SUNSHINE AGRICULTURE
e-Newsletter

ISSN (E): 2583 – 0821

Sun. Agri.:e- Newsletter, (2026) *6*(11), 13-17

Article ID: 709

Beyond the Passbook: Is Rural India Really Banked?

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Open Access

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Available online at
www.sunshineagriculture.vitalbiotech.org

Article History
Received: 04.11.2026
Revised: 09.11.2026
Accepted: 14.11.2026

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INTRODUCTION

Opening a Jan Dhan account took one morning at a village camp. Learning to trust it, use it and borrow from it is taking a decade. A look at how far rural India has come by late 2026, and what is still unfinished.

Why an account is only the beginning

Financial inclusion means that people can reach useful, affordable and safe formal financial services (a place to save, a way to pay, credit when needed, insurance against bad luck and a pension for old age) and that they actually use them. That last clause matters. An account that sits untouched for three years is access without inclusion.

In a village, the difference is tangible. A farmer who can borrow from a bank before sowing need not pledge gold to a moneylender. A woman whose wages reach her own account has a stronger voice in how they are spent. A family with insurance can survive a hospital bill or a failed crop without selling land. At its best, financial inclusion is quiet protection against the shocks that push rural households back into poverty.

Statistical highlights

- **RBI Financial Inclusion Index:** 70.0 in March 2026, up from 67.0 in March 2025 and 43.4 in March 2017.
- **Jan Dhan accounts (19 August 2026):** 59.09 crore accounts holding ₹3,16,514 crore; 55.7% belong to women and 77.8% are in rural and semi-urban areas.
- **Account ownership (World Bank Global Findex, 2024 survey):** 89% of Indian adults hold an account, but 16% of account owners have none that is active, against 4% in other low- and middle-income economies.
- **UPI (October 2026):** 25.47 billion transactions worth ₹31.53 lakh crore in a single month.

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- **NAFIS 2021–22:** 66% of rural households saved (50.6% in 2016–17); 51.3% of respondents showed good financial literacy (33.9% in 2016–17).
- **Kisan Credit Card (31 March 2025):** 7.72 crore operative accounts with ₹10.20 lakh crore outstanding.
- **Crop insurance, PMFBY (Kharif 2016 to Rabi 2025–26):** 92.46 crore farmer applications insured; 26.33 crore received claims worth over ₹2.06 lakh crore.

The great account drive

Launched on 28 August 2014, the Pradhan Mantri Jan Dhan Yojana (PMJDY) set out to give every unbanked household a basic account. By 19 August 2026 it had opened 59.09 crore accounts, up from 14.72 crore in 2015, holding ₹3,16,514 crore (PIB, 2026a). Dividing deposits by accounts gives an average balance of about ₹5,356: real money for a poor family, yet a reminder that most accounts are modest.

Accounts alone do not move money; outlets do. India now has over 1.81 lakh bank branches and 17.36 lakh Business Correspondents (BCs), local agents who carry a bank counter in a handheld device, and 99.92 per cent of villages have a banking outlet within 5 km (PIB, 2026b). Linked with Aadhaar and mobile phones, this "JAM trinity" lets the state pay benefits directly: cumulative Direct Benefit Transfers reached ₹52.89 lakh crore across 320 schemes by 10 August 2026. Five kilometres, however, is still a long walk with a sick child.

Payments, protection and pensions

Then came UPI. In October 2026 it processed a record 25.47 billion transactions worth ₹31.53 lakh crore (NPCI, 2026), and 741 banks are live on it (PIB, 2026b). A vegetable seller at a weekly haat accepting a QR payment is no longer news.

Three low-cost schemes launched in 2015 added protection: PMJJBY (₹2 lakh life cover for ₹436 a year), PMSBY (₹2 lakh accident cover for ₹20) and the Atal Pension Yojana (APY, a monthly pension of ₹1,000 to ₹5,000 after 60). Cumulative gross enrolments by 30 June 2026 were 27.78 crore, 58.66 crore and 9.29 crore respectively (PIB, 2026b). "Gross" means sign-ups, not live policies. And under PMSBY, 1.89 lakh of the 2.57 lakh claims received had been disbursed, a gap that deserves explanation.

What NAFIS reveals about the village

NABARD's second All India Rural Financial Inclusion Survey (NAFIS), covering about one lakh rural households in 2021–22, remains the latest officially released national survey of its kind. It is a snapshot of 2021–22, not of today, set against 2016–17.

Income and savings. Average monthly household income rose 57.6 per cent, from ₹8,059 to ₹12,698, a nominal 9.5 per cent a year and close to the roughly 9 per cent annual growth of nominal GDP over the period (PIB, 2024). Monthly spending rose from ₹6,646 to ₹11,262, so the average household spends about 89 paise of every rupee it earns (our calculation). Even so, 66 per cent of households saved, up from 50.6 per cent, with farm households (71 per cent) ahead of non-farm ones (58 per cent). Average annual financial savings were ₹13,209, about ₹1,100 a month (NABARD, 2024).

Credit. Formal lending gained ground. The share of agricultural households borrowing from institutional sources only rose from 60.5 to 75.5 per cent, while the share taking any loan from non-institutional sources fell from 30.3 to 23.4 per cent. About 44 per cent of farm households held a valid Kisan Credit Card (KCC). Yet nearly one in four still used informal credit, and average landholdings shrank from 1.08 to 0.74 hectares. Smaller farms mean smaller loans and thinner collateral.

Protection and literacy. Households with at least one insured member jumped from 25.5 to 80.3 per cent. Look closer, though: vehicle insurance was the commonest type (55 per cent), while life insurance reached only 24

ISSN (E): 2583 – 0821

percent of households. Some 23.5 per cent of households had a pension recipient; among those with a member over 60, 54 per cent did. Good financial literacy rose from 33.9 to 51.3 per cent of respondents, which means about half still fall short.

What it means: rural households are earning, saving and borrowing formally more than before, but they spend nearly all they earn and hold little protection beyond the basics. NABARD's headline findings do not split these indicators by gender, so for that we turn to the World Bank.

RBI's yardstick: access, usage, quality

The RBI's Financial Inclusion Index (FI-Index) squeezes banking, investment, insurance, postal and pension data into one 0–100 score built on three dimensions: access (are branches, agents and accounts within reach?), usage (are people actually transacting, saving and borrowing?) and quality (financial literacy, consumer protection and gaps in services). Usage carries the largest weight.

The index stood at 43.4 in March 2017, 67.0 in March 2025 and 70.0 in March 2026, with every sub-index rising and the latest gain driven mainly by usage (RBI, 2026b; PIB, 2026b). That is the encouraging sign: inclusion is deepening, not just widening. One caution: it is a national composite that does not show villages separately, and RBI says a review of its framework is under way (RBI, 2026a).

RBI's wider agenda is also turning from access to quality. Its National Strategy for Financial Inclusion 2025–30, unveiled on 1 December 2025, stresses usage, gender-sensitive inclusion, financial education and stronger customer protection and grievance redress. Digital payment coverage reached 100 per cent in 710 districts by March 2026, and Financial Literacy Week 2026 was devoted to KYC and safe banking (RBI, 2026a).

The unfinished agenda

Sleeping accounts. The Global Findex 2025 (2024 survey) found 89 per cent of Indian adults with an account, yet 16 per cent of account owners without an active one, four times the 4 per cent average of other low- and middle-income economies (World Bank, 2025a, 2025b). Many accounts exist mainly to receive benefits. Among adults without accounts, the commonest reason is that a family member already has one, suggesting banking is still often shared within the household.

Credit that does not flow smoothly. The Economic Survey 2025–26 reports 7.72 crore operative KCCs with ₹10.20 lakh crore outstanding at 31 March 2025 (Ministry of Finance, 2026). Yet RBI's latest Annual Report records operative KCCs falling 11.7 per cent in 2025–26 (provisional), attributing the drop mainly to some private banks reclassifying exposures that did not meet KCC guidelines (RBI, 2026a). Cards counted and cards working are not the same thing.

Digital risk. Every first-time UPI user is a potential target for phishing, fake KYC calls and OTP scams, and older or less literate users are the most exposed. One fraud, once talked about at the village tea stall, can undo months of trust-building.

Distance and data. Even network counts shift: RBI notes that BC outlets were reported at 17.23 lakh earlier and 14.78 lakh on a new return, after a bank revised its reporting and others realigned their networks (RBI, 2026a). Read headline numbers with care.

Small farms, small awareness. On 0.74 hectares, farmers need small, flexible, timely loans. Benefits such as the accident cover that comes with a Jan Dhan RuPay card are of little use if families do not know they exist.

The farm connection

Institutional farm credit disbursement reached ₹28.69 lakh crore in 2024–25, above the ₹27.5 lakh crore target; ₹12.77 lakh crore of it was term loans, the kind that finance pumps, equipment and orchards rather than one season's seed and fertiliser (Ministry of Finance, 2026). Productivity gains need that second kind of credit.

PMFBY, the crop insurance scheme, has insured 92.46 crore farmer applications since Kharif 2016 and paid claims above ₹2.06 lakh crore on 26.33 crore of them, about 28 per cent (our calculation). Roughly half of enrolments over the decade were voluntary non-loanee farmers, and tenants and sharecroppers are covered (PIB, 2026c).

Women's Self-Help Groups (SHGs) carry the other half of the story. At 31 March 2025, 143.3 lakh SHGs covering 17.1 crore households were linked to banks for savings, 84.94 lakh were also credit-linked, and loans outstanding stood at ₹3.04 lakh crore (Sa-Dhan, 2025, citing NABARD). Under PM Mudra, 57.79 crore loans worth ₹40.07 lakh crore had been sanctioned by March 2026 (PIB, 2026b), counting loans rather than unique borrowers.

Imagine a farmer on the average 0.74 hectare. With a KCC for inputs, crop insurance for risk and a savings account for the lean months, a hailstorm is a bad season. Without them, it is the start of a debt trap.

Ten practical steps

1. **Teach money skills in the village.** Run Gram Panchayat-level sessions using National Centre for Financial Education material; its adult programme has reached about 6.5 lakh people so far (PIB, 2026b), a fraction of rural India.
2. **Use trusted networks.** Gram Panchayats, SHGs, Farmer Producer Organisations (FPOs) and agricultural extension staff can carry one financial message into every field visit and meeting.
3. **Strengthen last-mile banking.** Fair BC commissions, dependable connectivity and scheduled mobile-bank visits for remote hamlets.
4. **Make safe digital habits routine.** Local-language demonstrations: never share your PIN or OTP, verify before paying, report fraud at once.
5. **Widen affordable farm credit.** Faster KCC approvals, linked land records and more investment term loans, especially for small holders and tenants.
6. **Make insurance and pension real.** Explain what ₹20 and ₹436 buy, keep balances for auto-debit, update nominees, and help families file claims.
7. **Put women at the centre.** Train more women BCs, who handled about 18 per cent of BC transactions in December 2025 (RBI, 2026a), and make sure women control their own phone and PIN.
8. **Fix grievance redress.** A visible local-language complaint route, with timelines, for failed transactions and rejected claims, backed by the RBI ombudsman.
9. **Design for small farms.** Small-ticket, harvest-linked repayment and cover for tenants and sharecroppers.
10. **Measure use, not openings.** Track active accounts, transactions, loans repaid and claims paid, village by village, in line with the NSFI's focus on usage and quality.

More than a passbook

A passbook is a receipt for a promise. India has kept the first part of that promise on a scale few nations have attempted: nearly nine in ten adults now hold an account. The harder part is the promise behind the receipt: that the money will be there, that credit will arrive before the monsoon and not after it, that the claim will be paid and that nobody will lose a season's savings to a stranger on the phone.

The next milestone that matters is not another crore of accounts. It is a farmer who borrows on time, a woman who saves in her own name, a family that claims its insurance and an elder who draws a pension without asking for help. Financial inclusion will have succeeded when the account is not something rural India owns but something it uses.

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