Indian Economy · GS - III

Assess the potential of long-term child investment accounts in promoting household financial security and wider participation in capital markets.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 26/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
15	~250 words

Answer Hint

Early savings, compound interest, financial inclusion, household wealth creation, capital market participation, investment risks, fiscal sustainability, financial literacy

Model Answer

Long-term investment accounts for children seek to create financial assets from an early age through government contributions, family savings and private participation. The US Trump Accounts initiative, including its federal seed contribution and corporate share donations, illustrates this approach

Potential economic benefits

1. **Early wealth creation:** Small initial deposits can grow over long periods through compounding, helping children build resources for higher education, entrepreneurship or other future needs.

2. **Financial inclusion:** Government seed contributions can extend access to formal investment instruments to households that may otherwise lack the capacity to invest.

3. **Capital market participation:** Such accounts can introduce families to equity ownership and long-term investment, potentially broadening the investor base.

4. **Public-private participation:** Corporate contributions can supplement government support and encourage wider participation in children's financial security.

Structural limitations

1. **Unequal contributions:** Wealthier households may make larger additional deposits, reproducing existing inequalities despite a common initial contribution.

2. **Market uncertainty:** Equity investments are exposed to volatility and do not guarantee returns or preservation of capital.

3. **Fiscal implications:** Government-funded seed contributions require transparent eligibility rules, budgetary planning and periodic evaluation.

4. **Financial literacy:** Families need accessible information about investment risks, fees, taxation and withdrawal restrictions.

Lessons for India

India could explore carefully designed child development investment accounts linked to existing financial inclusion and social protection systems. A basic government contribution for disadvantaged children, supplemented by voluntary savings, could be considered. Strong consumer safeguards and transparent investment management would be essential.

Conclusion: Child investment accounts can complement education and social protection policies, but their success depends on equitable access, responsible investment and long-term institutional sustainability.

BECOME IAS
AI POWERED UPSC PREP