

NIBM WORKING PAPER SERIES

**National Strategy for Financial Inclusion 2025-2030:
Will the Panch-Jyoti Approach be the Panacea?**

**Naveen Kumar K
Partha Ray**

Working Paper
(WP58/2026)



NATIONAL INSTITUTE OF BANK MANAGEMENT
Pune, Maharashtra, 411048
INDIA
January 2026

The views expressed herein are those of the authors and do not necessarily reflect the views of the National Institute of Bank Management.

NIBM working papers are circulated for discussion and comment purposes. They have not been peer-reviewed or been subject to the review for Journal or Book Publication

© 2026 by Naveen Kumar K & Partha Ray

Citation Guideline:

K, Naveen Kumar and Partha Ray (2026), "National Strategy for Financial Inclusion 2025-2030: Will the Panch-Jyoti Approach be the Panacea?". NIBM Working Paper Series WP58/January.

https://www.nibmindia.org/static/working_paper/NIBM_WP58_NKPR.pdf

National Strategy for Financial Inclusion 2025-2030:

Will the Panch-Jyoti Approach be the Panacea?

Naveen Kumar K and Partha Ray

NIBM Working Paper No. 58

January 2026

ABSTRACT

India's National Strategy for Financial Inclusion (NSFI) 2025–30 marks a decisive shift from an access-centric approach to one focused on financial well-being. Building on near-universal account ownership achieved during NSFI 2019–24, the strategy recognises that access alone has not translated into sustained usage or welfare gains. Drawing on Global Findex evidence, we highlight persistent gaps in digital payments, formal savings and credit usage despite high account penetration. In this light we find that the Panch-Jyoti framework of NSFI, emphasising *(i)* improving the availability of financial services, *(ii)* gender-sensitive inclusion, *(iii)* livelihood linkages, *(iv)* financial education, and *(v)* customer protection. It aligns financial inclusion with the Sustainable Development Goals and adopts an ecosystem approach integrating digital public infrastructure, skilling and social protection. While the strategy offers a candid diagnosis of last-mile challenges—particularly within the Business Correspondent model and grievance redressal—it relies heavily on coordination and incremental reforms. Its effectiveness will ultimately depend on sharper implementation, stronger incentives and measurable improvements in household financial well-being.

Keywords: Financial Inclusion, National Strategy for Financial Inclusion, India, gender-sensitive financial inclusion, Digital Public Infrastructure.

Naveen Kumar K (*Corresponding Author*)

naveen@nibmindia.org

Partha Ray

pray@nibmindia.org

National Strategy for Financial Inclusion 2025-2030: Will the Panch-Jyoti Approach be the Panacea?

I. Introduction

The National Strategy for Financial Inclusion (NSFI) 2025-2030, recently published by the Reserve Bank of India, marks a deliberate conceptual shift in India's financial inclusion policy from counting accounts and outlets towards a frame that places well-being captured as financial safety, financial security, financial resilience and financial discipline at the centre of the agenda. This shift assumes significance in a country where millions of poor and vulnerable households and enterprises remain either unbanked or inadequately served by the formal financial system, underscoring the need for deeper financial inclusion.

Having pushed access to near saturation in many metrics during the NSFI 2019-2024 period, policymakers now confront a harder problem ensuring that formal finance produces real, durable improvements in household welfare rather than remaining an administrative or technological artefact. The NSFI 2025–30 advances an ecosystem approach that seeks to align digital public infrastructure, livelihood support, financial literacy and customer protection with supply-side reforms. It is, in many respects, an ambitious and evidence-informed road map. Yet the strategy also exposes enduring institutional and behavioural fault lines in the Business Correspondent (BC) model, in grievance mechanisms, in gendered digital access and in the coordination among regulators and implementing agencies that risk blunting its impact unless implementation is sharpened.

How far India has progressed in terms of financial inclusion? How far will NFSI enable India in terms of further progress in financial inclusion? This commentary looks into some of these questions.

II. Where Does India stand in terms of Financial Inclusion?

A look at The World Bank's Global Findex, 2025 highlights cross-country experience in financial inclusion and digital engagement with India presenting a mixed but distinctive position (Table 1). With 89 per cent of adults are having the formal bank account, India matches China and Malaysia, reflecting the success of creating large scale account opening initiatives. However, the achievement on the usage of bank account (which is only 48 per cent making or receiving digital payments) is less impressive; similar usage for formal savings and borrowing stood at 27 per cent and 15 per cent, respectively are also low. The comparison suggests that India's next phase of financial inclusion must move beyond towards deeper and sustainable usage and quality of financial services.

[Table 1]

III. Perspective of NSFI 2025-30

India's NSFI 2025-30 reflects a recalibration of the country's financial inclusion agenda. It moves beyond the earlier emphasis on expanding access to formal financial services and places sustained usage, service quality, and measurable improvements in household wellbeing at the centre of policy design. This shift is informed by the experience of NSFI 2019-24, which delivered near-universal access to basic banking infrastructure but also revealed persistent gaps in effective utilization, adequacy of financial services, and trust at the last mile.

The previous phase of financial inclusion witnessed a rapid expansion in physical and digital access points. Banking outlets increased substantially, driven largely by the growth of BCs model. Basic savings accounts, insurance enrolment, pension coverage, and digital payments expanded at scale. The Financial Inclusion Index (FI-Index) recorded steady improvement from 53.9% to 67% during 2021 to 2025, across access, usage and quality dimensions, reflecting coordinated efforts by regulators, banks and other stakeholders. These gains established a strong foundation, yet they also exposed the limits of an access-centric framework.

NSFI 2025-30 explicitly recognizes that access does not automatically translate into meaningful inclusion. Dormant accounts, low transaction volumes, unmet credit demand, underinsurance, and weak grievance redressal remain widespread. The strategy therefore reframes financial inclusion as an enabling mechanism for economic security, resilience, and discipline rather than as a numerical target linked to account ownership or digital adoption. Financial services are viewed as effective only when they are used regularly, appropriately, and in ways that improve the financial lives of households and micro enterprises.

A defining feature of NSFI 2025-30 is its alignment with the Sustainable Development Goals (SDGs). Financial inclusion is positioned as a cross-cutting instrument contributing to poverty reduction, food security, gender equality, employment generation, reduced inequality, and improved resilience. By synchronizing its timeline with the 2030 SDGs agenda, the strategy adopts the principle of "Leave No One Behind" placing specific emphasis on women, low-income households, informal workers, micro entrepreneurs, and populations in geographically remote or underserved regions.

The strategic framework of NSFI 2025-30 is articulated through five interlinked objectives, collectively referred to as the *Panch-Jyoti*. These objectives define the pathway for deepening financial inclusion while addressing both supply-side and demand-side constraints.

- i. **The first objective** focuses on improving the *availability and use* of an equitable, responsible, suitable, and affordable bouquet of financial services. The strategy moves beyond basic products to emphasize appropriateness, transparency, and customer outcomes. Suitability is treated as a critical policy concern in light of rising instances of over-indebtedness, mis-selling, and complex digital interfaces that are poorly aligned with the financial capabilities of vulnerable users.

- ii. **The second objective** adopts a *gender-sensitive approach* to financial inclusion. NSFI 2025-30 recognises that women's financial inclusion requires targeted and differentiated interventions rather than generic access. Structural constraints such as lower and irregular incomes, limited asset ownership, mobility restrictions, and social norms continue to impede women's participation in formal finance. The strategy calls for approaches that enhance women's financial resilience, recognising their central role in household financial management and broader development outcomes.
- iii. **The third objective** seeks to *strengthen linkages* between financial inclusion, livelihoods, and skill development. This represents a significant departure from earlier models that treated finance as an end in itself. NSFI 2025-30 explicitly acknowledges that effective usage of financial services requires a stable income base and viable livelihood opportunities. By integrating financial services with skilling ecosystems, entrepreneurship programmes, and market access initiatives, the strategy attempts to address demand-side constraints arising from insufficient and unstable incomes.
- iv. **The fourth objective** elevates *financial education* as a central pillar for promoting financial discipline. Rather than viewing financial literacy as a one-time awareness activity, the strategy emphasises contextual and lifecycle-based education. Financial education is expected to enable informed decision-making, responsible borrowing, prudent risk management, and long-term financial planning. The approach recognises that behavioural biases, limited comprehension, and information asymmetries significantly influence financial choices, particularly among first-time and vulnerable users.
- v. **The fifth objective** places strong emphasis on *customer protection* and grievance redressal. Trust is identified as a recurring and decisive factor in sustaining usage, especially in digitally mediated and BC-led service delivery models. Strengthening grievance mechanisms, improving transparency in pricing, and ensuring timely resolution of complaints are treated as essential conditions for maintaining confidence in the formal financial system. The strategy acknowledges that inclusion without protection can expose households to fraud, mis-selling, and financial risk and distress.

One of the most significant contributions of NSFI 2025-30 lies in its evidence-based diagnosis of supply- and demand-side impediments. Drawing on nationwide surveys of BC operations and household experiences, the strategy provides a granular assessment of last-mile delivery challenges. Structural weaknesses persist within the BC ecosystem, including a high prevalence of non-dedicated outlets, uneven availability of services, inadequate and irregular remuneration, limited standardisation of service offerings, and weak grievance redressal mechanisms. These constraints undermine service quality and erode trust, particularly in regions where BCs serve as the primary interface with customers for formal finance.

The strategy also highlights governance-related challenges within the BC model, such as skewed geographic distribution, high inactivity rates, accountability gaps arising from agents working for multiple institutions, and limited oversight of pricing and customer communication. While NSFI 2025-30 calls for improved standardisation,

monitoring, and incentives, it remains cautious in addressing deeper structural issues related to the viability of BC operations and regulatory fragmentation at the last mile.

On the demand side, NSFI 2025-30 identifies lack of regular income, preference for cash, limited financial awareness, behavioural biases, and trust deficits as key barriers to effective usage. Importantly, high interest rates are not identified as the primary deterrent to credit access. Instead, information asymmetry, procedural complexity, collateral requirements, and distance from formal institutions dominate household perceptions. This insight challenges conventional assumptions and underscores the need for simplification, hand-holding, and localised service delivery.

Demand-side surveys reveal that account ownership is nearly universal, yet usage remains uneven. Many households report lack of surplus income as a primary reason for low account activity. Awareness of deposit insurance and other insurance products, and pension schemes remains limited, particularly among lower-income and less-educated groups. Preferences for cash persist, shaped by habit, convenience, and mistrust of formal institutions. Digital adoption is influenced by education, income, connectivity, and perceived risks related to fraud and data misuse.

NSFI 2025-30 places particular emphasis on monitoring, measurement, and accountability. The continued use of the FI-Index, supplemented by demand-side surveys and disaggregated data, provides a structured mechanism for tracking progress across regions and population segments. The strategy emphasises outcome-oriented indicators rather than input-based metrics, reflecting a shift towards assessing real-world impact. Feedback loops that incorporate customer experiences into policy refinement are treated as essential for responsive governance.

The strategy also reflects a broader intellectual shift in how financial inclusion is conceptualised. Inclusion is no longer framed as a binary condition but as a continuum shaped by income stability, trust, service quality, and institutional responsiveness. NSFI 2025-30 responds by integrating financial services with livelihoods, education, and customer protection mechanisms.

Customer protection emerges as a central theme throughout the strategy. Weak grievance redressal, opaque pricing, and limited accountability at the last mile are recognised as factors that erode trust and reinforce reliance on informal financial arrangements. By foregrounding transparency, responsiveness, and consumer-centric design, NSFI 2025-30 acknowledges that financial inclusion must be anchored in trust to be sustainable.

IV. How far can NSFI 2025-30 be effective?

The NSFI 2025-30 marks an important transition in India's financial inclusion discourse from a long-standing emphasis on access and scale to a more nuanced focus on usage, quality and welfare outcomes.

One of the principal strengths of NSFI 2025-30 lies in its candid assessment of past progress. The strategy acknowledges that India has largely succeeded in expanding physical and digital access to formal finance, as reflected in the growth of banking and BC outlets, digital transactions, and enrolment in insurance and pension schemes.

Importantly, it recognizes that access alone has diminishing marginal returns in the absence of sustained income flows, trust, and suitable product design. This recognition marks a departure from earlier inclusion narratives that equated account ownership with meaningful inclusion.

The articulation of the vision of financial inclusion, as a means to “well-being of people” rather than an end in itself is another conceptual advance. By explicitly linking financial inclusion to multiple SDGs, the strategy situates financial sector policies within a broader development framework. This alignment strengthens the normative foundation of the strategy and provides rationale for integrating financial inclusion with livelihood promotion, skilling initiatives, and social security programmes. However, while the conceptual linkage is persuasive, the operational pathways for such integration remain under-specified.

The five strategic objectives – *Panch-Jyoti's* provide a structured framework for action, particularly the emphasis on gender-sensitive inclusion, livelihood linkages, and financial education. The differentiated focus on women-led inclusion is especially relevant in the Indian context, where gender gaps persist across access to credit, insurance, and digital finance despite high account ownership. The strategy correctly identifies women’s financial resilience as both a development outcome and a systemic stabiliser. Yet, beyond broad recommendations, the document offers limited guidance on how entrenched socio-cultural barriers, unpaid care burdens, and asset ownership disparities will be addressed through financial sector interventions alone.

A notable contribution of NSFI 2025-30 is its detailed diagnosis of supply-side and demand-side impediments, supported by field-based surveys. The findings on the BC model are particularly significant. The strategy openly acknowledges weaknesses in last-mile delivery such as the prevalence of non-dedicated BC outlets, uneven geographical distribution, inadequate remuneration, limited-service offerings, and weak accountability and grievance mechanisms. This level of self-critique enhances the credibility of the strategy document. However, the proposed remedies remain incremental. The strategy stops short of recommending deeper structural reforms, such as re-orienting the BC eco-system with enhanced standards of operation and management of model including viable compensation, social security, and performance-linked incentives.

On the demand side, the strategy’s analysis highlights a critical but often underappreciated reality, financial exclusion in India is increasingly less about denial of access and more about irregular incomes, low perceived utility, and behavioural constraints. The finding that lack of surplus income is a major reason for account dormancy underscores the limits of financial sector-led inclusion in the absence of employment and livelihood security. While, the NSFI 2025-30 acknowledges this interdependence, it places considerable faith in “synergising” with skilling and livelihood ecosystems without clarifying institutional accountability for such convergence.

The emphasis on financial literacy as a tool for promoting financial discipline is both necessary and timely. The expansion of Centres for Financial Literacy (CFLs) and the growing reach of education programmes represent genuine progress. However, the strategy appears to conflate financial literacy with behavioural change. International evidence suggests that information dissemination alone has limited impact unless

combined with contextual nudges, product simplification, and consumer protection safeguards. While NSFI recognises behavioural biases such as bounded rationality, the action points do not fully translate this understanding into design principles for financial products or delivery mechanisms.

Another area that merits closer scrutiny is the strategy's reliance on digital public infrastructure (DPI). India's success with UPI, Aadhaar-enabled services, and account aggregators is rightly celebrated, and NSFI 2025-30 positions DPI as a central enabler of financial inclusion.

Yet, the strategy document underplays emerging risks associated with rapid digitisation, including cyber fraud, exclusion of low-literacy users, and over-reliance on technology-mediated trust. Although customer protection and grievance redressal form one of the *Panch-Jyoti* pillars, the strategy does not adequately confront the asymmetry between technologically sophisticated providers and vulnerable consumers.

From a monitoring and measurement perspective, the continued use of the Financial Inclusion Index is a positive feature, as it moves beyond single indicators. Nevertheless, the index remains largely supply-side and usage-oriented. There is limited discussion on outcome-based metrics such as reductions in vulnerability to shocks, improvements in consumption smoothing, or declines in reliance on informal credit which would better capture the welfare impacts of financial inclusion. Without such measures, there is a risk that progress will continue to be assessed in terms of activity rather than outcomes and impact.

V. Way Ahead

The NSFI 2025-30 is a mature and reflective policy pronouncement that demonstrates institutional learning and conceptual evolution. Its strengths lie in its objective appraisal of past limitations, its emphasis on quality and wellbeing, and its attempt to integrate financial inclusion with broader development goals. However, the strategy remains constrained by its reliance on coordination, incremental reforms, and moral suasion across diverse stakeholders. For NSFI 2025-30 to realise its transformative potential, greater clarity is required on institutional responsibility, incentive alignment, and enforcement mechanisms particularly at the last mile. Financial inclusion in the coming decade will depend not only on expanding the financial ecosystem, but on reshaping it to respond meaningfully to the lived realities of households and micro enterprises.

The NSFI 2025-30 is a forward-looking strategy document that correctly reframes financial inclusion as a contributor to human wellbeing and situates India's efforts within the global agenda on sustainable development. Yet, the translation of strategy into sustained impact will require a second act focused on detailed operational design and stronger regulatory harmonisation to reallocate resources toward local capacity, agent viability and consumer protection. International comparisons, such as the Global Findex evidence, remind us that access is a necessary opening move, not the endgame. The real test for India's inclusion trajectory will be whether NSFI's vision of well-being is converted into measurable improvements in everyday financial lives with fewer inactive accounts, safer transactions for women, dependable incomes for BC agents, quicker

grievance redress and stronger economic resilience for low-income households. Hope no inclusivity gets lost in transmission.

References

Reserve Bank of India (2025), *National Strategy for Financial Inclusion (NSFI) 2025-30*. Financial Inclusion and Development Department, RBI.

Government of India (2025), *67 and Rising: India's Financial Inclusion Gains Momentum*, Press Information Bureau, Government of India.

World Bank (2025), *The Global Findex Database 2025: Data Download and Documentation*. <http://globalfindex.worldbank.org>

Table 1
Financial Account and Mobile Phone Ownerships and Use [Adults (%)] : 2024

<i>Economy</i>	<i>Has an account</i>	<i>Made or received a digital payment</i>	<i>Saved formally</i>	<i>Borrowed formally</i>	<i>Owns a mobile phone</i>	<i>Used the internet in the past 3 months</i>
Thailand	92	83	54	18	92	86
China	89	89	67	41	97	86
<i>India</i>	<i>89</i>	<i>48</i>	<i>27</i>	<i>15</i>	<i>66</i>	<i>46</i>
Malaysia	89	77	52	15	95	87
Brazil	86	77	39	47	92	88
Sri Lanka	82	47	23	18	77	43
South Africa	81	67	36	13	87	68
Russia	79	NA	NA	NA	94	93
Indonesia	56	43	27	15	80	70
Bangladesh	43	34	11	13	82	44
Pakistan	27	25	13	8	63	36
<i>Source: The Global Findex Database, 2025, World Bank</i>						