Beyond Access

Deepening India's Digital Financial Inclusion in the AI Era

FINANCIAL TECHNOLOGY & DIGITAL FINANCIAL INCLUSION · September 2026

Executive Summary

India's Financial Inclusion Index has climbed to 70 out of 100 as of March 2026 — real progress, but a number that also confirms how much room remains, especially on the quality of financial access rather than its mere existence.

The RBI's Financial Inclusion Index rose from 67.0 to 70.0 over the year to March 2026, driven mainly by gains in usage. UPI now processes roughly 66 crore transactions a day across more than 700 banks and payment providers, and the RBI unveiled a further wave of infrastructure — tokenised bond settlement, CBDC-UPI interoperability, an open-source Android ATM — at the 2026 Global Fintech Fest. At the same time, new RBI Digital Lending Directions and SEBI guidance on AI-driven financial advice show regulators actively working to keep pace with a fast-moving, increasingly AI-mediated fintech sector. This brief sets out where India's inclusion gains are concentrated, where they are not, and what would move the index's weaker "Quality" dimension rather than only its "Access" and "Usage" components.

Scope

This brief focuses on payments, credit and the RBI's Financial Inclusion Index as the core, measurable dimensions of digital financial inclusion, drawing on RBI, industry and financial-press reporting current to mid-2026. Insurance and pension inclusion, though part of the RBI's broader financial-inclusion mandate, are outside this brief's scope and merit separate treatment.

1. Background: The Infrastructure Behind the Numbers

India's financial inclusion push rests on what is commonly called the JAM trinity — Jan Dhan bank accounts, Aadhaar digital identity, and Mobile connectivity — layered with UPI as the payments rail connecting them. Pradhan Mantri Jan Dhan Yojana accounts grew from 14.72 crore at launch in 2015 to 57.78 crore by February 2026, with deposits rising from ₹15,670 crore to ₹2.94 lakh crore over the same period. Aadhaar enrolments have crossed 144 crore, making it the world's largest biometric identity platform and the authentication layer underneath most of this activity.

The RBI introduced its Financial Inclusion Index in 2021 specifically to move the national conversation beyond account-opening counts toward a composite measure. The index runs from 0 to 100 across 97 indicators, weighted 35% for Access, 45% for Usage, and 20% for Quality. Its climb to 70.0 in March 2026, from 67.0 a year earlier, is attributed by the RBI mainly to gains in the Usage component.

2. The Five-Year Arc: 2020–2026

The regulatory architecture governing India's fintech sector was built substantially during the years 2020-2026, the table below traces the key steps.

Year	Development
2020	UPI and Jan Dhan usage accelerate sharply during the pandemic; RBI begins work on a dedicated financial inclusion measurement framework
Jan 2021	RBI constitutes a working group on digital lending through online platforms and mobile apps, responding to a wave of predatory lending-app complaints
Aug 2021	RBI launches the Financial Inclusion Index (FI-Index), with an initial reading of 53.9 for March 2021
Nov 2021	RBI working group publishes its report on digital lending, recommending direct-disbursal and transparency rules later adopted into regulation
2022	RBI pilots both wholesale and retail Central Bank Digital Currency (CBDC); FI-Index rises to 56.4 (Mar 2022)
2 Sep 2022	RBI issues its first comprehensive Digital Lending Guidelines — Key Fact Statements, direct-to-borrower disbursal, and app reporting requirements
2023 – 2025	UPI expands internationally (Singapore, UAE and other linkages); FI-Index continues rising, reaching 67.0 by early 2025
8 May 2025	RBI issues the consolidated Digital Lending Directions, 2025, replacing the 2022 guidelines with an updated, unified framework
Mar 2026	FI-Index reaches 70.0; Global Fintech Fest 2026 launches CBDC-UPI interoperability, tokenised bond settlement and further inclusion infrastructure

3. Current Landscape

- **UPI at scale:** More than 55 crore individual users and 700-plus banks and payment providers now run on UPI rails, with total transaction value for the fiscal year reaching approximately ₹314 lakh crore across roughly 66 crore transactions a day.
- **Digitisation depth:** The RBI's own Digital Payments Index — a composite measure of how deeply digital payments have penetrated — rose to 516.76 in late 2025, up from 493.22 at the start of the year.
- **CBDC moving toward integration:** The RBI's e₹ (digital rupee), across both retail and wholesale pilots, is moving out of pilot phase toward systemic integration, including interoperability with existing UPI QR infrastructure so that digital rupee wallets and UPI can be used interchangeably at the point of payment.
- **New infrastructure launched at GFF 2026:** The 2026 Global Fintech Fest saw the launch of India's first tokenised corporate bond pilot (using blockchain and CBDC infrastructure for securities settlement), an open-source Android ATM capable of instant RuPay and merchant UPI QR issuance, a Credit Line on UPI facility for government-backed credit schemes, and a three-party cash deposit facility under the Aadhaar Enabled Payment System.

- **Regulatory tightening around digital lending:** The RBI's Digital Lending Directions, 2025 require lenders to provide a Key Fact Statement disclosing terms upfront, disburse funds directly to the borrower's own bank account, name a specific grievance officer, offer a cooling-off exit period, and report lending apps to the RBI — a direct regulatory response to years of predatory digital-lending-app complaints.
- **AI accountability in financial advice:** SEBI’s 2026 guidance is explicit that using AI to analyse markets or generate investment advice does not reduce a firm’s legal responsibility — if anything, it increases the compliance burden, requiring audit logs and full accountability for AI-generated recommendations.

4. Where the Gains Are Not Reaching

The Financial Inclusion Index’s own architecture points to where progress is uneven: Usage has driven most of the recent gain, while Access and — most tellingly — Quality lag behind. A high transaction count does not by itself mean the underlying financial relationship is a good one for the user.

- **Thin-file and rural borrowers remain hard to underwrite.** Traditional credit underwriting continues to struggle with borrowers who have no conventional salary slip or credit history — precisely the rural and informal-sector population financial inclusion policy is meant to reach. Alternative credit assessment using UPI transaction history or Account Aggregator data is a genuine innovation here, but is still early in scaled deployment.
- **Explainability is now a live regulatory question, not a theoretical one.** As AI-driven credit decisions and investment advice scale up, unresolved questions about model explainability, training-data representativeness, and accountability for automated decisions carry real consequences for borrowers and investors who may not understand why they were approved, declined, or advised a certain way.
- **Offline and low-connectivity users need continued product design attention.** Features like UPI Lite, which allows offline, on-device transactions up to a limit without contacting bank servers, and voice-based payment interfaces in regional languages, matter disproportionately for the Tier-3, Tier-4 and rural users where connectivity itself, not just financial infrastructure, remains the binding constraint.

5. Case Study: UPI’s International Expansion and What It Signals

UPI’s expansion into Singapore, the UAE and other jurisdictions since 2023 is often discussed as a diplomatic or export-promotion story, but it is also a useful, if indirect, signal of domestic system maturity: a payments rail robust and standardised enough to be extended across borders is, almost by definition, one that has resolved most of its core domestic reliability questions. The more interesting inclusion-relevant question this raises is whether the same interoperability logic that made international expansion feasible could be turned inward — toward better integration between UPI and India's remaining cash-heavy, informal-economy transaction flows, which is precisely where the Quality dimension of the FI-Index has the most room to improve.

6. Progress at a Glance

Metric	Value	As Of
RBI Financial Inclusion Index	70.0 (up from 67.0)	Mar 2026
Jan Dhan (PMJDY) accounts	57.78 crore (up from 14.72 crore in 2015)	Feb 2026
Jan Dhan deposits	₹2.94 lakh crore (up from ₹15,670 crore in 2015)	2026
Aadhaar enrolments	144 crore+	Mar 2026
UPI individual users	55 crore+	2026
UPI daily transactions	~66 crore	FY26
UPI annual transaction value	~₹314 lakh crore	FY26
RBI Digital Payments Index	516.76 (up from 493.22)	Late 2025 / Early 2025

7. International Context

India’s account-and-identity-led model of financial inclusion is widely studied internationally, and comparisons help clarify what is genuinely distinctive about its approach.

- **Kenya’s M-Pesa model** achieved high financial inclusion earlier and through a different route — mobile-money accounts operated by telecom providers rather than bank accounts linked to a national digital identity system. India's JAM-trinity approach trades some of M-Pesa's simplicity for tighter integration with formal banking and government benefit transfer systems.
- **China’s mobile-payment ecosystem,** dominated by two large private platforms (Alipay and WeChat Pay), achieved comparable transaction-volume scale to UPI but through a more concentrated, platform-company-led model, versus UPI's explicitly open, interoperable, RBI-governed architecture spanning 700-plus participants.
- **The European Union’s approach to open banking** (under PSD2 and its successor framework) shares UPI's interoperability goal but has generally seen slower fintech-side adoption, often attributed to a more fragmented, bank-led rather than centrally mandated rollout — a contrast that is frequently cited internationally as a point in favour of India's more directive regulatory approach.

8. Stakeholder Implications

- **For rural and thin-file borrowers:** The Account Aggregator framework and alternative-data underwriting represent a genuine path to credit access, but remain early-stage relative to their potential reach — this population sees the least benefit from inclusion gains concentrated in Usage rather than Quality.

- **For banks and fintech lenders:** The Digital Lending Directions, 2025 raise compliance costs but also raise consumer trust and reduce reputational and regulatory risk from predatory-app controversies — a trade-off most established players are likely to accept in exchange for a clearer, more defensible compliance perimeter.
- **For financial regulators (RBI, SEBI):** AI-driven advice and underwriting put both regulators in the position of writing rules for a technology whose failure modes are still being understood in real time — the explainability and audit-log requirements introduced so far are a reasonable first step but will likely require iteration as AI-driven products scale further.
- **For state governments and rural development agencies:** Financial inclusion gains are most fragile at the last mile, where the quality of the human agent or Business Correspondent network — not the underlying technology — often determines whether a household's experience of “inclusion” is a positive one.

Key Terms

Financial Inclusion Index (FI-Index): The RBI's composite 0–100 measure of financial inclusion, built from 97 indicators weighted across Access (35%), Usage (45%) and Quality (20%).

Account Aggregator (AA) framework: A consent-based data-sharing system that lets individuals share their financial data across institutions to access services like credit, without the data passing through a central repository.

UPI Lite: A feature enabling small-value, offline or low-connectivity UPI transactions directly from a device, without each transaction needing to reach the bank's server in real time.

CBDC (e₹ / Digital Rupee): The RBI's central bank digital currency, issued in both retail and wholesale forms, increasingly designed to be interoperable with existing UPI payment infrastructure.

9. What to Watch Through 2027

Timeframe	What to Watch
Through 2027	Whether the FI-Index's Quality sub-score begins closing the gap with Access and Usage, or continues lagging
Through 2027	Scale-up of CBDC-UPI interoperability beyond pilot phase into routine consumer use
Ongoing	Enforcement track record under the Digital Lending Directions, 2025 — particularly complaint-resolution timelines
Ongoing	Whether SEBI-style AI explainability requirements are extended to digital lending decisions specifically

10. Recommendations

1. Make the Quality sub-index, not the composite score, the primary target for policy attention.

Because Access and Usage are already strong and improving, further gains in the composite Financial Inclusion Index will increasingly have to come from Quality — a dimension that captures things like grievance redressal, cost of access and product suitability, and is more directly within regulators' control than raw usage growth.

2. Extend the Account Aggregator framework's rural and informal-sector reach specifically.

Alternative-data underwriting depends on data actually being available and shareable through the Account Aggregator ecosystem; a targeted push to bring more informal-sector and rural financial data — self-help group records, agricultural income data — into this framework would directly address the thin-file credit gap.

3. Extend SEBI-style AI explainability requirements to digital lending decisions.

The same reasoning that led SEBI to require audit logs and accountability for AI-generated investment advice applies with equal force to AI-driven credit decisions under the Digital Lending Directions — an explicit extension would close an emerging inconsistency between the two regimes.

4. Invest in agent- and Business-Correspondent-network quality, not just count.

As the FI-Index's Quality dimension gains policy weight, the training, incentive structure and reliability of the human agent network that intermediates most rural digital-finance transactions deserves as much attention as the technology layer itself.

5. Pair CBDC-UPI interoperability rollout with targeted financial literacy for first-time digital-currency users.

As the digital rupee moves toward mainstream integration with UPI, financial literacy efforts should specifically address the conceptual difference between CBDC and existing bank-account-linked UPI payments, to avoid confusion among first-time users in newly connected rural areas.

6. Publish FI-Index sub-scores at the state level, not only nationally.

A composite national score of 70.0 can mask wide state-level variation; publishing Access, Usage and Quality sub-scores by state would let policymakers target interventions where inclusion is genuinely lagging, rather than treating the national average as the relevant benchmark everywhere.

7. Track digital-lending-app complaint resolution times as a standalone public metric.

The Digital Lending Directions, 2025 introduce named grievance officers and reporting obligations, but their real value will show up in complaint-resolution data — publishing this as a tracked, public metric would let the market and regulators judge enforcement, not just the existence of rules.

11. Conclusion

India's digital financial infrastructure is, by most global comparisons, remarkably advanced — UPI's daily transaction volume alone makes that case. The policy work still ahead is less about building more of that infrastructure and more about ensuring its benefits reach the specific populations — thin-file borrowers, first-time rural users, those relying on offline or low-connectivity products — where access has consistently lagged usage.

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