tanks globally that combine rigorous analysis and policy outreach with deep data collection capabilities, especially for household surveys. More on NCAER is available on www.ncaer.org.

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