The Basis Point

INR 1,114 crore gap in India’s financial literacy spending

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Executive Summary

India faces a critical financial literacy gap, with **only 24% of the population financially literate**, significantly below the global average of 37%. This lack of financial awareness leads to low penetration of financial products such as mutual funds (3%) and insurance (4%), and results in **over 65% of household savings being locked in physical assets** like gold and real estate. Bridging this gap is essential for economic growth, wealth creation, and financial security among future generations.

As per the national strategies of countries for improving financial literacy, most developed countries with high financial literacy focus on youth through simulation or project-based learning for active engagement and practical skills. Whereas India's national program focuses on young adults showing a gap where good financial habits are not built from a young age.

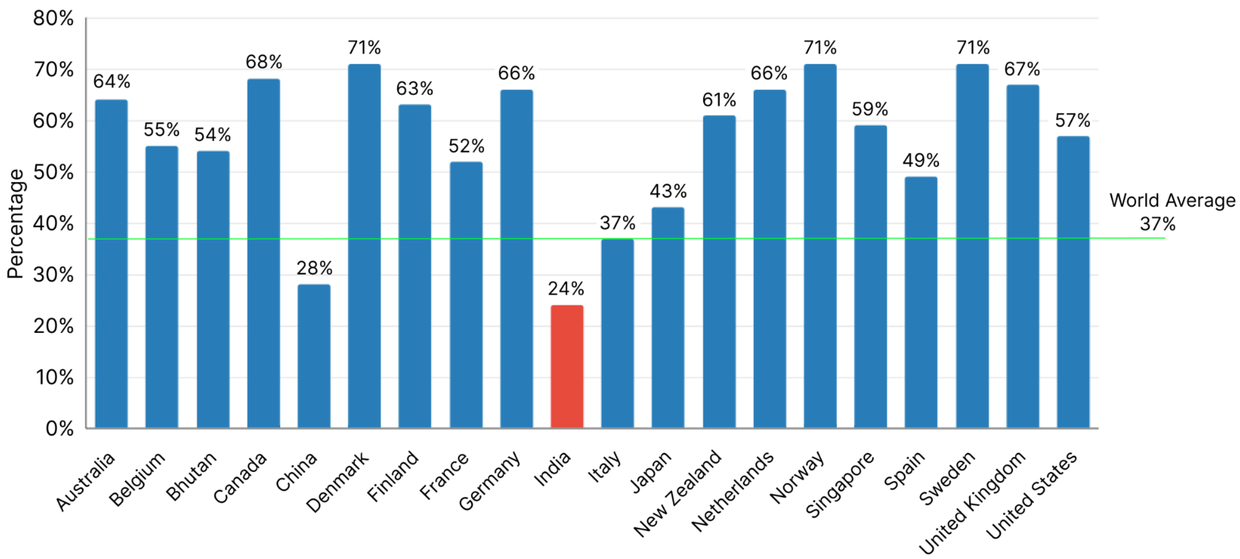
Another gap highlighted in the report is spending of the investor education and awareness fund by the AMCs and AMFI. 50% of the funds are transferred to AMFI by AMCs but the funds collected are not being spent fully and **AMFI has a closing balance of INR 1,114 crore in unspent funds in FY25**. Moreover the spending of the funds focuses on media campaigns for promoting mutual funds and not actual investor education and financial literacy.

With the INR 1,114 crore unspent balance with AMFI and India's financial literacy at 24% highlight a critical gap in the initiatives for investor education and financial literacy in India. By utilising these funds for initiatives around financial education can help bridge the gap and improve financial literacy in India.

India’s Financial Literacy Below World Average

According to S&P Global’s 2014 survey[1], India's financial literacy rate stood at only 24%, significantly below the global average of 37%, as seen in the chart. The gap highlights a critical need for nationwide financial education and awareness initiatives to empower citizens.

Financial Literacy Rates(%) (2014)   Figure 1



Source: S&P Global Finlit Survey 2014

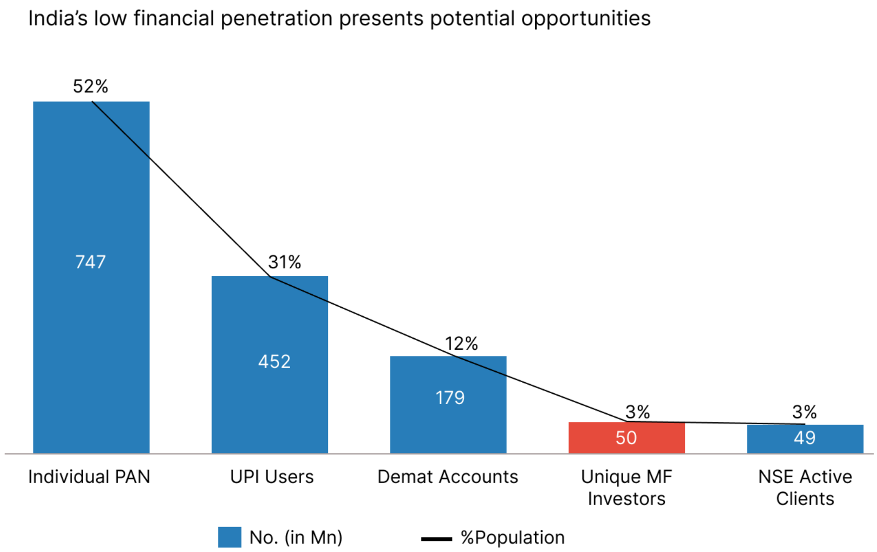
The position has not improved as a 2019 NCFE survey on Financial literacy shows India’s financial literacy at 27%[2]. Another survey by SEBI in 2025 highlights that only **36% of investors showed high or moderate knowledge of securities markets**[3]**.**

India’s low Financial Literacy rate leads to low penetration of Financial Instruments

Low penetration of financial products leads to missed income and investment opportunities for households and slows the economic growth of the country. As can be seen from the data showing only 3% of the total population of India investing in mutual funds.

[1] https://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL-5.11.16.pdf
[2] https://ncfe.org.in/nflis/
[3] https://www.sebi.gov.in/media-and-notifications/press-releases/sep-2025/sebi-releases-investor-survey-2025-findings-to-guide-inclusive-and-responsible-investing_96984.html

Financial Instruments Penetration in India (2025) Figure 2

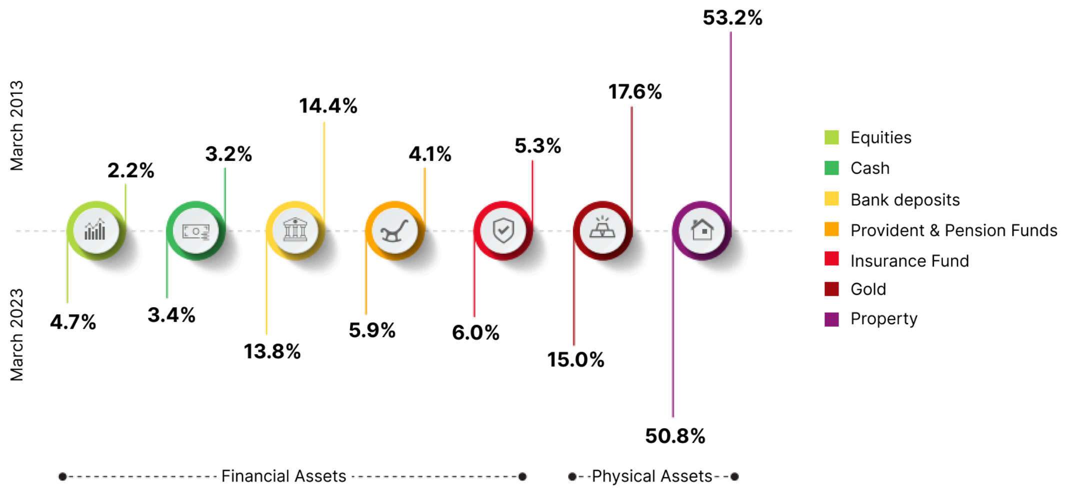


Source: PIB, SEBI, NSE, RBI

Majority of Indian household savings still kept in physical assets

Over 65% of Indian household savings is still kept in physical assets such as property and gold. This signals a low penetration of financial instruments like Equities, mutual funds and insurance.

Household Savings distribution 2013 vs 2023 Figure 3



Source: Jefferies, Morgan Stanley, ABSLAMC Research

India's focus on adults for Financial Literacy Initiatives contrary to National Strategies of Countries with high literacy rates

As per the national strategies[4] of countries for improving financial literacy, most developed countries focus on youth through simulation or project-based learning for active engagement and practical skills.

1. **India:** National Strategy for Financial Education (NSFE 2020-2025), led by NCFE and financial regulators (RBI, SEBI, IRDAI, and PFRDA). Using the "5 Cs" framework—Content, Capacity building, Community Engagement, Communication, and Collaboration—**it targets vulnerable groups such as women, rural communities, and older adults**. Programs like the Financial Education Program for Adults (FEPA) leverage community leaders, mobile technology, and interactive learning to bridge urban-rural gaps and complement financial inclusion schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY) and Atal Pension Yojana (APY).
2. **Canada:** The National Financial Literacy Strategy (2021-2026) prioritizes reducing systemic barriers to financial access while improving digital literacy through tailored

[4] https://ncfe.org.in/wp-content/uploads/2025/04/Final_Report_MTE_NSFE-1.pdf

interventions. It **introduces financial literacy as a core competency in schools** and employs targeted public campaigns to reach underrepresented groups such as Indigenous populations and low-income households.

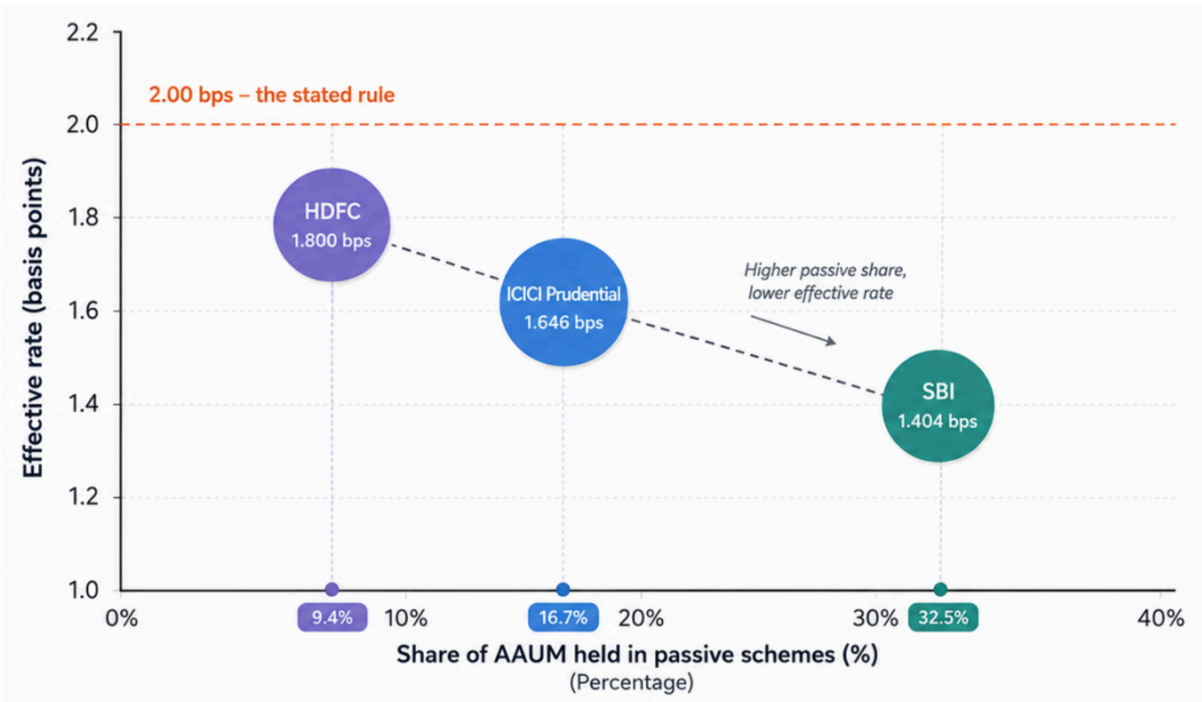
3. **Australia:** Australia's strategy emphasizes **building financial capability across demographics, with a particular focus on youth**, women, and Indigenous communities. Initiatives like the National Financial Capability Strategy 2022 integrate financial literacy into school curricula and workplace programs. Digital tools, such as budgeting apps and online resources, support practical learning outcomes.
4. **Norway:** Financial education is **embedded within national curricula**, emphasizing crossdisciplinary approaches that connect mathematics, economics, and social sciences. Interactive tools, such as **financial simulators and e-learning platforms, are used to engage students actively.** Teachers are trained to deliver financial literacy lessons effectively, ensuring continuity and relevance in education.
5. **Finland:** The Finnish education system **emphasizes project-based learning, where students tackle real-world financial problems.** Financial literacy is closely tied to sustainable development goals, with partnerships between schools and businesses providing students with hands-on experience. Collaboration with financial institutions ensures access to updated resources.
6. **Sweden:** Social studies curricula integrate financial decision-making, with activities focusing on budgeting, saving, and understanding credit. Community-based programs involve parents and local organizations, fostering a culture of financial awareness that extends beyond schools. **Sweden's emphasis on early childhood financial education sets it apart as a leader in this domain.**
7. **United States:** The U.S. Financial Literacy and Education Commission promotes financial capability through initiatives like the "MyMoney.gov" platform, offering resources tailored to different life stages. **Programs such as "Building Blocks for Youth Financial Capability" focus on early interventions to establish financial habits.**
8. **United Kingdom:** Financial education is **part of the national curriculum for students aged 11-16**, **with a strong emphasis on practical skills like managing credit and understanding financial products.** Collaborative efforts between schools and local financial institutions enhance the delivery of these programs

India’s mandated investor education and awareness budget for AMCs: what the data actually shows

Every rupee that moves to passive funds shrinks the education fund

Three AMCs, 39% of industry assets, one straight line. Each percentage point of assets shifting to passive removes 0.017 basis points — roughly ₹1.4 crore a year from investor education.

Effective rate of IEA fund contribution by AMCs — Figure 4



Source: Annual reports and Scheme reports of AMCs

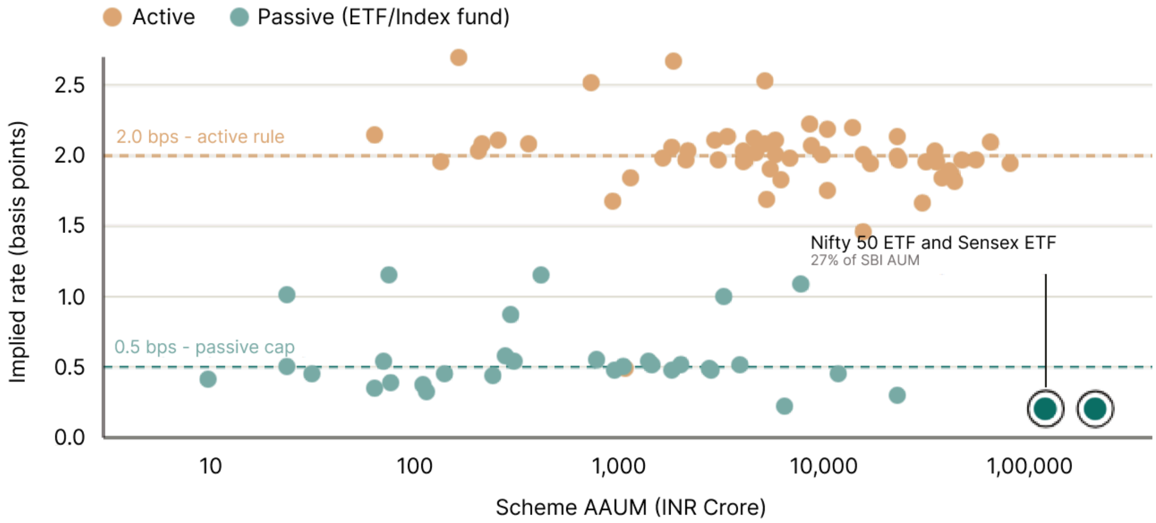
At an industry AAUM of ₹83.14 lakh crore and a passive share of roughly 17%, the effective rate implies **a total investor education pool of approximately ₹1,373 crore a year against the ₹1,663 crore that a flat 2 basis point calculation produces.**

Active schemes pay 2 bps. India's largest ETFs pay a fifth of that

Across 93 SBI schemes, active funds cluster tightly on the 2 bps rule while passive funds scatter below 0.5. The two largest ETFs hold 27% of assets and contribute 0.20 bps.

Active vs Passive Scheme Analysis of SBI for contribution to IEA fund

Figure 5



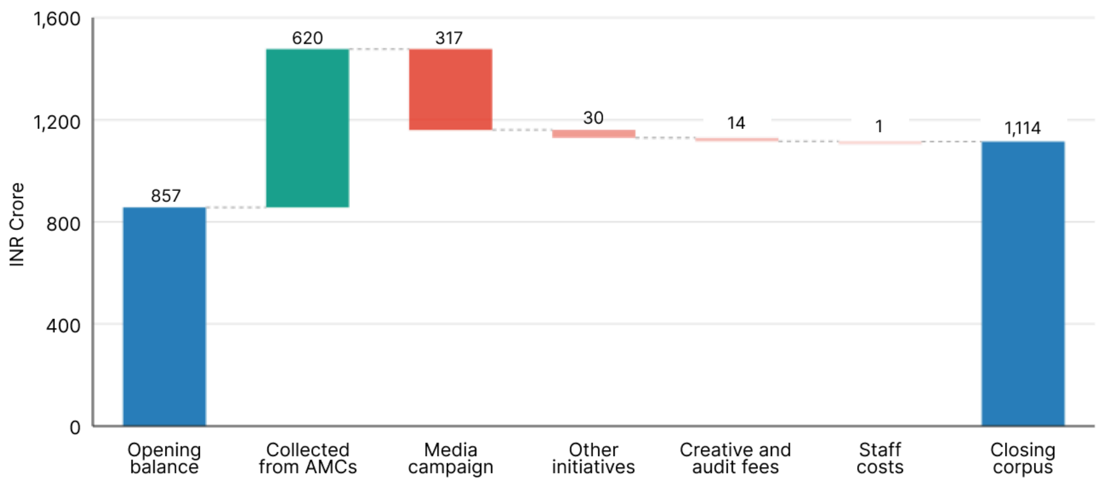
Source: Scheme reports of SBI Mutual Fund

INR 1,114 crore gap in spending of the IEA fund

AMFI receives 50% of the IEA fund from AMCs but is unable to spend all of it. Close to 90% of the spend is on media campaigns for mutual funds. For FY25 AMFI has INR 1,114 crore in its investor education and awareness fund unspent.

IEA fund of AMFI (FY25)

Figure 6



Source: AMFI MCA filings

Methodology

Investor education charges were extracted from AMC scheme annual reports for FY2025-26 using two independent methods. The first uses the related-party disclosure of each scheme's Investor Education Fund contribution to AMFI, since 50% of the levy is transferred to AMFI by mandate, doubling this recovers the total charge. The second uses the scheme-level investor education and awareness expense reported under other expenses. For SBI Mutual Fund the two methods produce ₹175.25 crore and ₹174.96 crore respectively, a reconciliation gap of 0.17%, with 61 of 64 tested schemes agreeing within 1%.

Fund-level analysis covers SBI, ICICI Prudential and HDFC (39.4% of industry AAUM). Scheme AAUM is from AMFI's quarterly disclosure for January–March 2026, aggregated from plan level to scheme level before matching. AMFI fund flow data is from its audited financial statements for the year ended 31 March 2025, filed with the Ministry of Corporate Affairs.

Industry estimates extrapolate from the three-AMC sample and assume the observed relationship between passive share and effective rate holds industry-wide. AMFI data precedes the AMC data by one fiscal year. Figures are measured at scheme and AMC level, directional at industry level.