



Joginder Singh

Vice President
National Stock Exchange of
India Limited (NSE)

Educate, Empower, Elevate: Creating a Financially Literate India through Investor Education, Awareness and Tax Literacy

India has expanded access to financial markets at an unprecedented pace, yet financial understanding has not grown at the same rate. With only about 27% of adults demonstrating basic financial literacy, millions of new investors remain vulnerable to misinformation, behavioural biases and fraud. Building a financially confident nation requires more than increasing participation in capital markets. It demands a coordinated

approach built on education, investor awareness, behavioural understanding and tax literacy. Together, these elements help individuals make informed decisions, protect their savings and convert long-term investing into sustainable wealth creation.

India's Investment Revolution Needs an Equal Revolution in Financial Literacy

India is witnessing one of the most significant shifts in its financial history. Investing, once largely confined to financial professionals and experienced market participants, has entered everyday conversations. Families discuss mutual funds over dinner, young professionals begin SIPs with their first salaries, and retirement planning is no longer reserved for those nearing the end of their careers.

Technology has accelerated this transformation. Aadhaar-enabled services, UPI, online KYC, smartphone-based investment platforms and simplified account opening have dramatically reduced the barriers to participating in financial markets. Investors from Tier-2 and Tier-3 cities now account for a growing share of market activity, while SIP contributions and demat account openings continue to reach new milestones.

The transition from a nation of savers to one increasingly willing to invest represents an important milestone in India's economic development.

Yet greater access has exposed a deeper challenge.

According to the National Centre for Financial Education (NCFE), only around 27% of Indian adults possess basic financial literacy. Comparable levels in countries such as the United States, the United Kingdom and Australia typically range between 55% and 70%. Financial inclusion has expanded rapidly, but the ability to understand investment products, assess risk and distinguish credible advice from misleading claims has lagged behind.

The consequences are visible across the investment ecosystem. Many individuals purchase financial products solely on recommendations from friends or relatives, confuse insurance with investment, or rely on social media stock tips without understanding the underlying risks. Regulatory studies consistently show that most retail

traders lose money, with behavioural factors such as overconfidence, herd behaviour and excessive trading often proving more damaging than lack of information alone.

Financial capability, therefore, cannot be measured by the number of investment accounts opened. It is measured by the quality of decisions investors make after entering the financial system.

That is where the framework *Educate. Empower. Elevate.* becomes relevant.

Pillar One: Educate Building the Foundation for Better Financial Decisions

Financial education is often misunderstood as teaching people how to predict markets or select winning investments. Its real purpose is much simpler and far more valuable.

An informed investor understands how money grows, why inflation matters, how risk and return are connected, and why patience frequently delivers better outcomes than speculation. Such

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knowledge enables individuals to ask informed questions, evaluate financial products critically and avoid mistakes that can have lasting consequences.

Recognising this need, India's financial regulators have worked together to strengthen financial education. The Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI) and Pension Fund Regulatory and Development Authority (PFRDA) jointly established the National Centre for Financial Education (NCFE) to improve financial awareness across the country.

SEBI has complemented these efforts through the National Institute of Securities Markets (NISM), which offers free educational resources, certification programmes and Investor Awareness Programmes designed not only for finance professionals but also for ordinary citizens. Increasingly, trained resources are taking these programmes into schools, colleges and local communities, extending their reach well beyond metropolitan centres.

The Financial Concepts Every Investor Should Understand

While financial markets may appear complex, long-term success depends on mastering a handful of fundamental ideas.

Risk and Return

Higher potential returns almost always involve higher risk. Investments promising extraordinary or guaranteed returns with little or no risk deserve careful scrutiny rather than unquestioning trust. Healthy scepticism is one of an investor's strongest safeguards.

The Power of Compounding

Compounding rewards consistency and time. Someone who begins investing early often accumulates substantially greater wealth than someone who starts later, even if the latter invests larger amounts. Time frequently becomes a more valuable asset than money itself.

Diversification Through Different Asset Classes

Equity, debt, gold and real estate each perform differently under changing economic conditions. Diversification reduces dependence on any single asset class and helps balance both opportunity and risk within a long-term portfolio.

Saving and Investing Are Not the Same

Saving protects capital; investing seeks to increase it. Maintaining emergency savings is essential, but relying exclusively on low-interest savings accounts for long-term goals allows inflation to erode purchasing power over time.

Understanding Financial Documents

Mutual fund factsheets, insurance contracts, loan agreements and investment disclosures contain critical information on costs, risks, exclusions and obligations. Reading these documents carefully before making commitments helps prevent expensive misunderstandings later.

Closing India's Financial Literacy Gap

India's financial literacy challenge extends beyond numbers.

Urban literacy levels are estimated at roughly 33%, compared with approximately 24% in rural areas. Women consistently record lower financial literacy than men despite increasing educational attainment and workforce participation. These differences often arise from unequal exposure to financial decision-making rather than differences in capability.

Traditional investment preferences also continue to shape household behaviour. Gold and real estate remain dominant stores of wealth for many families. While these choices reflect cultural experience and perceived safety, they also illustrate the limited familiarity many households have with financial products that appear unfamiliar or difficult to understand.

Addressing these disparities requires meeting people where they are.

Educational programmes must be delivered in regional languages, adapted to local realities and supported by trusted community educators. Financial concepts such as budgeting, inflation, borrowing, investing and retirement planning should become part of school education long before young adults begin earning.

Financial education is not a one-time intervention. It evolves with every stage of life. Students require different knowledge than young professionals. Parents planning children's education face different decisions from individuals preparing for retirement. An effective financial literacy ecosystem must support learning throughout this entire journey.

Knowledge alone, however, does not guarantee sound decisions.

Many investors understand financial principles yet still succumb to emotional decision-making, misleading advice or sophisticated fraud.

That is why education must be followed by empowerment.

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Pillar Two: Empower Turning Financial Knowledge into Sound Judgement

Financial education answers an important question: *What should investors know?* Investor empowerment addresses a different one: *Will they apply that knowledge when it matters most?*

Experience suggests the answer is not always yes.

Many people understand basic investment principles but still become victims of misleading advice, speculative trends or outright fraud. Knowledge alone rarely protects investors when decisions are influenced by emotion, urgency or misplaced trust. Empowerment bridges that gap by developing judgement i.e. the ability to question extraordinary claims, verify information and remain disciplined when markets become volatile.

Investor protection begins long before a complaint is filed. It starts with informed decision-making.

Recognising the Red Flags

Financial scams continue to evolve, but their psychology has changed very little. Most succeed not because they are technically sophisticated, but because they exploit predictable human emotions such as greed, fear, urgency and the fear of missing out.

Several warning signs appear repeatedly across fraudulent schemes.

The first is the promise of unusually high or guaranteed returns with little or no risk. Genuine investments always involve trade-offs. If returns appear unrealistic, caution is warranted.

A second warning signal is manufactured urgency. Fraudsters often insist that investors must act immediately before a supposedly exclusive opportunity disappears. Sound investments rarely require rushed decisions.

Requests for secrecy should also raise concern. Anyone discouraging consultation with family members, financial advisers or independent experts is usually attempting to prevent verification.

Finally, credibility should never rest on popularity alone. Social media influence, celebrity endorsements or charismatic personalities are poor substitutes for regulatory registration, transparent disclosures and independently verifiable information.

Disciplined investors pause before acting. They verify first and invest later.

Financial Fraud in the Digital Age

Technology has transformed investing, making financial products available with a few taps on a smartphone. The same technology has also expanded the reach and sophistication of fraud.

Counterfeit trading platforms now closely imitate legitimate applications. Artificial intelligence enables convincing deepfake videos featuring respected market professionals apparently endorsing dubious schemes. Unregistered financial influencers or “finfluencers” can build large online audiences before promoting speculative investments or participating in pump-and-dump operations.

This has fundamentally changed the meaning of financial literacy.

Investors must now evaluate not only the investment itself but also the credibility of the platform, application or individual promoting it. A professionally designed website, polished videos or millions of online followers do not establish legitimacy. Regulatory registration and independent verification remain the only reliable standards.

Financial literacy and digital literacy have become inseparable.

Knowing Your Rights

Even well-informed investors may occasionally face disputes or misconduct. Confidence in financial markets depends not only on preventing problems but also on ensuring that effective remedies exist when they occur.

India has developed several institutional mechanisms to safeguard investors.

SEBI’s SCORES platform enables investors to file and monitor complaints electronically through a multilingual interface. Banking-related grievances can be addressed through the RBI Ombudsman, while insurance complaints are handled through mechanisms established by IRDAI.

These systems reinforce an important principle: seeking redress is a legal right rather than an adversarial act.

Many first-time investors hesitate to complain because they assume financial institutions cannot be challenged. Investor awareness must therefore include an understanding of both responsibilities and rights.

Behavioural Finance: Why Intelligent Investors Still Make Costly Mistakes

Classical finance assumes that investors make rational decisions once they possess adequate information.

Real-world behaviour tells a different story.



People frequently act against their own long-term interests despite understanding fundamental investment principles. Emotions, mental shortcuts and cognitive biases often override careful analysis, particularly during periods of market optimism or panic.

Recognising these behavioural tendencies is therefore an essential aspect of investor protection.

Behavioural Biases Every Investor Should Recognise

Loss Aversion

Most people experience the pain of losses more intensely than the satisfaction of equivalent gains. Investors therefore continue holding weak investments simply to avoid acknowledging a mistake.

Overconfidence

Success during favourable markets often creates an exaggerated belief in one's ability to predict future outcomes. Excessive trading, underestimated risks and unwarranted confidence frequently follow.

Herd Behaviour

When everyone appears to be investing in the same opportunity, resisting collective enthusiasm becomes difficult. Recent investor interest in certain small-cap and

mid-cap funds demonstrates how fear of missing out can overshadow careful evaluation of valuations and fundamentals.

Anchoring

Investors frequently focus on irrelevant reference points, such as the original purchase price or a previous market peak, instead of assessing an investment's current prospects.

Disposition Effect

Many investors sell profitable investments too early while continuing to hold losing positions in the hope that prices will recover. The result is often the opposite of disciplined long-term investing.

Mental Accounting

Money is often treated differently depending on its source. Bonuses, gifts and investment gains are commonly spent more freely than regular income despite having identical value.

Recency Bias

Recent events exert disproportionate influence over expectations. Bull markets encourage excessive optimism, while market declines create undue pessimism, leading investors to buy near peaks and sell near lows.

Confirmation Bias

Once people form an opinion, they naturally seek information supporting their existing beliefs while ignoring contradictory evidence. Social media communities frequently reinforce this tendency.

Familiarity Bias

Many investors allocate excessive portions of their portfolios to companies, industries or employers they know well, assuming familiarity reduces risk. In practice, concentration often increases vulnerability.

Designing Better Investment Behaviour

Behavioural biases cannot be eliminated because they are rooted in human psychology.

What can be improved is the environment in which financial decisions are made.

The most effective investor protection strategies reduce opportunities for emotional mistakes rather than relying entirely on self-control.

Systematic Investment Plans (SIPs) provide an excellent example. By automating regular investments, they minimise attempts to time the market and encourage disciplined investing across market cycles.

Similarly, automatic retirement contributions, sensible default asset allocations and standing investment instructions reduce impulsive decision-making.

Empowerment, therefore, extends beyond education. It equips investors to recognise manipulation, understand their own behavioural tendencies and develop habits that support consistent, long-term decision-making.

Only when knowledge is reinforced by judgement can investors navigate increasingly complex financial markets with confidence.

Pillar Three: Elevate

Transforming Financial Knowledge into Long-Term Wealth

Understanding investments is only one part of financial success. Preserving and growing wealth requires equal attention to taxation, retirement planning and disciplined financial habits.

Making the Right Tax Choices

India's dual tax regime has made financial planning more nuanced.

Since FY 2023–24, taxpayers have been able to choose annually between the Old and New Tax Regimes. The decision should never be based on assumptions or popular opinion. It should follow a careful evaluation of

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income, deductions and long-term financial objectives.

The Old Tax Regime permits deductions and exemptions under provisions such as Section 80C, Section 80D and House Rent Allowance (HRA). It generally suits individuals who invest regularly, maintain insurance, contribute to retirement savings or claim eligible deductions.

The New Tax Regime offers lower tax rates while restricting most deductions and exemptions, making it attractive for taxpayers seeking a simpler structure with fewer deductible investments.



For FY 2025–26, resident individuals choosing the New Tax Regime effectively pay no income tax on taxable income up to ₹12 lakh after rebate, while salaried taxpayers benefit up to ₹12.75 lakh after considering the standard deduction.

Neither regime is universally superior. The appropriate choice depends entirely on an individual's financial circumstances.

Why Capital Gains Tax Matters

Investment returns cannot be evaluated in isolation from taxation.

As applicable in July 2026:

- **Short-Term Capital Gains (STCG)** on listed equity investments held for less than twelve months are taxed at 20%.
- **Long-Term Capital Gains (LTCG)** on listed equity investments held for more than twelve months are taxed at 12.5%, with the first ₹1.25 lakh of gains exempt during a financial year.

Sometimes, the difference between these tax treatments is only a single additional day of holding an investment. Behavioural finance offers an interesting insight here. Investors often sell successful investments prematurely simply to “book profits.” That impulse not only interrupts the power of compounding but may also result in a higher tax liability. Emotional decision-making and avoidable taxation frequently arise from the same behaviour.

Building Wealth Through Discipline Rather Than Prediction

Sustainable wealth rarely comes from a handful of exceptional investments. It is usually the result of consistent habits maintained over many years.

Several financial instruments continue to play a central role.

Systematic Investment Plans (SIPs) encourage disciplined investing by automating regular contributions and reducing the temptation to time market movements. Rupee-cost averaging further smooths the effect of market volatility over long investment horizons.

Employees' Provident Fund (EPF) and Public Provident Fund (PPF) remain important pillars of retirement planning. Besides offering government-backed savings, both provide tax benefits under Section 80C and contribute significantly to long-term financial security.

The National Pension System (NPS) complements retirement planning with meaningful tax advantages. Taxpayers under the Old Tax Regime may claim an additional deduction under Section 80CCD(1B) beyond the Section 80C limit, while employer's contributions under Section 80CCD(2) remain deductible under both tax regimes.

Risk protection deserves equal attention. Health insurance shields long-term savings from rising medical expenses, while term life insurance protects dependants against financial hardship. These are not investment products; they are essential safeguards that preserve financial stability when unexpected events occur.

Every household should also maintain an emergency fund covering approximately three to six months' living expenses. Such reserves reduce the need to liquidate long-term investments during market downturns or personal crises, allowing financial plans to remain intact.

Making Financial Literacy Truly Inclusive

India's progress in financial inclusion has not eliminated disparities in financial capability.

Women continue to score lower than men in financial literacy assessments despite growing workforce participation and educational attainment. In many households,

financial decision-making remains concentrated among male members.

Young professionals face a different challenge. Comfortable with digital platforms and eager to begin investing early, many have never experienced a full market cycle. Their confidence with technology can create a false sense of investing expertise, leaving them vulnerable to speculative trends, unrealistic expectations and social media-driven advice.

Rural India presents another dimension. Digital banking, UPI and online investment platforms have expanded access dramatically, but accessibility alone does not ensure informed decisions. Financial education must therefore be delivered in regional languages, adapted to local contexts and supported by trusted community educators who understand local financial realities.

The Road Ahead: Technology Must Build Trust, Not Just Convenience

Technology has fundamentally changed how Indians save, invest and manage money.

Interactive mobile applications, AI-enabled learning platforms, personalised educational content and gamified learning experiences



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offer unprecedented opportunities to expand financial education quickly and economically.

Yet technology has also introduced new vulnerabilities. Artificial intelligence can now generate convincing deepfake videos, fabricate endorsements, imitate legitimate investment platforms and amplify misinformation at remarkable speed.

As financial services become increasingly digital, investors must learn to evaluate not only financial products but also the authenticity of the digital channels through which those products are promoted.

Digital literacy has become an integral component of financial literacy.

Financial capability cannot be created through a single seminar or awareness campaign. It develops gradually through continuous reinforcement, practical experience and systems that encourage disciplined behaviour.

Conclusion: A Blueprint for a Financially Confident India

India stands at a defining moment in its financial evolution. Millions of citizens have entered the formal investment ecosystem, creating unprecedented opportunities for wealth creation and economic growth. The success of this



transformation, however, will depend less on the number of investment accounts opened than on the quality of the decisions investors make throughout their financial lives.

The *Educate. Empower. Elevate.* framework offers a practical roadmap.

Education provides the knowledge required to understand financial products, evaluate risk and make informed choices. Empowerment strengthens that knowledge by cultivating investor awareness, behavioural discipline and confidence to recognise fraud, challenge misinformation and exercise legal rights. Elevation completes the process by combining disciplined investing with tax-efficient planning, retirement preparedness and prudent risk management.

Knowledge without judgement leaves investors exposed. Awareness without financial competence limits wealth creation. Pursuing higher returns without discipline, behavioural insight or tax planning often results in avoidable mistakes and diminished long-term outcomes.

Educate. Empower. Elevate. is more than a theme for investor awareness. It is a practical blueprint for creating a financially literate, empowered and prosperous India.

Author may be reached at
eboard@icai.in