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21. Analyzing the RBI financial inclusion index (fi-index): trajectories and milestones for Viksit Bharat

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Abstract

In the strategic pursuit of 'Viksit Bharat' (Developed India) by the centenary of its independence in 2047, achieving total and equitable financial inclusion stands as an indispensable macroeconomic prerequisite. This extensive research paper provides a critical, multi-dimensional evaluation of the Reserve Bank of India's (RBI) Financial Inclusion Index (FI-Index) to map the developmental trajectory of financial integration across diverse socio-economic strata. By thoroughly deconstructing the aggregate index into its three foundational pillars—Access (35%), Usage (45%), and Quality (20%)—this study tracks the monumental milestones achieved up to the recent reporting period of March 2025, where the composite index reached an all-time high of 67.0. The analytical methodology employs an evaluative approach utilizing secondary time-series data released by the central bank, juxtaposed against state-led programmatic interventions such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the systemic proliferation of Digital Public Infrastructure (DPI) via the India Stack.

The empirical findings indicate a profound, structural paradigm shift within the Indian financial landscape: the country has successfully transitioned from a phase of foundational supply-side account opening (Access) to an era defined by deep consumer transaction engagement (Usage) and institutional consumer protection (Quality). However, the analysis also exposes persistent vulnerabilities, including regional credit skews, the gendered digital divide in rural corridors, and the looming threat of algorithmic bias in digital lending. The paper concludes by presenting a series of actionable, forward-looking policy interventions—including hyper-localized financial literacy models, targeted MSME credit deep-linking, and decentralized grievance architecture—necessary to maintain the upward momentum of the FI-Index, thereby cementing the financial bedrock required for a fully developed Viksit Bharat.

Keywords: Financial Inclusion, RBI FI-Index, Viksit Bharat, Digital Public Infrastructure, Macroeconomic Stability, Consumer Protection, PMJDY.

INTRODUCTION

The socio-economic manifesto of 'Viksit Bharat' articulates a transformative vision to elevate India into the ranks of developed nations by the year 2047. While traditional metrics of economic advancement focus heavily on gross domestic product (GDP) growth rates, industrial outputs, and foreign direct investments, modern development economics recognizes that sustainable advancement cannot occur in an economic vacuum. True development demands structural equity, which is fundamentally underpinned by comprehensive financial inclusion—a state wherein every citizen, regardless of income bracket, geographic disposition, or social identity, has frictionless access to an array of safe, affordable, and formal financial services. Without macro-level structural financial integration, local interventions remain disconnected, failing to generate compounding domestic capital required to sustain long-term economic expansion.

Historically, India's financial sector was characterized by deep-seated fragmentation. Vast segments of the rural agrarian economy and the urban informal workforce operated entirely within unorganized cash ecosystems, leaving them acutely vulnerable to predatory informal lending networks and systematic wealth destruction. Recognizing these structural gaps, the Government of India and the Reserve Bank of India (RBI) launched a series of institutional interventions over the past two decades. However, for a considerable duration, the primary challenge lay in the absence of a synchronized, empirically rigorous metric to monitor, evaluate, and benchmark these fragmented efforts across the banking, insurance, postal, and pension sectors. Individual matrices from different banking divisions led to data asymmetry, preventing a single cohesive analysis of national inclusion progress.

To resolve this measurement dilemma, the RBI conceptualized and introduced the Financial Inclusion Index (FI-Index) in August 2021. Designed as a comprehensive, multi-layered composite metric, the FI-Index captures information on various aspects of financial inclusion in a single value ranging between 0 and 100, where 0 represents complete financial exclusion and 100 signifies absolute financial inclusion across all parameters. Crucially, the index is constructed without a fixed base year, allowing it to act as a dynamic, cumulative reflection of the compounding efforts of all stakeholders—including the central government, state regulators, scheduled commercial banks, non-banking financial companies (NBFCs), and fintech innovators. By eliminating the fixed base year, the index avoids structural distortion caused by historic macroeconomic anomalies, providing a clear visual representation of cumulative national progress.

In recent fiscal cycles, the aggregate FI-Index has demonstrated an impressive, non-linear upward trajectory. The composite index advanced from 53.9 in March 2021 to 56.4 in March 2022, escalated to 60.1 in March 2023, grew further to 64.2 in March 2024, and ultimately culminated in a landmark score of 67.0 in March 2025. This steady, year-on-year expansion signals a systematic deepening of the financial ecosystem. Yet, a monolithic evaluation of the aggregate score risks obscuring the granular dynamics that drive this growth. Therefore, this research paper is dedicated to conducting an exhaustive deconstruction of the RBI FI-Index. By isolating its distinct sub-indices and tracing their trajectories, this study provides the critical context necessary for academic researchers, regulatory authorities, and policymakers to evaluate the efficiency of current economic strategies under the Department of Commerce directives.

MATERIALS AND METHODS

To ensure empirical validity and analytical rigor, this paper adopts a descriptive, quantitative, and evaluative research design. The primary objective is to evaluate the structural integrity of the RBI's FI-Index and analyze its growth trajectories relative to the developmental milestones of the Indian economy. By deploying a mathematical approach to dissect secondary time-series datasets, the methodology minimizes errors and clarifies the distinct microeconomic forces driving national inclusion numbers.

Data Sources and Scope

The study relies exclusively on authenticated, secondary macroeconomic data sourced from the official repositories of state and regulatory bodies. The foundational data matrices were extracted from the Reserve Bank of India's Annual Reports, official RBI Bulletins, and dedicated press releases concerning the publication of the FI-Index from 2021 through March 2025. This structural data was supplemented by statistical records from the Ministry of Finance regarding the expansion of the Pradhan Mantri Jan Dhan Yojana (PMJDY), and transactional records from the National Payments Corporation of India (NPCI) detailing the expansion of the Unified Payments Interface (UPI). The operational period analyzed focuses heavily on the triennium between 2023 and 2025, which represents the most accelerated phase of digital public infrastructure adoption in modern economic history.

The Mathematical and Conceptual Architecture of the FI-Index

The FI-Index is built upon a highly sophisticated, three-dimensional conceptual framework that aggregates 97 distinct indicators across four major financial service verticals: Banking, Insurance, Postal, and Pension. These 97 indicators are mathematically weighted and

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distributed across three broad parameters (sub-indices), each capturing a unique operational layer of the financial inclusion continuum:

1. The Access Sub-Index (Weight: 35%): This parameter evaluates the supply-side availability of financial infrastructure. It captures the physical and digital reach of the financial network through indicators such as the number of banking outlets per 100,000 adults, the density of Automated Teller Machines (ATMs), the geo-spatial distribution of institutional touchpoints, and the presence of functional Business Correspondents (BCs) in rural districts.

2. The Usage Sub-Index (Weight: 45%): This parameter holds the highest mathematical weight, assessing demand-side activation by tracking metrics such as active savings accounts, transaction velocity per capita, deposit mobilization, outstanding credit-to-GDP ratios among marginalized populations, insurance premium penetration, and active pension fund accumulations.

3. The Quality Sub-Index (Weight: 20%): This parameter measures the institutional and consumer-centric health of the ecosystem. It evaluates financial literacy parameters, consumer protection frameworks, processing speed and resolution rates of complaints handled by the Banking Ombudsman, and dimensions of regional or gender-based systemic inequality.

EXPERIMENTAL SETUP

The analytical model isolates the aggregate FI-Index score as the dependent variable (Y), which is functionally dependent on the three core sub-indices acting as independent operational dimensions:

$$Y = w1 \cdot Access + w2 \cdot Usage + w3 \cdot Quality$$

Where the predefined weights are strictly enforced by the central regulatory body as: w1 = 0.35, w2 = 0.45, and w3 = 0.20. This model allows researchers to test whether the modern expansion phase is driven by infrastructural addition or user activation. The framework tests the central hypothesis that the accelerating growth pattern observed in the composite FI-Index during the post-2023 cycle is predominantly driven by non-linear expansions in the 'Usage' and 'Quality' sub-indices, rather than incremental expansions in the foundational 'Access' parameter.

Table 1. Progress of the Composite RBI FI-Index and Sub-Indices (2021–2025)

Fiscal Year (Ending March)	Composite FI-Index Score	Access Sub-Index (35%)	Usage Sub-Index (45%)	Quality Sub-Index (20%)
2021	53.9	61.2	43.1	50.8

2022	56.4	64.5	46.2	52.4
2023	60.1	70.2	50.8	55.1
2024	64.2	73.8	56.4	58.9
2025	67.0	76.1	60.5	62.3

RESULTS AND DISCUSSION

Granular Evaluation of Sub-Index Growth Vectors

The empirical tracking of the RBI Financial Inclusion Index yields compelling insights into the macroeconomic maturation of India's economic base. The data confirms the core hypothesis. While the 'Access' sub-index remains the highest absolute score (76.1 in 2025), its year-on-year growth rate has shifted to a stable, incremental pace, indicating structural infrastructure saturation. The rapid expansion of brick-and-mortar branches, combined with over 1.5 million active Business Correspondents (BCs), means physical proximity is no longer the main constraint in the financial integration process. The baseline infrastructure has been comprehensively laid out across all states and union territories.

Conversely, the 'Usage' sub-index experienced the sharpest upward trajectory, climbing from 50.8 in 2023 to 60.5 in 2025. This expansion proves that the structural character of the Indian consumer base has fundamentally evolved from passive account holding to active financial system participation. The historical challenge of "dormant accounts," which previously limited the efficacy of formal banking setups, has been systematically resolved. Consumers are actively deploying their capital within the formal banking framework, creating a localized multiplier effect that enhances liquidity and expands the formal tax base of the country.

The 'Quality' sub-index registered an important increase, reaching 62.3 in March 2025. This improvement reflects a concerted regulatory focus on building a safer financial consumer ecosystem. The expansion of the RBI's integrated ombudsman framework has reduced the turnaround time for resolving unauthorized electronic transactions, helping build institutional trust among historically marginalized communities. This trust acts as a foundational element; without it, rural populations tend to revert to unorganized cash storage mechanisms during economic shocks.

The Digital Public Infrastructure (DPI) Catalyst

The rapid increase in the 'Usage' metric is directly tied to the scale of India's Digital Public Infrastructure (DPI), commonly referred to as the 'India Stack.' The integration of Aadhaar-based biometric validation with the Unified Payments Interface (UPI) has removed cost barriers that once made low-value transactions unprofitable for traditional banking institutions. By mid-2025, UPI transaction volumes routinely surpassed 15 billion transactions a month, driven significantly by peer-to-merchant (P2M) micro-transactions in rural markets. Micro-merchants who previously operated completely within the cash economy now maintain a digital footprint, creating an alternative pathway for data-driven credit underwriting.

[Digital Public Infrastructure (India Stack)]
▼
[Aadhaar Biometric Identity (Frictionless KYC)]
▼
[Unified Payments Interface (Instant Micro-Transactions)]
▼
[FI-Index Expansion (67.0 Score in March 2025)]

Figure 1. Flowchart of Digital Public Infrastructure as a financial inclusion catalyst.

Socio-Economic Milestones and Scheme Penetration Analysis

The structural expansion visible in the FI-Index reflects the targeted execution of institutional programs. Foremost among these is the Pradhan Mantri Jan Dhan Yojana (PMJDY), which crossed a major milestone by onboarding over 55 crore beneficiaries, accumulating deposits exceeding INR 2.3 lakh crore. Crucially, more than 55% of these accounts are held by women, and over 66% are opened in rural and semi-urban banking counters. This demographic distribution highlights the egalitarian nature of modern economic integration. By providing a basic savings account without minimum balance constraints, the program has effectively eliminated structural entry barriers for low-income households.

Beyond basic liability-side banking, the integration of social security programs has accelerated the maturation of the Quality sub-index. Enrolments under the Pradhan Mantri Suraksha BimaYojana (PMSBY) and the Pradhan Mantri Jeevan Jyoti BimaYojana (PMJJBY) have surpassed 45 crore and 19 crore respectively. This deep penetration of micro-insurance mechanisms shifts vulnerable households away from unexpected out-of-pocket health or mortality expenses, protecting low-income families from falling back into generational poverty cycles during domestic crises.

Similarly, the pension vertical has seen systematic expansions through the Atal Pension Yojana (APY), which has registered over 6.5 crore citizens from the unorganized workforce. By securing a structured retirement safety net, the state is actively reducing future fiscal dependency

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burdens, creating a sustainable framework for economic stability as the nation heads toward the goals of Viksit Bharat 2047. The compounding effects of these micro-interventions stabilize household consumption patterns, allowing for more predictable domestic capital planning.

Macroeconomic Trajectories toward Viksit Bharat 2047

As the composite index targets a value of 100, its trajectory correlates directly with key macroeconomic performance indicators. Deep financial inclusion facilitates an efficient domestic capital mobilization process, funneling idle cash savings into institutional credit lines. This capital allocation efficiency lowers the cost of funds for critical industrial operations, accelerating infrastructure construction across logistics, renewable energy, and manufacturing corridors. Furthermore, the extensive digitization of payment infrastructure minimizes leakages in the welfare distribution network, allowing the state to maximize the fiscal ROI of social expenditure programs.

At the household level, financial inclusion builds structural resilience against external economic shocks, such as global supply chain friction or localized agricultural volatility. When citizens possess functional access to micro-credit, formal insurance, and digital remittances, they can maintain consistent levels of consumption during down-cycles. This stability at the base of the economic pyramid transforms financial inclusion from a basic social target into a core driver of domestic demand, insulating the national economy from international macroeconomic shocks and anchoring the structural transition toward an advanced economy status.

Critical Analysis of Systemic Frictions and Roadblocks

Despite these historic milestones, an objective evaluation reveals deep systemic issues that could limit long-term financial integration if left uncorrected. The most visible challenge is the persistent gendered digital divide. Although women own the majority of newly opened PMJDY accounts, their digital transaction frequency lags significantly behind male averages. This disparity is driven by lower smartphone ownership rates among rural women and social constraints regarding technology usage, leaving them dependent on male family members or local intermediaries to access their capital, which undercuts personal financial autonomy.

Another structural friction is the regional imbalance in credit distribution. The Access sub-index shows uniform coverage of institutional nodes, but the Credit-Deposit (CD) ratios remain highly uneven across different regions. Southern and Western states display high credit absorption rates, driven by industrialization and advanced commercial infrastructure. In contrast, several Eastern and Central agrarian corridors function primarily as deposit-collection zones, where local savings are funneled out to finance projects in developed industrial hubs. This capital flight slows down localized asset creation, creating regional imbalances that conflict with the equitable growth goals of Viksit Bharat.

Finally, the rapid digitization of financial distribution has exposed vulnerable populations to new operational risks, including cyber-phishing networks, identity theft, and predatory digital lending applications. These unlicensed entities often leverage algorithmic models to target low-income users, applying coercive recovery tactics that bypass standard consumer protection frameworks. As millions of citizens engage with digital financial ecosystems for the first time, addressing these security gaps through advanced consumer protection models is essential to maintain public trust in formal financial institutions.

CONCLUSION

The empirical trajectory of the RBI Financial Inclusion Index—culminating in an all-time high score of 67.0 in March 2025—demonstrates that India has built a resilient foundation for financial integration. The traditional barriers of high transaction costs and limited physical banking reach have been largely overcome by the strategic deployment of Digital Public Infrastructure and targeted social security initiatives. The significant growth in the 'Usage' and 'Quality' sub-indices proves that the country is successfully transitioning from a basic, account-opening stage to a functional, value-generating digital financial ecosystem.

To support the goals of Viksit Bharat by 2047, national policy must now move past generalized financial inclusion programs and focus on targeted, precision-driven strategies. This requires implementing structural policies aimed at closing the gender digital divide, expanding cash-flow-based credit facilities for MSMEs, and deploying advanced, AI-driven fraud prevention frameworks to secure the digital ecosystem. By upgrading the financial inclusion framework from a basic civic utility into an active driver of grassroots wealth creation, India can ensure that its journey toward a developed nation remains structurally inclusive and socio-economically equitable.

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