The Path towards a Fully Pensioned Society[1]

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It is my privilege to be part of the inauguration of the Centre for Financial Services at MDI Gurgaon and this visionary symposium on building a fully banked, insured, and pensioned society for a Viksit Bharat 2047: Future Road Map.

Over the years, significant progress has been made in deepening and widening the financial sector and making finance accessible to the underprivileged. There is, however, considerable ground to cover in our aspiration to be a high income and inclusive economy by the middle of century. I am sure that deliberations in the conference will help to shape policy in that direction.

Let me begin by highlighting the Government's overarching objective of financial inclusion:

"Banking the unbanked, funding the unfunded, and financially securing the unsecured."

The financial services sector plays a crucial role in driving the economy of any country. It encompasses a wide range of arenas—banking, insurance, securities and pension. Financial institutions significantly influence a country's economic growth trajectory by enabling savings, investment, and credit for various economic activities.

The timing of this initiative is particularly apt, as India navigates the complex transition from a rapidly growing developing economy to a mature, inclusive, and sustainable economic power. India's financial services sector plays a critical role in facilitating this transition. However, the reach and impact of this sector remain uneven. Significant segments of the population, particularly in the informal sector, continue to face inadequate access to basic financial tools for savings, risk mitigation, and long-term financial planning.

[1] Inaugural and keynote address by Dr. Deepak Mohanty, Chairperson, Pension Fund Regulatory and Development Authority (PFRDA) at the Inauguration of the 'Centre for Financial Services' at MDI Gurgaon, and Symposium on "Fully Banked, Insured, and Pensioned Society for a Viksit Bharat 2047: Future Road Map", May 27, 2025

Financial Inclusion: From Access to Empowerment

Over the past decade, India has made considerable progress in basic financial access. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, has brought over 55.31 crore individuals into the formal banking system. Total deposits in these accounts have surged to ₹ 2.62 lakh crore, reflecting a significant progress since the scheme's inception. Total number of Rupay Debit Cards issue to beneficiaries are 38.17 crore. Approximately 55.8 percent of the account holders are women, and 66.6 percent are from rural and semi-urban areas, underscoring the scheme's role in empowering marginalized communities. The Aadhaar identity infrastructure, coupled with widespread mobile penetration, has enabled the development of the Jan Dhan-Aadhaar-Mobile (JAM) trinity, which has become the foundation for digital financial delivery.

Reflecting these developments, the Reserve Bank of India (RBI) Financial Inclusion Index (FI-Index), a comprehensive indicator of financial inclusion across the country, rose to 60.1 in March 2023 from 56.4 in March 2022, with growth witnessed across all the sub-indices such as access, usage and quality.

Despite these achievements, financial usage remains inadequate. Access to a bank account does not guarantee regular use, nor does it automatically translate into the uptake of complementary services such as credit, insurance, and pensions. Data from the Global Findex Database 2021 *(World Bank)* indicates that while over 78 percent of Indian adults have a bank account, only about 20 percent have any form of formal insurance and less than 14 percent participate in any pension or retirement scheme. India's insurance penetration remains significantly lower at 3.7 percent than the global average of 7 percent. Insurance density, which measures per capita premium, is US$ 95 in 2023-24 compared to the global average of US$ 889[2]. These disparities underscore the need to shift from providing access to financial services to fostering financial empowerment. This transformation requires collaboration between the Government and key stakeholders in the financial sector, including regulators, service providers, and academicians, to build an ecosystem that ensures not just inclusion, but long-term financial security for all.

[2] Insurance Regulatory and Development Authority of India: Annual Report 2023-24.

India's Pension Reforms Journey

In our vision, it is crucial that retirement planning is not an afterthought but an integral part of every individual's financial journey—from the first bank account to long-term asset creation. For Viksit Bharat 2047 to be truly inclusive and resilient, ensuring pension adequacy for all must be a national priority.

While programs such as the Employees' Provident Fund Organisation (EPFO), Employee Pension Scheme (EPS), Atal Pension Yojana (APY), and Pradhan Mantri Shram Yogi Mandhan (PM-SYM) exist, their reach and impact remain limited. The pension amounts provided are often too small to ensure a dignified post-retirement life. To live comfortably in retirement, many individuals are relying on multiple saving mechanisms including EPF, National Pension System (NPS), life insurance, and mutual funds.

Over the past two decades, India's pension landscape has undergone a remarkable transformation. What began as a limited, government-centric system has evolved into a more inclusive, market-driven, and digitally enabled framework. A significant milestone in this journey was the launch of the NPS in 2004, which marked a paradigm shift from a defined benefit model to a defined contribution system. Initially introduced for government employees, the NPS was gradually opened to the private sector and the general public, paving the way for a broad-based pension architecture.

To further extend pension coverage to those in the informal sector, the Government launched the Atal Pension Yojana (APY) in 2015. This initiative has provided vital social security to millions of low-income workers who were previously outside the ambit of any formal retirement scheme. Today, NPS has over 1.67 crore subscribers and a growing corpus of over ₹14.6 lakh crore, including over ₹ 3 lakh crore from the private sector alone. Together, NPS and APY today cater to around 8.5 crore subscribers, managing assets worth over ₹15 lakh crore. While these figures are promising, they are modest when viewed in the context of India's working-age population, which exceeds 99 crores as per UN estimates.

The recent introduction of NPS Vatsalya is a timely innovation that allows parents to open pension accounts for their children, instilling the habit of retirement planning early in life. This not only encourages long-term financial discipline but also facilitates a smooth transition into workplace pensions as they enter the workforce.

In line with its commitment to ensuring retirement security, the Government has also introduced the Unified Pension Scheme (UPS) under NPS for central government employees. This fully funded contributory pension scheme ensures fiscal sustainability while providing long-term retirement assurance, including defined benefits and inflation protection. As various jurisdictions globally grapple with inadequately funded pension liabilities, UPS provides a template for how to make defined-benefit pension intergenerationally equitable.

India today has a population of over 1.4 billion, with a median age of just 29 years—making it one of the youngest nations in the world. However, this demographic dividend is not permanent. By the year 2047, nearly 20 percent of our population will be above 60 years of age. This impending shift underscores the urgent need to build a robust retirement ecosystem. Failing to take timely action could lead us into a future where a large segment of our elderly population experiences financial instability and dependence — a condition commonly referred to as old-age poverty.

Currently, pension penetration in India remains around 15 percent, which is below that of many emerging economies. To bridge this gap, retirement planning must become an integral part of financial literacy and long-term household financial planning—on par with opening a bank account or buying insurance. The NPS stands out as a family retirement solution that offers portability, attractive tax benefits, and investment flexibility, making it well-suited to the needs of India's dynamic and mobile workforce. Encouragingly, there is growing interest among individual citizens. The number of individual subscribers has grown at a compound annual growth rate (CAGR) of 33 percent, now about 43 lakhs—an encouraging sign of increased awareness and trust in structured retirement planning.

However, opportunities lie in increasing participation from employers, particularly in the private sector. While many salaried employees are mandatorily covered under EPFO, the NPS can serve as an instrument to enhance the adequacy of retirement savings. To harness this potential, we must focus on integrating NPS into employee wellness programs, increased awareness, and exploring auto-enrolment mechanisms that can bring more salaried workers into the pension fold.

At the same time, we must continue to focus on the inclusion of informal sector workers, platform workers and gig economy participants. The Government and PFRDA are actively exploring avenues to bring these segments into the pension net, leveraging technology, financial literacy, and innovative partnerships. Our goal must be to build a financially secure, inclusive, and dignified retirement framework that serves every Indian—across sectors, regions, and income groups.

Financial infrastructure alone is not enough—financial literacy is critical. As per the National Centre for Financial Education, only 39 percent of Indian adults are financially literate by global standards. We need a multi-pronged approach which include, foundational financial education in schools, contextual literacy and behavioral nudges. Furthermore, enhancing pension literacy is crucial for realizing the vision of a fully pensioned society.

Conclusion

Achieving a fully banked, insured, and pensioned India by 2047 entails that financial inclusion be viewed not as a social obligation but as an economic imperative. Access to financial tools provides households with shock-absorbers, facilitates long-term planning, and improves overall well-being.

The inauguration of the Centre for Financial Services at MDI Gurgaon is therefore both timely and vital. I hope this centre becomes a knowledge hub—conducting actionable research, piloting inclusive models, and fostering collaboration across regulators, policymakers, and academia.

Let us work together to ensure that every Indian is banked, insured, and pensioned by 2047.

Thank you.

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