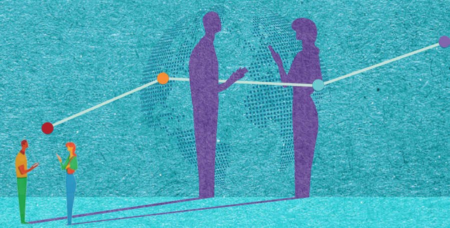
The Global Findex Database 2021

India

COUNTRY BRIEF



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In India, 78 percent of adults have an account, a share that is relatively unchanged from 2017, and 6 percentage points higher than the developing economy average of 71 percent. India has no gender gap in account ownership. Use of accounts has grown since 2017 driven by digital payments, which 35 percent of adults in India now use. However, there is still room for growth to reach the developing economy average of 57 percent digital payment adoption. There is also a significant usage gender gap of 13 percentage points between men and women using digital payments. Digitalizing payments could help promote use of accounts for the 160 million banked adults in India who still pay utility bills in cash. These and other efforts could help decrease India's share of inactive accounts, which at 35 percent is 7-times higher than the average calculated for all other developing economies.

India's account ownership growth has stagnated since 2017, though the gender gap narrowed

Account ownership has more than doubled in India between 2011 and 2021, from 35 percent of adults to 78 percent (Figure 1). Much of that growth occurred between 2014 and 2017 as a result of a government program that began in 2014 and provided unbanked adults with a financial account leveraging an official government identification document. Between 2017 and 2021, account ownership rates were unchanged, yet the Global Findex 2021 shows that 35 percent of accounts are inactive, a rate that is 7 times higher than the average across developing economies.

In addition to growing the total share of adults with access to financial accounts, India has improved equity in account access. In 2011, the income gap was 14 percentage points—meaning, a larger share of the richest 60 percent of households in India had accounts compared to the poorest 40 percent. By 2021, the gap was insignificant. The gender gap also declined between 2017 and 2021 by 6 percentage points to effectively zero.

Promoting financial account use is the next inclusion challenge in India

Evidence on the benefits of financial inclusion consistently point to increased safety and convenience and decreased costs of using financial services to make payments, save, manage money, and borrow.

Payments

In India, 35 percent of adults (45 percent of adults with an account) report that they used their account to make or receive a digital payment in 2021 (Figure 2). This number shows significant room for growth to be on par with the 57 percent average of digital payment adoption seen across all developing economies, even to catch up to regional peers like Bangladesh and Sri Lanka, which have higher digital payment adoption. Within its peer group of BRICS countries (Brazil, the Russian Federation, India, and China and South African) India's payments usage rate is less than half that of its peers. Furthermore, India shows a significant gender gap in payment use, as women are 13 percentage points less likely than men to make or receive digital payments. While there is no gap in account ownership between adults living in rural versus urban parts of India, there is a gap in use of accounts for digital payments: While 40 percent of adults in urban areas (52 percent of account holders) use accounts for digital payments, only 30 percent of adults (39 percent of account holders) in rural areas do.

FIGURE 1

India has doubled account ownership since 2011 and eliminated its gender and income gap

Adults with an account (%), 2011–21

Source: Global Findex Database 2021.

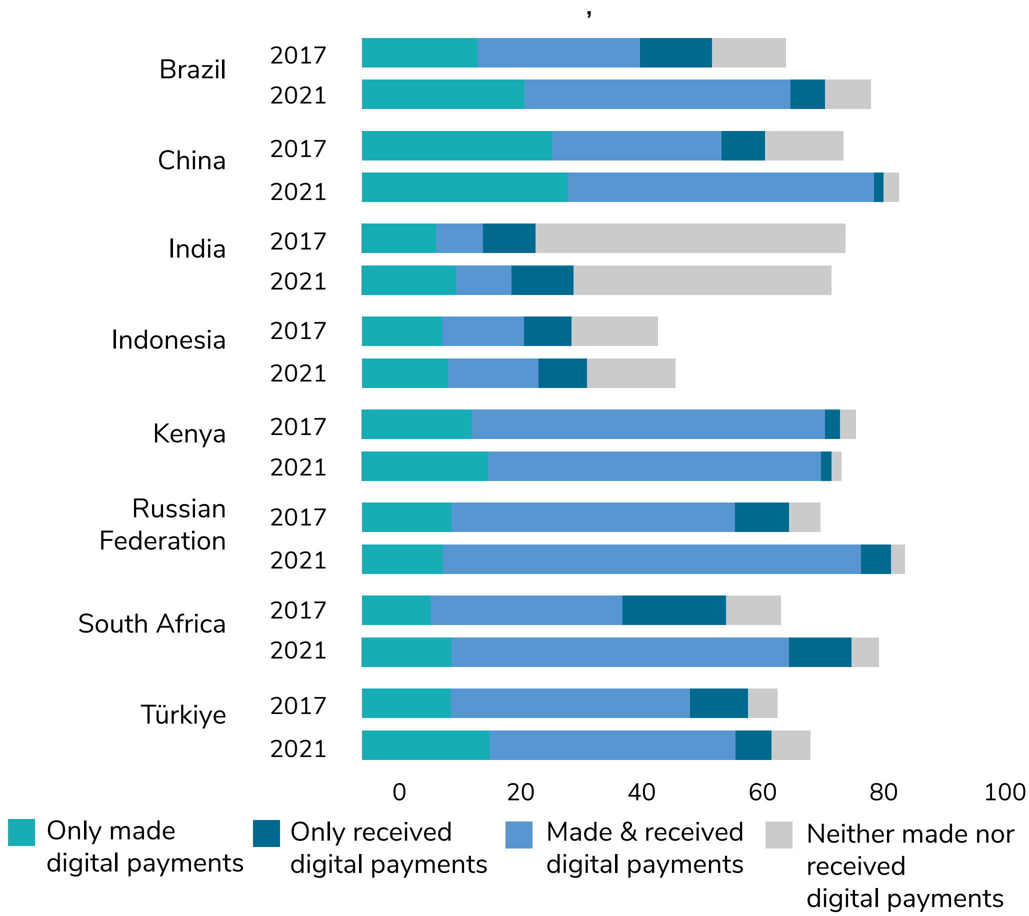
Looking into the types of payments people receive reveals that 20 percent of adults in India received a payment from the government in the 12-months prior to the survey either as a transfer or pension or in the form of public sector wages (the Global Findex 2021 data was collected in India between June 30, 2021, and October 18, 2021, such that the "12-month period" spans from June 30, 2020 and October 18, 2021). More than half of them received that payment directly into an account. Among the 18 percent of adults in the country who are private sector wage earners, 34 percent received their wages into an account.

As for the payments people *made*, merchant payments and utility bill payments are among the most common. Twelve percent of adults made digital merchant payments using a card, mobile phone, or the Internet. COVID-19 was a major catalyst for digital merchant payments, with 8 percent of adults (two-thirds of everyone who made digital merchant payments) making their first digital merchant payment after the start of the pandemic. Similarly, 10 percent of adults in India paid a utility bill digitally from an account; 7 percent did so for the first time after the start of the COVID-19 pandemic. The fact that more than 127 million adults (6 percent of banked) in India made their first merchant or utility payment directly from an account during the COVID-19 pandemic points to the digital readiness of the Indian population and the potential for additional growth.

FIGURE 2

A growing share of account owners are making and receiving digitial payments in developing economies

Adults with an account (%), 2011–21



Source: Global Findex Database 2021.

Saving, storying money, and borrowing using an account

The share of adults who saved in any way in India (formally or not) decreased by 10 percentage points since 2017 to 24 percent of adults. Slightly over half of savers—14 percent of adults, down from 20 percent in 2017—used an account to do so; the rest used semiformal or other mechanisms. Among savers, women are 18 percentage points more likely than men to save using a savings club: 45 percent of women who save used this method compared to 27 percent of men. A larger share of 35 percent of adults used an account to store money for cash management purposes. Here, too, there is an evident gender gap, as 41 percent of Indian men used an account to store money while only 28 percent of women did so.

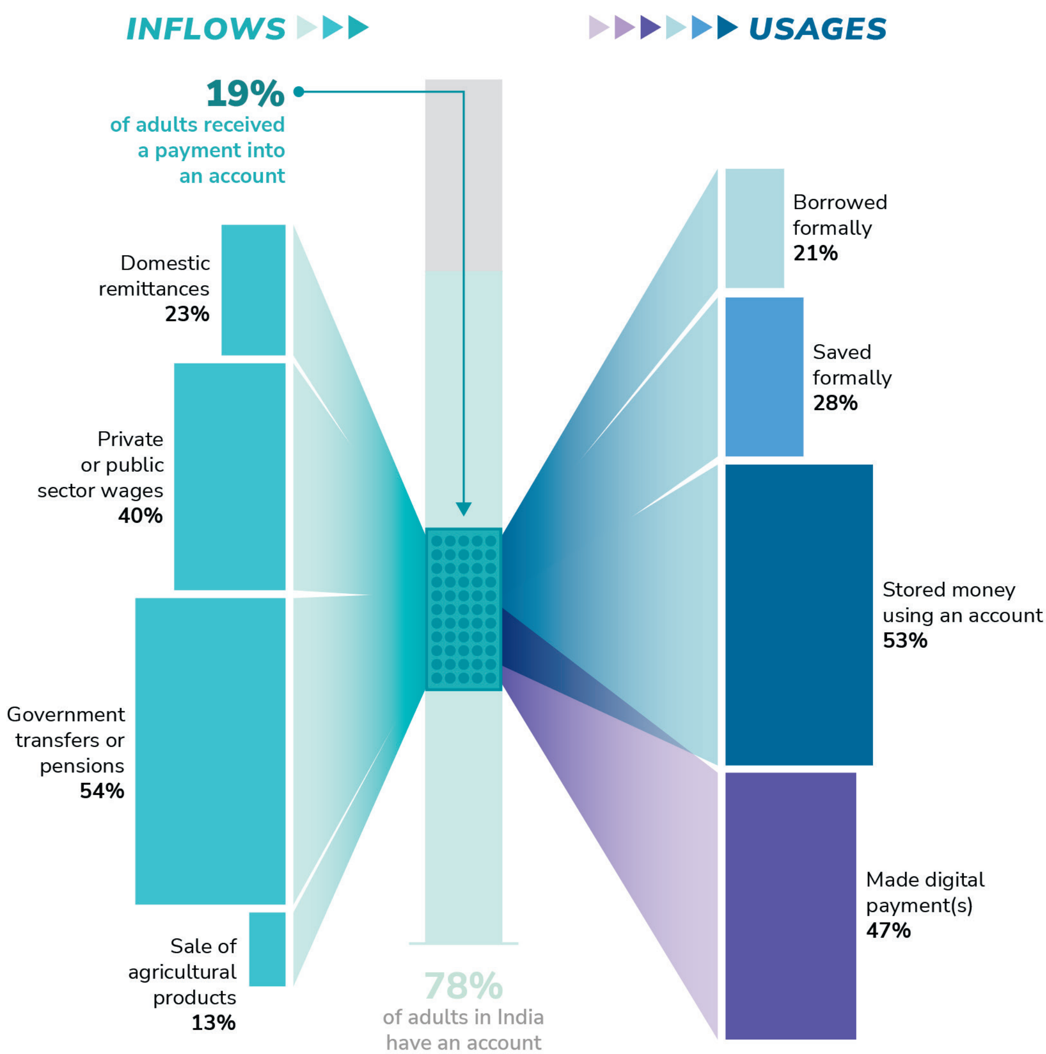
Forty-five percent of adults in India borrowed, yet fewer than one in three of them did so from a financial institution, using a credit card, or through a mobile money account; 31 percent of adults (more than 2 in 3 borrowers) borrowed from friends and family. Informal borrowing is evident across South Asia.

Examining the relationship between different uses of financial accounts

Nineteen percent of adults in India receive payments into an account. Of those who do, 47 percent use their accounts to also make payments, 28 percent saved formally, and 53 percent borrowed, suggesting that having an account and receiving a payment makes it easy to use other financial services (Figure 3).

FIGURE 3

Receiving a digital payment opens the door to broader engagement with the financial ecosystem through making payments, saving, storing, and borrowing money



Source: Global Findex Database 2021.

Note: Inflows and usages are shown as percentages of the 19 percent of adults receiving payment(s) into an account.

India has low financial resilience relative to the developing economy average

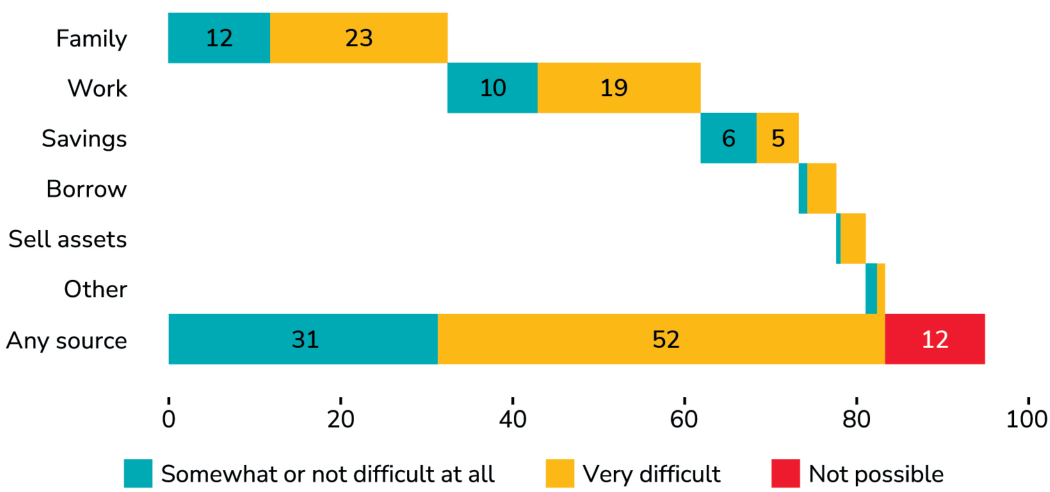
Financial resilience is the ability to come up with emergency money to deal with an unexpected expense or loss of income. In India, only 31 percent of adults could come up with emergency money within 30 days without much difficulty—a share that is 23 percentage points lower than the developing economy average (Figure 4). Women in India are 14 percentage points less likely than men to be able to access emergency money with little to no difficulty. Furthermore, when asked about their financial worries, 66 percent of adults in India report that they are very worried about not having enough money to pay for medical costs, while 28 percent saying that medical costs are their biggest worry—an unsurprising response given the severe impact COVID-19 has had on the country.

Evidence on financial resilience across developing economies shows that adults that have formal savings and use them as the first-line option for emergency money are more resilient than people who turn to less reliable sources, such as friends and family or additional work hours. This points to the potential for savings to help improve resilience in India, especially given the low and declining formal savings trends.

FIGURE 4

Family and friends are the most common source of emergency funds in India

Adults identify the source of, and assessing how difficult it would be to access, emergency money (%), 2021



Source: Global Findex Database 2021.

Payments represent a proven opportunity to increase financial inclusion for both unbanked and underbanked adults in India

There continue to be a number of barriers to financial inclusion for the 22 percent of adults in India who remain unbanked. Chief among them is a lack of financial confidence: more than 70 percent of unbanked adults in India say they would not be able to use an account at a financial institution without help; unbanked women are 10 percentage points more likely than unbanked men to express a lack of financial confidence. Another common barrier cited by unbanked adults is distance to a financial institution: 43% of adults in India say banks are too far away, a 10 percentage point higher share than the developing economy average. This latter barrier can be addressed by expanding agent and digital banking.

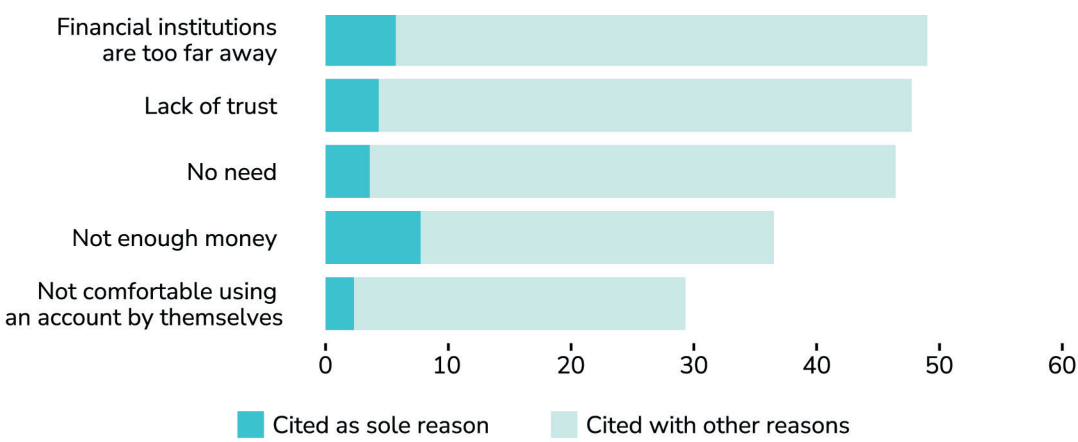
Digitalizing government payments and wage payments is a proven method in India for increasing account ownership: two thirds of account owners in the country opened their first account to receive either a government payment or a wage payment. Millions more still receive private- or public-sector wages or payments for agriculture goods in cash. Digital payments may be an effective way to reach a share of them. Additionally, research has shown that new account holders who receive wage payments into their accounts develop financial capability independently, creating a case for digital payments as a tool to facilitate "learning by doing".

Delivering payments directly to accounts also may encourage owners of inactive accounts to use them. This is a critical financial inclusion challenge in India given the 35 percent inactive account rate (meaning, those accounts had no deposits or withdrawals, nor had any incoming or outgoing digital payments, in the year prior to the survey). The gender gap for inactive accounts is 9 percentage points: 32 percent of women have an inactive account, compared with 23 percent of men. Digitalizing utility payments and merchant payments could increase the use of financial accounts in India, given that more than 160 million banked adults in the country paid their utility bills in cash—including 84 million women—and 670 million banked adults in India paid merchants only in cash—including about 350 million women. Furthermore, for banked adults with inactive accounts, distance from a financial institution, lack of trust in financial services firms, and lack of need for financial services were among the most common reasons for why they did not use them (Figure 5). Promoting digital payments and other services, such as online account access to check balances—which 16 percent of Indian adults use—could be a step towad increasing usage by banked adults who live too far from a branch.

FIGURE 5

In India, distance to financial institutions, lack of trust, and lack of need were the most commonly cited reasons for account inactivity

Adults with an inactive account reporting barrier as reason for not using account (%), 2021



Source: Global Findex Database 2021.

Any efforts to increase use for banked adults and inclusion for unbanked adults must consider the availability and reliability of enabling infrastructure, such as identification documents, as well as energy and telecommunications access (including mobile phones). For example, 66 percent of adults report having their own mobile phone, including 75 percent of men and 56 percent of women. Technology, such as phones and access to the internet, can be leveraged to boost both access to and use of financial products. However, efforts to reduce the gender gap are necessary for inclusive access to digital financial services.

Financial inclusion initiatives must also consider the financial capability of the users, given the common feeling among unbanked people in India that they could not use an account by themselves. These future account owners will need effective onboarding and ongoing product education to gain benefit from an account and avoid fees, inappropriate products, or exploitation. Improved digital literacy, data security, and grievance mechanisms could increase the share of adults who use digital transactions, as well as reduce the large number of inactive accounts.

About Findex

Since 2011, the Global Findex Database has been the definitive source of data on the ways in which adults around the world use financial services, from payments to savings and borrowing, and manage financial events such as a major expense or a loss of income. The 2021 edition is based on nationally representative surveys of about 125,000 adults in 123 economies during the COVID-19 pandemic. In India, 3,000 adults across the country took the survey in their preferred language (Assamese, Bengali, Gujarati, Hindi, Kannada, Malayalam, Marathi, Odia, Punjabi, Tamil, or Telugu) between July 30 and October 18, 2021. The database, the full text of the report, and the underlying economy-level data for all figures — along with the questionnaire, the survey methodology, and other relevant materials — are available at http://www.worldbank.org/globalfindex.

All regional and global averages presented in this publication are adult population weighted. Regional averages include only developing economies (low- and middle-income economies as classified by the World Bank).

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