



# Rethinking financial health for meaningful impact

June 2026



# Foreword from PwC

India has made remarkable progress in the financial services sector over the last decade. Millions of households now have access to formal financial services due to banks, digital payments, credit, insurance, and investment products. These developments have created a strong foundation for inclusive growth and have demonstrated the power of innovation, policy, and technology working together.

As the financial ecosystem matures, conversations must move from access alone to the quality of usage and outcome. While a household may today have access to bank account, digital payments, formal credit, etc., they may still be vulnerable to income uncertainty, unforeseen expenses, inadequate savings, or financial products not suited to their needs. Thus, true inclusion must not only be measured by reach but also by whether financial services enable people to manage their day-to-day as well as potential future needs and improve their overall financial wellbeing.

This report, 'Rethinking financial health for meaningful impact', brings this important shift into focus. It examines the financial lives of underserved households across the Bharat segment<sup>1</sup> and highlights the complex realities that shape their financial decisions. These could be irregular cash flows, regional differences, reliance on informal networks, limited advice, and varying levels of trust in formal channels. The findings reinforce that financial health is not a single product outcome, but the result of an ecosystem that is responsive, relevant, and resilient.

For financial service providers, policymakers, and ecosystem participants, this calls for a more outcome-led approach. Products must be designed around real household cash flows, not just standardised income assumptions. Digital scale must be complemented by human touch and trusted physical networks. Informal channels should be understood not merely as alternatives to formal finance, but as important parts of the customer's financial world. Most importantly, institutions must measure what matters—usage quality, resilience, confidence, and long-term customer outcomes.

Lastly, I would like to thank Dvara for partnering with us in conceptualising this entire study and my PwC colleagues for putting together this research. I would also like to thank our friends at Keshava Prabha Microfinance, RSB Insights, Haqdarshak and AMFI West Bengal for helping us survey 10,000+ households to gauge their position on financial inclusion. Their contributions have been invaluable in shaping a deeper, evidence-led understanding of household financial health and the actions needed to build a more inclusive and resilient financial ecosystem.



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# Foreword from Dvara Research

India's financial inclusion story over the last decade has been remarkable, with dramatic expansion in account ownership and sustained growth in credit. Yet, evidence increasingly points towards a gap between access and impact as witnessed in high rates of dormant accounts and the ongoing NPA crisis in the microfinance industry. These gaps signal that product ownership alone has not reliably translated into suitable use or improved financial lives.

Dvara Research is an independent, non-partisan, not-for-profit policy research institution based in India. Our mission over the past fifteen years has been to ensure that every low-income household and every small enterprise has complete access to suitable financial services and social security, through channels that enable secure and confident use. We consider ourselves the voice of low-income households, and envision a world in which the financial health of these households and enterprises is accorded the highest priority by policymakers and practitioners alike.

It is in pursuit of this vision that we have collaborated with PwC to shift the narrative from financial inclusion to financial health as the operative goal for financial inclusion. We believe the key to a more coherent inclusion story lies in improving the quality and intent of impact measurement that is found useful not as an external reporting exercise but as a tool for core business strategy.

The Financial Health Survey (FHS), developed jointly with PwC, is our contribution to this shift. It is a diagnostic toolkit designed to assess whether financial access and the suitable use of a product suite are actually producing improvements in household financial health. Specifically, it can measure changes in access and usage patterns of formal finance, corresponding changes in financial health outcomes, and the factors associated with varying results across customer cohorts. Most importantly, FHS identifies where the pathway from access to usage, and from usage to impact is breaking down and indicates which corrective mechanisms are available for a given customer segment. Overall, FHS empowers financial service providers and policymakers with the adaptive capacity to incrementally orient themselves to customers' actual experiences of financial products and policies.

We thank PwC for the fruitful partnership that we believe could help reorient financial inclusion and bring meaningful and positive changes in the financial lives of low-income households. We also thank Dr. Indradeep Ghosh, former Executive Director at Dvara Research, for the intellectual stewardship he offered in building this report.



**Misha Sharma**  
Lead  
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1. **Note:** The Bharat segment refers to lower- to middle-income consumers from Tier-2 to Tier-4 cities, semi-urban, and rural areas. This cohort is typically characterised by a strong preference for vernacular languages, and digital adoption driven by mobile internet.



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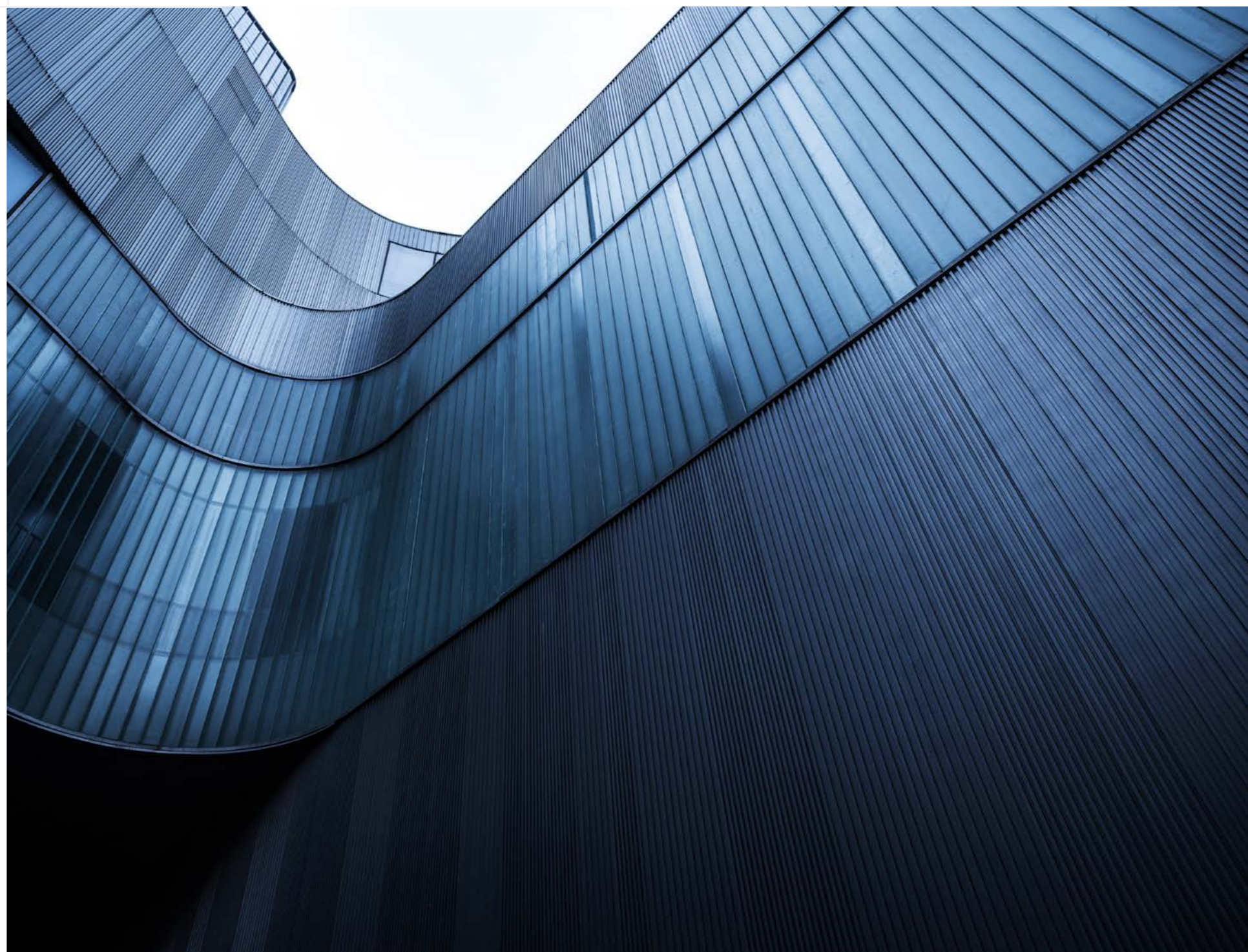
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# 01

## Executive summary

FHS provides a baseline view of household financial well-being across India's underserved 'Bharat' segments.<sup>2</sup> The survey's key value lies in its potential to explore how access to finance, the actual usage of financial products, and lived customer outcomes may vary across regions, occupations, and the customer's nature of engagement with formal and informal systems. The survey also captures the ground realities of customer engagement with financial products, often missed in mainstream customer datasets. FHS is a valuable tool for India's financial inclusion story where high access (high bank account coverage and a rising financial inclusion index) does not appear to translate to usage quality and financial health.<sup>3, 4</sup>

2. **Note:** The Bharat segment refers to lower- to middle-income consumers from Tier-2 to Tier-4 cities, semi-urban, and rural areas. This cohort is typically characterised by a strong preference for vernacular languages, and digital adoption driven by mobile internet.

3. Press Information Bureau. (2025, August 6). 67 and rising: India's financial inclusion gains momentum — RBI's Financial Inclusion Index rises to 67 in 2025 indicating growth for everyone. Government of India.

4. India's biggest health crisis isn't physical—it's financial — What new study reveals | Mint

This iteration of FHS covers 4,000 kitchen-sharing households across 18 districts in seven states, grouped into four regional clusters—North, South, East, and West. Household data was captured through a variety of institutional partnerships with micro finance institutions (MFIs), self-help group (SHG)/ joint liability group (JLG) networks, and civil society channels.

### Purpose and approach

FHS uses an input–output–outcome framework. Inputs track access to products and touchpoints; outputs capture how households use and engage with these options; outcomes measure whether they can meet needs, absorb shocks, and plan ahead with confidence. This approach is aligned with India's national strategy for financial inclusion (2025–30), which represents a shift from counting accounts to tracking whether finance actually improves financial security and resilience.<sup>5</sup> The input, output, and outcome indicators can be compared across regions, primary livelihoods, income and expense predictability, financial engagement patterns (formal, informal, or both), and customer tenure, among other thematic.

### Three structural frictions

Three structural frictions stand out across the data collected and analysed as part of FHS. These indicate system-level barriers that prevent access and usage from converting into resilience.

#### 1. Access drives usage but not resilience

The data from the survey indicates that higher levels of financial access translates to more frequent usage of financial products among households across different regions and occupation categories. There is, however, divergence in outcomes that represent households' overall financial wellbeing. Some customer segments with modest access, like the farmers in the South and East, report relatively strong resilience whereas other cohorts with higher access demonstrate a limited ability to handle shocks.

5. National strategy for financial inclusion 2025–30: RBI. (n.d.). ET Edge Insights.

6. The New Indian Express. (2026, January 5). Income disparity, tough work conditions plague gig work.

7. Majumdar, R. (2025, August 6). Reliance on informal finance persists despite multiple financial inclusion measures: Report. The Economic Times.

**Implication:** Account-opening and digital onboarding are necessary but insufficient to improve customers' financial health. Products must be designed to convert usage into shock-absorption capacity.

#### 2. Income volatility is a key barrier to financial health

Across FHS, data indicates that, households with predictable incomes and expenses show stronger input, output, and outcome scores. These households are saving more regularly, repaying more smoothly, and are reporting higher confidence in meeting planned needs. For occupation groups with volatile earnings (such as daily wage/freelance workers, small business owners and farmers), savings portfolios are weaker and outcome indicators indicate fragility even when they have access to formal sources. This is especially true in the West and North. A parallel may be drawn to India's growing platform workforce, which also demonstrates variability in earnings and high exposure to risk factors.<sup>6</sup>

**Implication:** Current products are not intentionally designed for the unique characteristics of the growing informal workforce. Flexible EMIs, episodic savings, and pay-per-use insurance are not niche innovations—they are mainstream necessities.

#### 3. Informal finance is a complement, not a competitor

FHS data suggests that households using both formal and informal finance often demonstrate higher usage of formal products than those relying only on formal, especially in the East and North where local networks are strong. Outcomes vary by region, and this variance may depend on whether informal sources are a flexible buffer or a high-cost dependency. This also aligns with the long running role of SHGs, moneylenders, familial networks, and trader credit in serving low income households.<sup>7</sup>

**Implication:** FSPs that partner with SHGs, community lenders, and local intermediaries—rather than competing with them—can unlock deeper engagement and better repayment.

### Regional archetypes at a glance

Region	Short profile	One key opportunity
South	Relatively smooth progression from access to usage to outcomes; strong SHG ecosystems and better translation of access into financial health.	Deepen savings and wealth-building propositions (goal-based products, farm-linked investments) on top of existing SHG and digital rails.
West	Strong digital infrastructure and high urban UPI usage; newer customers onboard but with shallower engagement and higher credit denial.	Focus on activation—turn digital adoption into active saving, credit, and protection through nudges, simple products, and flexible underwriting.
East	Patchy phygital access, heavy reliance on single-source informal credit, and an acute advice vacuum in many segments.	Build assisted phygital models (kiosks + agents) and advisory-led offerings to gradually shift households into safer, more diversified financial paths.
North	Pronounced rural–urban divide; older customers are deeply integrated into formal systems; newer ones show low trust and self-exclusion.	Develop trust-rich, agent-assisted bundles (credit + insurance + savings) with simple, outcome-linked promises, co-branded with local institutions.

### Three priority actions for financial service providers

- **Design for cash-flow volatility**, not just income level. Use UPI transaction patterns, platform earnings data, and mandi receipts to underwrite dynamically. Build repayment schedules that flex with income cycles rather than penalising deviations from fixed monthly EMIs.
- **Invest in phygital activation**, not just digital onboarding. Across all regions, households with access to both physical and digital channels show the highest usage and outcome scores. Digital gets people in; human touchpoints—agents, SHG leaders, branch staff—keep them engaged and build trust for complex products like credit and insurance.

- **Track financial health outcomes**, not just portfolio metrics. Adopt input–output–outcome measurement as a standard business practice. Use resilience indicators (ability to handle a ₹30,000 shock, savings runway, debt-to-income comfort) alongside non-performing asset (NPA) ratios and asset under management (AUM) growth. This is both a strategic advantage and an emerging regulatory expectation under National Strategy for Financial Inclusion (NSFI) 2025–30.<sup>8</sup>

### An overview of the report

The report details the methodological approach for measuring and calculating the composite measures of financial health (input, output, and outcome measures), and also analyses input-output-outcome patterns across regions and segments. Subsequent sections examine access to financial infrastructure, product diversification (savings/investments), routines/emergencies, credit experience, and cluster analysis. It closes with priority themes where stakeholders can apply financial-health diagnostics to refine strategies and track whether access and product improvements translate into more resilient households of a future Bharat.

8. **Note:** The National Strategy for Financial Inclusion 2025-2030 focuses on four key outcomes related to financial safety (day-to-day stability), financial security (long-term savings), financial resilience (handling emergencies), and financial discipline. Reserve Bank of India. (2025). National strategy for financial inclusion 2025–30. Financial Inclusion and Development Department, Reserve Bank of India. <https://slbcgoa.com/documents/nfsi/NSFI%202025-30%20english.pdf>



# 02

## Detailed findings and strategic implications

This section synthesises FHS’s cross-cutting findings into three strategic questions that matter to every financial service provider serving the Bharat segment. Each question is addressed with evidence from the data, a diagnosis of why the pattern exists, and specific implications for business decisions. Regional detail and thematic deep-dives follow in subsequent sections.

### Strategic question 1: Why isn’t access converting into financial resilience and what are the biggest conversion failures?

#### What the data shows

The data from this iteration of FHS indicates that higher levels of financial access (to both physical and digital banking infrastructure), translates to more frequent usage of financial products among households across different regions and occupation categories. There is, however, divergence in outcomes that represent households’ overall financial wellbeing. Some customer segments with modest access, like the farmers in the South and East, report relatively strong resilience whereas other cohorts with higher access demonstrate a limited ability to handle shocks.



Pattern	Where it appears	What it suggests
<b>Moderate access, strong outcomes</b>	Farmers in South and East; business owners in North	Assets (land, inventory), social capital, and conservative borrowing habits can substitute for broad formal product access in generating resilience
<b>High access, weak outcomes</b>	Newer customers in the West; volatile earners in North and West	Onboarding without activation, and products misaligned with cash-flow realities, create a ‘paper inclusion’ effect—accounts exist but don’t protect
<b>High access, strong usage, moderate outcomes</b>	Pensioners across regions	Limited transactional needs and passive product holding mean that even well-connected customers may not be building resilience actively

The phygital dimension reinforces this. Across all regions, households with access to both physical and digital infrastructure score highest on outcomes—not just inputs or outputs. Digital-only access generates high input scores in the South and North but does not sustain the highest output or outcome scores anywhere.

#### Access–awareness–usage gaps

In FHS, many households that live near service points and hold basic accounts demonstrate limited understanding of product features or fit,<sup>9</sup> and their usage remains limited. Nationally, this pattern is consistent with studies that find only about a quarter of adults in India meet minimum financial literacy benchmarks, especially in rural and low-income segments.<sup>10</sup>

9. **Note:** This observation follows from significant proportion of respondents reporting that they ‘Don’t know’ various details (ticket sizes, frequency of usage, premium size, etc.) pertaining to the financial products they own. The FHS does not explicitly enquire into respondents’ financial literacy.

10. Financial Express. (2020, November 24). Only 27% Indians are financially literate: Sebi’s Garg. The Financial Express.



Similarly, across FHS segments, it can be seen that households actively use credit, savings, or insurance yet struggle to handle modest shocks, perhaps suggesting that products are rigid or not aligned with their cash flows. Hence it is important to consider product design and timing as critical determinants of actual resilience outcomes.

**What to do**

Gap	What we see	Priority actions
<b>Access without awareness</b>	Households near service points with basic accounts but limited product understanding	Vernacular onboarding, simple explainer content, and SHG-led literacy circles. Clearer, standardised disclosures and scaled financial education that focuses on real decisions rather than abstract concepts.
<b>Usage without resilience design</b>	Households actively using products yet struggling to handle modest shocks	Volatility-aware products—episodic savings, flexible instalments, small emergency credit lines. Group-based guarantee mechanisms, with public co-funding of shock-responsive products for vulnerable segments.
<b>Invest in phygital, not just digital</b>	Outcome scores highest where both channels available	Maintain and strengthen physical touchpoints even as digital scales. Digital handles routine transactions while human touchpoints handle trust-building, advice, and complex product adoption.

**Strategic question 2: How should products be designed for households whose incomes and expenses are fundamentally unpredictable?**

**What the data shows**

Across the FHS, households with predictable incomes and expenses show stronger input, output, and outcome scores. These households are saving more regularly, repaying more smoothly, and are reporting higher confidence in meeting planned needs. For occupation groups with volatile earnings (such as daily wage/freelance workers, small business owners and farmers), savings portfolios are weaker and outcomes are more fragile even when they have access to formal sources. This is especially true in the West and North.

The gaps are not uniform:

- **South (exception to the rule on access):** Those with volatile incomes exhibit marginally higher input scores than their counterparts with predictable incomes. This is aligned with the observation that daily wagers/freelancers in the South have higher input scores, implying that those with irregular cash flows are also well connected to formal infrastructure. However, the persistence of income volatility means that high access alone may not guarantee equally strong outcomes for this group, unless products are explicitly designed to smooth shocks.
- **West and North (widest outcome gaps):** The gaps in outcome scores between those with predictable and unpredictable income in the Northern and Western regions are larger than those in the other two regions, highlighting the

need for financial products and services that could help bridge the instability in incomes better. In the West, volatile earners also show markedly low input scores, suggesting low levels of formal finance penetration among workers in informal or semi-formal parts of the economy.

- **Expense predictability mirrors income predictability** almost exactly. Those with predictable expenses have higher input, output and outcome scores in almost all regions. Households facing irregular expenses appear less able to convert access into resilience and long-term security.

**Why it matters**

India’s informal workforce is not a marginal segment—it is the **majority**. Traditional product design is modelled for traditionally salaried customers. This may potentially result in underestimating customer capacity or over-penalising late payments for informal earners. The problem is not volatility per se, but **products that assume monthly uniformity**. Farmers in the South with highly seasonal incomes still achieve strong outcomes because their cash-flow patterns are predictable in their irregularity. The initiatives discussed in this paper can also greatly benefit gig and platform workers, a substantial part of the informal workforce who experience similar income volatility.

**What to do**

Issue	What we see	Priority actions
<b>Volatile earners vs stable earners</b>	Volatile earners consistently post lower savings and outcome scores compared to stable earners, even when they are formally onboarded.	Shift from income-type to cash-flow-based design: flexible EMIs, earned wage access, and small-ticket, pay-per-use insurance tied to observed earnings patterns, ideally in partnership with platforms and employers.
<b>Underwriting for irregular cash flows</b>	Traditional underwriting screens out volatile earners or over-penalises late payments for informal earners.	Use transaction data, UPI flows, and platform data to underwrite dynamically; reward good behaviour in volatile contexts rather than simply punishing deviations from fixed schedules.
<b>Expense volatility</b>	Households facing irregular expenses struggle to convert access into resilience even where some access exists.	Develop expense-smoothing tools: envelope or ‘goal’ accounts for periodic bills, flexible repayment schedules that anticipate irregular outflows, small emergency buffers linked to utilities or education payments.

**Strategic question 3: Should FSPs compete with informal finance—or partner with it?**

**What the data shows**

FHS data suggests that households using both formal and informal finance often show higher usage of formal products than those relying only on formal, especially in the East and North where local networks

are strong. Outcomes vary by region, potentially explainable by whether informal sources act mainly as a flexible buffer or as a high-cost dependency. This also aligns with the long-running role of SHGs, moneylenders, and trader credit in serving low-income households.



Region	Who fares better on outcomes?	Possible explanation
South	Formal-only users	Specific kinds of households with certain occupation types and wealth endowments might have the capability to rely exclusively on formal products, and these concomitant factors may support more stable financial health.
East	Formal-only users (marginally)	Similar to South, but the margin is narrower. The East's high single-source informal dependence (78% of loans from one lender) may indicate relationship-based borrowing that is efficient but concentrated.
North	Dual users (formal + informal)	Informal networks fill timing and flexibility gaps—bridging shortfalls between formal disbursements, smoothing shocks that formal products do not fully cover, or providing emergency credit when formal underwriting is too rigid.
West	Dual users (formal + informal), notably	Despite comparable output scores, dual users show meaningfully better outcomes than formal-only users, underscoring the potential need for bridging mechanisms between the formal and informal economies.

**Why informal strengths matter**

Informal strength	Why it matters	How formal systems can complement
<b>Speed and flexibility</b>	FHS households that rely on informal channels highlight the ability to get funds quickly and adjust repayments when shocks hit, which helps them manage their daily volatility better than many formal products allow.	Partner with SHGs and trusted local actors as last-mile agents. Provide lower-cost capital and digital rails while preserving responsive repayment structures.
<b>Social collateral and embedded advice</b>	Community reputation and group accountability substitute for formal collateral, enabling access for asset-poor households. Informal providers often bundle finance with practical advice (for crops, inventory, or local markets).	Build social underwriting that recognises SHG membership, group guarantees, and repayment history, allowing lower collateral requirements and broader reach.

**What to do**

These findings point to the potential to build bridges between formal and informal economies. Households often juggle multiple commitments to family networks and local creditors, in addition to formal lenders. Financial products that work alongside these realities

rather than competing with them stand a better chance of adoption and sustained use. Policymakers should create pathways that help community groups formalise gradually so as not to lose the foundational strengths that they derive from multiple sources, both formal and informal.

Action	Rationale	Potential metric to track
<b>Partner with SHGs and community groups as distribution and risk-sharing channels</b>	FHS households that rely on informal channels highlight the ability to get funds quickly and adjust repayments when shocks hit, which helps them manage their daily volatility better than many formal products allow.	Number of SHG-partnered accounts; activation and repayment rates for SHG-distributed vs. direct products
<b>Recognise informal repayment history in credit assessment</b>	Community reputation and group accountability substitute for formal collateral, enabling access for asset-poor households. Informal providers often bundle finance with practical advice (for crops, inventory, or local markets).	% of approvals influenced by informal history data; portfolio performance comparison
<b>Build 'bridge' products</b>	In the East, 78% of informal loans come from a single source. Formal alternatives that match informal speed and simplicity can capture this market.	Uptake rate; % of customers reporting reduced moneylender dependence at 12 months
<b>Train and certify local intermediaries as financial advisors</b>	The South's advice ecosystem is intermediary-led but unregulated. Quality assurance protects customers and creates a scalable advisory workforce.	Number of certified advisors; customer satisfaction with advice





### Vulnerable fault lines

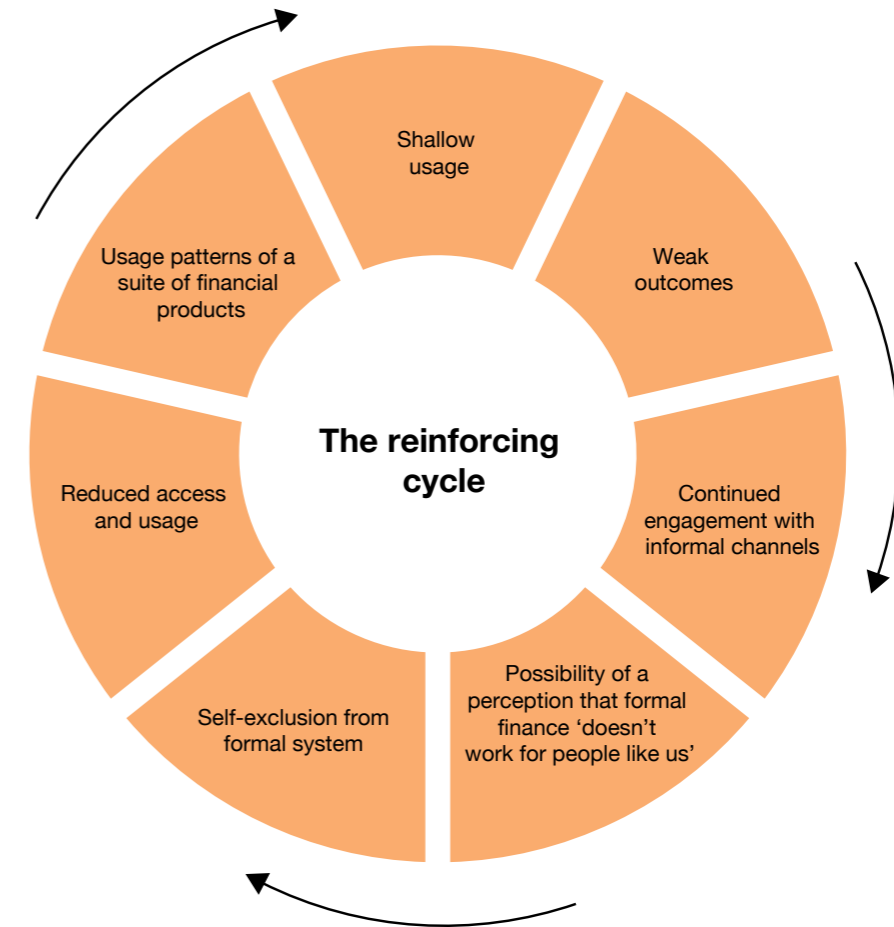
Three population segments emerge from the FHS data as structurally underserved and disproportionately fragile. These are not edge cases—they represent large and growing shares of the Bharat segment.

Vulnerability	What we see	Why it matters and what can be done
<b>Renters vs homeowners</b>	In FHS, homeowners are consistently able to raise emergency funds quickly; renters—especially in the East—frequently report being unable to mobilise required amounts at all. 65% of East renters cannot mobilise ₹30,000.	This growing urban renter segment is one shock away from distress. Providers can design renter-specific products (security deposit finance, renter insurance, portable rent-linked scores), while policymakers digitise rental agreements, enable rent reporting into credit bureaus, and seed targeted emergency funds.
<b>Volatile earners</b>	Daily wage/freelance and seasonal workers show weaker savings and resilience despite access; this echoes evidence of high-income volatility and weak safety nets in India's expanding informal workforce.	Without redesign, current products penalise a structurally growing group. Businesses can monetise this segment through flexible EMLs, earned wage access, and pay-per-use protection; government and worker groups can support portable social security and partial guarantees for such flexible products.
<b>Lack of quality financial advice</b>	In the East, many households neither seek nor receive financial advice and rarely interact with formal advisors; similar but milder pockets exist elsewhere. 37% never sought advice; 23% sought but didn't receive it.	Advice-poor environments raise mis-selling risk and depress uptake of beneficial products. Providers can invest in low-cost, vernacular, voice-based advisory and helplines; communities can build 'financial health worker' models; policymakers can fund neutral counselling points in local institutions.

### How these findings connect

The three strategic questions are not independent.

**Figure 1: The reinforcing cycle**



Breaking this cycle requires simultaneous action on all three fronts: making access meaningful (not just nominal), designing products for real cash-flow patterns (not idealised ones), and integrating, rather than displacing, informal ecosystems that currently provide the flexibility, speed, and trust that formal systems lack.

### Implications and action themes

Across all three questions, the actions split along two lines. For businesses, the shift is from counting accounts to measuring resilience using cash-flow data, SHG partnerships, and volatility-aware product design to serve customers formal finance

has historically screened out. For policymakers and communities, the ask is structural: outcome-based indicators, portable benefits, and governance frameworks that let informal networks formalise without losing what makes them work.

The thematic sections that follow provide the granular regional evidence underlying these findings.

# 03

## Context: Financial health as an emerging metric

The concept of financial health<sup>11</sup> is rapidly emerging as a crucial metric for financial inclusion. Over the last few years, there is a call to look beyond the straightforward and easily measured access and usage metrics of financial products to gauge their impact on users' lives as measured by their financial health or resilience. The United Nations Secretary-General's Special Advocate (UNSGSA) for financial health describes financial health as an enhanced ability to manage daily finances, build resilience to financial shocks, plan for the future, and feel confident about their financial lives.<sup>12</sup> The G20 global partnership for financial inclusion recognises that financial health is a customisable concept and its understanding may differ based on the needs of the society and country in question.<sup>13</sup> Overall financial health is a composite of multiple different characteristics, such as household endowment, income, financial choices, in addition to contextual factors like access to financial services and social safety nets.

11. **Note:** Also referred to as financial well-being.

12. United Nations Secretary-General's Special Advocate for Inclusive Financial Health (UNSGSA). (2024, September 25). Financial health.

13. OECD. (2024). G20 policy note on financial well-being. OECD Publishing.

The multidimensional nature of financial health makes it challenging to measure. As such, many different approaches for measurement have been developed. For instance, the global Findex focuses largely on indicators related to users' financial resilience.<sup>14</sup> The FinAccess survey led by the Central Bank Of Kenya builds on the FinNeeds framework it enquires how users meet core financial needs (such as managing liquidity and risk, achieving goals, transacting) and observes the role played by formal finance.<sup>15</sup>

Despite varying approaches, there is a growing consensus among policymakers and development agencies on the need to orient financial inclusion initiatives to financial health. This consensus stems from the recognition that systematic measurement of financial health can contribute to improved product-market fit and at scale, financial system stability.

### 3.1 The unique financial lives of the Bharat segment

The Bharat segment comprises users who are either outside of or new to formal finance, non-homogeneous in their needs and aspirations, and looking for relevant and meaningful financial products that can suitably integrate them into the formal economy. These households, therefore, straddle a blurry line between the formal and informal economies.

Furthermore, their lives are fraught with contingencies such as job loss, health issues, crop failure, etc. which impacts their finances in unpredictable ways. Their money management practices are fundamentally different from those of users who are fully integrated into the formal economy and well-versed in the workings of formal finance. As a result, their financial health is subject to a wide range of conditions.



14. World Bank. (2025). The Global Findex Database 2025: Connectivity and financial inclusion in the digital economy. World Bank.

15. <https://www.the-star.co.ke/news/infographics/2025-03-19-how-kenyans-saved-their-money-in-2024>

#### Bharat segment

- Low-income
- Often experience cashflow deficits
- High exposure to contingencies
- Incomplete protection from formal finance; partial protection from social networks
- Money management is deeply embedded in social networks

#### Traditional financial users

- Middle and high income
- Expect a fixed or minimum salary/ business income on monthly basis
- Formal finance offers protection against usually occurring lifecycle risks
- Money management practices are often separated from social networks



Over the past few decades, government measures and market imperatives have nudged this segment to make the transition to formal financial products, yet data indicates that this shift has been uneven and many still straddle informal systems due to persistent barriers and mixed outcomes.

- The Reserve Bank of India’s financial inclusion index (FI-index) for March 2025 rose to 67 (out of 100) from 64.2 in 2024, reflecting steps forward in access, usage, and quality of formal financial services across the country. However, persistent disparities remain, especially among low-income and rural households.
- Even with a strong push for digital inclusion through UPI and Aadhaar-based services, studies show that micro-business owners and economically weaker households continue to depend heavily on informal finance providers such as moneylenders, showing that formal access does not always lead to meaningful usage.
- Among rural adults, access to basic banking has increased considerably (up to 85–87% by 2021), but the share actually using formal credit (loans from banks or NBFCs, excluding microfinance/SHGs) is still significantly lower for the Bharat segment compared to urban and higher-income households.<sup>18</sup>

Customers don’t want a 2mm drill bit—they want a 2mm hole to nail their picture. For an economically disadvantaged user that wants to hang a picture but lives in a mud house, using a drill could damage their home, they may need a different product, like an alcove or a ledge. Applying this analogy to financial inclusion, traditional tools that provide well-intentioned but unsuitable services might not see significant uptake and usage. Innovative products oriented towards helping the user improve their financial health could go beyond the scope of traditional financial products.

To design impactful interventions for the Bharat segment, it is essential to first measure what truly matters. To do this, we must look beyond access and usage metrics, and consider financial health as a holistic concept.

### 3.2. What is financial health and how should we measure it?

Financial health is a financial state where there is enough financial security to meet current needs, plan for the future, and handle financial shocks with confidence. A holistic impact measurement framework positions user financial well-being as the principal objective rather than treating it as an instrumental variable for achieving secondary organisational outcomes. Financial health is composite of various factors, and can be represented as below.

**Financial health = function of** (variables that FSPs cannot immediately influence, variables that FSPs can influence)<sup>19</sup>

Variables that FSPs cannot immediately influence = { **occupation, wealth endowment, household-level factors, individual factors, social capital**}

Variables that FSPs can influence = { **financial awareness, financial access, financial product usage**}



<b>Financial awareness</b>	User awareness about formal financial products and processes would impact usage.
<b>Financial access<sup>20</sup></b>	Actual ownership of a suite of financial products, which is a necessary, but not sufficient, condition for impact since access does not guarantee usage or impact.
<b>Product usage</b>	Nature and frequency of engagement with financial products, contingent on the availability of physical or digital touchpoints, affordability and suitability.
<b>Occupation category</b>	Impacts quantum, regularity, seasonality and reliability of incomes.
<b>Wealth endowment</b>	Initial levels of household wealth that act as minimum safety nets.
<b>Household-level factors</b>	Number of earning members, dependents, levels of cohesion and cooperation among members, etc.
<b>Individual factors</b>	Personality type, risk appetite, attitudes towards finance, individual motivations, etc.
<b>Social capital</b>	Reputational and relational value accrued by the household that could potentially be harnessed for financial management.

Clearly, the most direct avenue for FSPs to positively influence user outcomes is through improving access and enabling effective usage. While financial awareness is also open to influence, awareness about products and services is shaped by marketing efforts undertaken by providers who are competing with each other making it a less reliable indicator for impact measurement.

#### FHS: A diagnostic tool

FHS represents a conceptual and practical departure from current impact measurement and market research practices. It colours access, usage, and impact-related insights with user context and background, providing an opportunity to create a real-time direct feedback loop from impact back to access.



16. The Economic Times. (2025, July 22). RBI’s financial inclusion index shows growth across all segments, rises 4.3 pc in FY25  
 17. The Economic Times. (2025). Reliance on informal finance persists despite multiple financial inclusion measures: Report.  
 18. Ibid.  
 19. **Note:** In this conceptualisation, the focus has been on demarcating static and dynamic variables that influence financial health based on the immediate and near-time factors of financial inclusion. For a more long-term theory of change, refer [here](#).

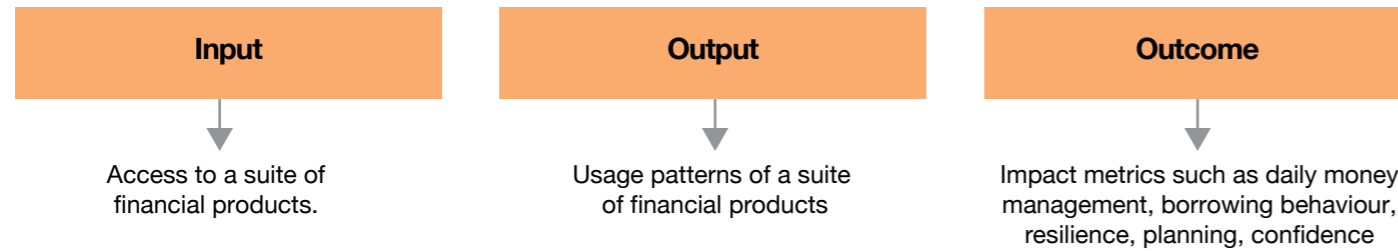
20. Note: Our definition of access is more stringent than how it is used in common parlance, wherein access may also sometimes be referred to as mere availability/ease of access to products. The distinction is important because mere availability does not guarantee ownership.  
 21. Ganesan, P., & Iyer, A. (2026, June 15). Reframing financial health: From canary in a coal mine to a thermostat for action. Dvara Research.



FHS follows an input, output, and outcome framework co-developed by Dvara Research and XKDR forum to measure financial inclusion where:

- **Input** scores represent a household's ownership of a suite of financial products/services

- **Output** scores indicate the nature of their engagement with such products/services
- **Outcome** scores relate to their overall financial health.



Here, it is important to note that these three scores cannot be directly compared with each other to say that one is greater than the other. Rather, they can be contrasted between different regions to compare them or across timelines to track progress.

These scores (ranging between 0 and 1) make for an intuitive understanding of the impact pathway and would help identify levers for intervention and aid policy decisions for the government and regulators.

FHS blends market reconnaissance, product feedback, and user insights to provide strategic intelligence which can inform and aid real-time business decisions. The survey tool provides critical insight regarding the pathways through which an FSPs user base achieves improvements in financial health. It offers a means to monitor the market for product gaps, recognise true value-additions, and prune product misfits on a regular basis.<sup>22</sup>

	Financial health survey	Other impact measurement approaches
<b>Product agnostic</b>	<p><b>Yes</b></p> <p>Can identify unmet and under-met needs and aspirations of this segment effectively.</p>	<p><b>No</b></p> <p>Over-reliance on products often designed for middle-and high-income users could mask the needs of this segment.</p>
<b>Focus on the gap between access and usage, and the gap between those two and impact</b>	<p><b>Yes</b></p> <p>Can highlight the unmet needs of the user: Why is access not translating to usage? Why is usage not translating to financial health?</p>	<p><b>No</b></p> <p>Usually focused on the gap between access and impact, which is nebulous.</p>
<b>Restricted to FSPs' sphere of influence utility</b>	<p><b>Yes</b></p> <p>Geared towards generating achievable, actionable insights within a demarcated sphere of influence.</p>	<p><b>No</b></p> <p>May focus on longer developmental outcomes like women's empowerment, livelihood improvement, etc. which are also contingent on other factors and therefore difficult to act on.</p>

22. Ibid

### How financial service providers can participate

There are two pathways for financial service providers to engage with the survey based on their needs, business strategies and marketing goals:

**Periodic user surveys:** For providers who are looking to report their impact and map user needs, the financial health survey could be administered to a sample set of users to offer insights and action pathways on an annual or bi-annual basis.

**Strategic engagement:** For providers who are looking to launch new products, or working in relatively new geographies, FHS could be strategically administered for different cohorts of users at various time intervals to garner insights about them, their response to the product, and their persisting needs.

Independent of the engagement pathway, FHS offers plenty of scope for customisation according to the financial service provider's requirements so that it can provide both impact measurement and market research.

**Note:** all graphs, data points and infographics presented in the following section are based on the analysis of the data collected through this iteration of the FHS.

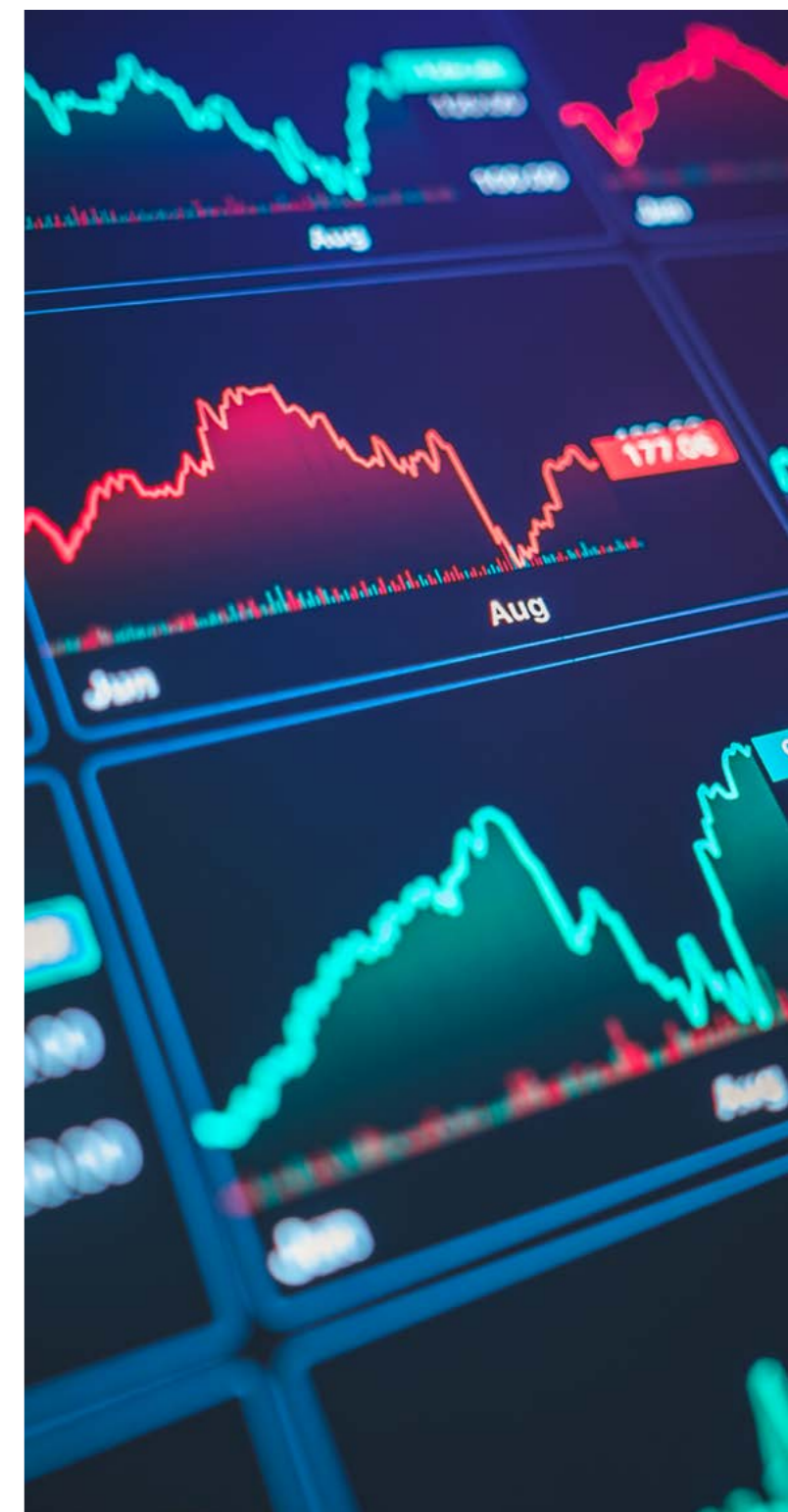
### A note on scope and limitations

There are three considerations while interpreting FHS' findings:

- The sample is purposive, not nationally representative. The 4,000 households were deliberately drawn from underserved populations through institutional partners. Regional and segment-level patterns should be treated as directional signals, not precise prevalence estimates.
- This is cross-sectional data. The baseline captures a single snapshot. Though it can identify associations (e.g. predictable income correlates with better outcomes) but cannot establish causation.

- All data is self-reported. Income, savings, and debt figures may be subject to recall bias and social desirability effects. Bands rather than exact figures have been used to mitigate this and focus on relative comparisons rather than absolute levels.

A section on limitations, including partner-linked selection bias, survey instrument gaps, and enumerator effects is provided in appendix 3.



# 04

## A cross-country snapshot of India's financial health

Before exploring some of the thematic insights, it is also important to understand how financial health varies across different regions in India based on factors such as income source, customer vintage, and income and expense predictability.

The survey aggregates data from seven states into four geographic clusters reflecting India's socioeconomic diversity:

**North:** This comprises the 1,000 responses that have been collected from Uttar Pradesh and Madhya Pradesh

**South:** This comprises the 1,000 responses that have been collected from Kerala and Tamil Nadu

**East:** This comprises the 1,000 responses that have been collected from West Bengal

**West:** This comprises the 1,000 responses that have been collected from Rajasthan and Maharashtra.

This regional stratification reveals patterns national aggregates obscure. Northern interventions may prove misaligned in Southern contexts; income stability and product adoption vary sharply across geographies. Disaggregated analysis equips policymakers and providers to tailor solutions by regional realities rather than applying uniform templates.

### 4.1. Variance of financial health in different regions based on primary income sources

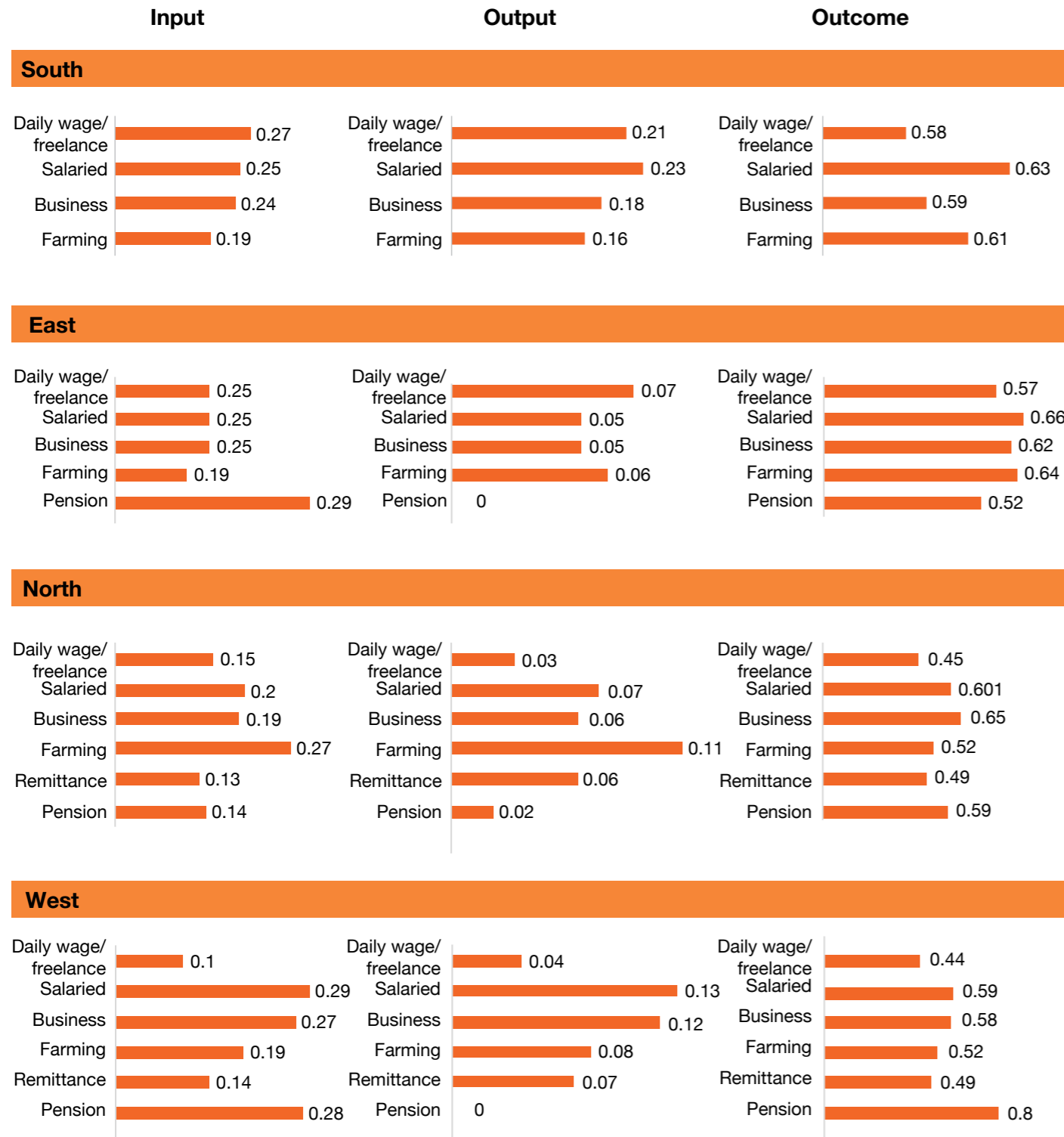
#### Overview:

The graph below illustrates how the input, output and outcome scores vary for different regions based on the sources of primary income for the household. While there can be multiple sources of income within the same household, the graph reports the results for the source that contributes most to the household as the primary source of income. The different sources of primary income considered include farming, business, salaried, and daily wage workers/freelancers.





**Figure 2: Input, output, and outcome scores by primary income source**



**Analysis**

The input scores across the four regions reflect the socio-economic differences among the different occupation types and the resulting differences in engagement with formal financial services. In the South, daily wage earners/freelancers have the highest input score, followed by salaried workers, suggesting that even volatile earners have relatively good physical/digital access and are actively being onboarded. Pensioners in the East scored highest on financial inputs. Business owners, salaried workers, and daily wage earners/freelancers followed closely behind with nearly identical input scores. Government pension schemes and widespread basic account penetration likely explain pensioners' stronger position. These programmes have established reliable income streams and formal banking access for this demographic—advantages that translate directly into better financial input metrics. Contrastingly, in the North, farmers have the highest input score, followed by salaried workers and business owners. In the West, pensioners and salaried workers have the highest input scores.

The variation in output scores among occupation types closely follows the differences in input scores across regions. That is, those occupation types that score high or low on input, score concomitantly high or low on the output score as well. This reaffirms the expectation that usage tracks access, i.e. groups that are better connected to formal finance transact more frequently and use more products. Pensioners stand out as an exception across all regions as they display lower output scores despite comparatively higher input scores. As per our hypothesis, many pensioners may prefer in-person transactions and have limited transactional requirements compared to working-age groups.<sup>23</sup> For instance, pensioners may only engage with formal finance to withdraw pensions or conduct a handful of essential payments. Conversely, farmers and daily wage/freelance workers in the East exhibit higher output scores despite lower input scores. This suggests that such workers may rely heavily on their accounts and products for day-to-day cash flow management, perhaps because their livelihoods are more volatile and hence require active use of financial products.

Outcome scores display different patterns across occupation types. Farmers in the South and East score among the lowest on financial inputs yet achieve the highest outcome scores. This perception of resilience may be attributable to land ownership among these respondents, which provides a tangible asset base that can buffer expected economic shocks. Furthermore, farming communities are typically embedded in strong social networks that provide informal safety nets and resource-sharing mechanisms that formal institutions cannot replicate. This may be a potential explanation for why access to formal finance is not the only route to attain positive outcomes. A similar pattern is visible among business owners in the North, as they exhibit high outcome scores despite relatively moderate input and output scores suggesting that factors outside of access to finance play a significant role in their financial security. These factors may be related to retained entrepreneurial profits, or informal financial networks. From these findings, it appears that financial health rests on multiple pillars beyond formal finance. Therefore, interventions which focus only on opening more accounts or pushing digital adoption will not be as effective as intended. Rather, interventions should also consider how formal financial tools interact with households' other financial parameters.



23. **Note:** It may be noted that this is a phenomenon likely to change in the future, as the present working age groups (who are familiar with digital finance) will eventually age and become future pensioners.

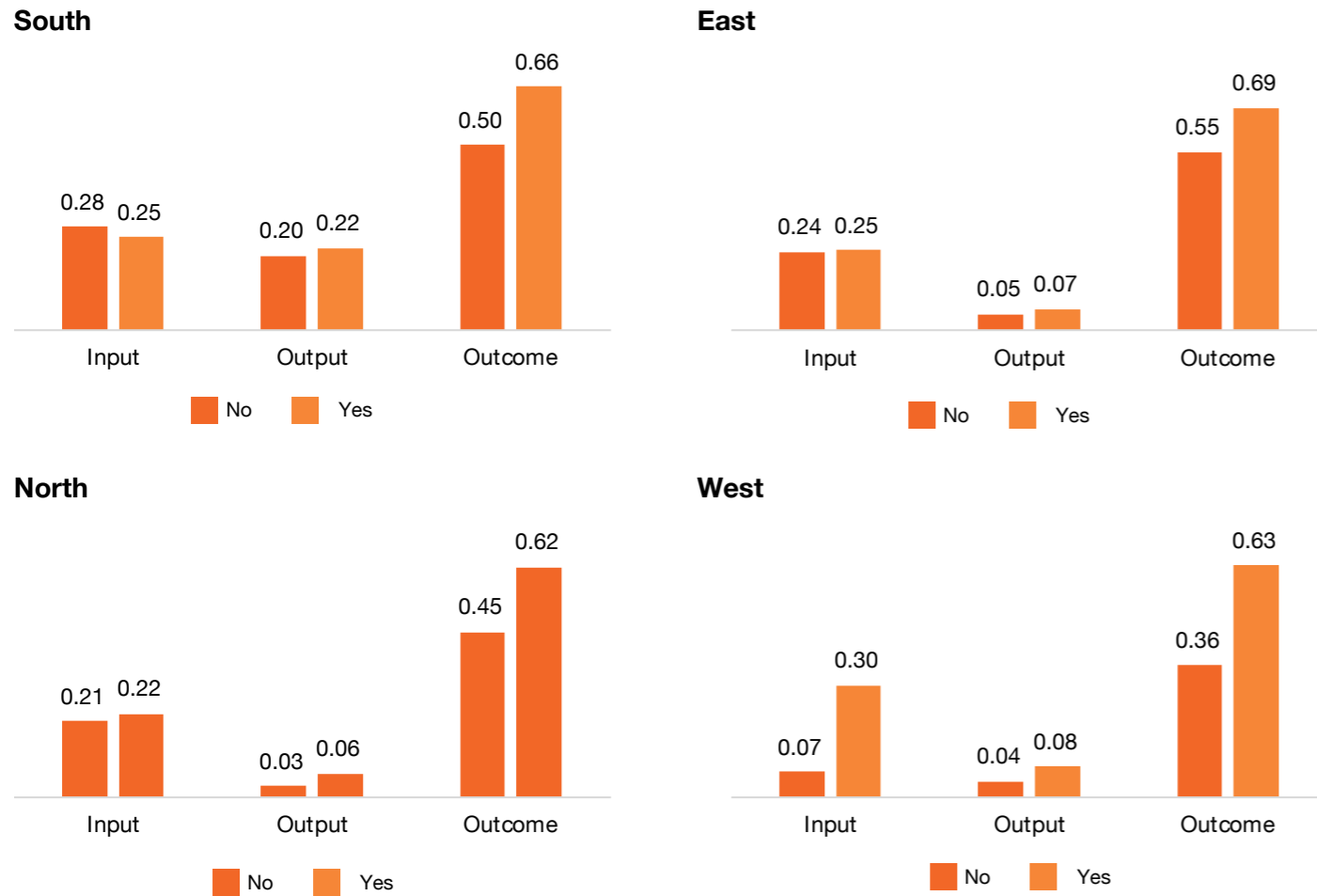


## 4.2. Variance of financial health in different regions based on income predictability

### Overview

The graph below shows how financial health metrics vary across regions based on income predictability. This measures whether households can reasonably anticipate their yearly income.

**Figure 3: Input, output, and outcome scores by income predictability**



### Analysis

The graph indicates a clear relationship between income predictability and financial health. Households with predictable incomes have higher input, output and outcome scores compared to their counterparts with volatile incomes in almost all regions. This implies that regular cash flows simplify documentation for credit disbursement and enable steady repayment, and support the formation of habits such as consistent saving, bill payments, and responsible borrowing.

In the South region, however, those with volatile incomes exhibit marginally higher input scores than their counterparts with predictable incomes. This is aligned with the observation that daily wagers/freelancers in the South have higher input scores. One speculation to explain this finding is that financial institutions and public programmes in the South may have onboarded volatile earners to a reasonable extent such that implying that those with irregular cash flows are also well connected to formal infrastructure. However, the persistence of income volatility means that high access alone may not guarantee equally

strong outcomes for this group, unless products are explicitly designed to smooth shocks. In contrast, households with unpredictable incomes in the West exhibit markedly low input scores, suggesting low levels of formal finance penetration among workers in informal or semi-formal parts of the economy, who may be perceived as riskier or harder to reach.

The gaps in outcome scores between those with predictable and unpredictable income in the Northern and Western regions are also larger than those in the other two regions, indicating the need for financial products and services that could help bridge the instability in incomes better.

Taken together, these patterns suggest that while predictable income groups benefit reasonably well from current products and channels, households with unstable incomes may benefit from a different design logic: more flexible repayment structures, episodic or goal-based savings, easily adjustable limits, and small-ticket protection products that can accommodate fluctuating cash flows.



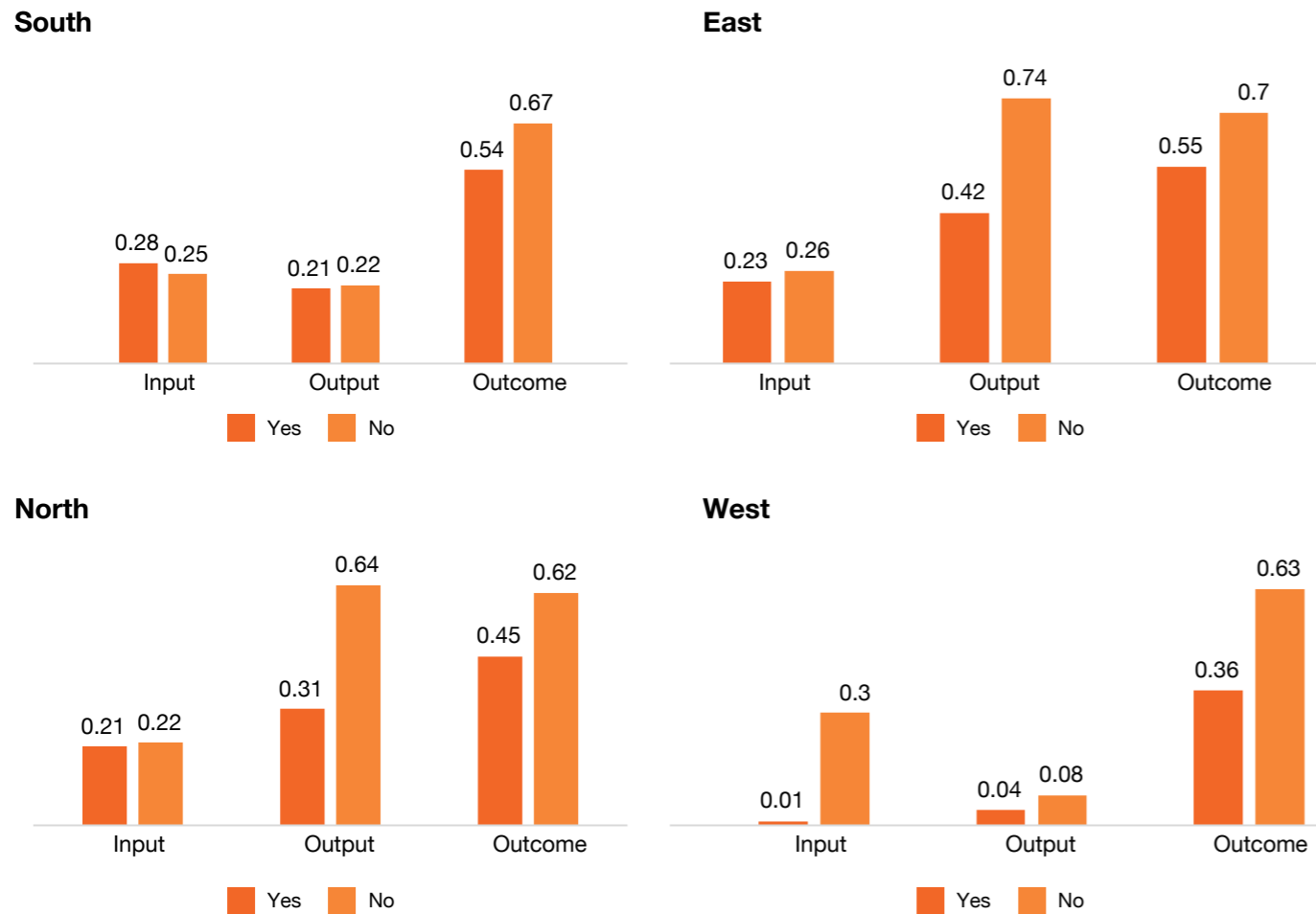


### 4.3. Variance of financial health in different regions based on expense predictability

#### Overview

The graph below illustrates how financial health metrics vary across different regions based on the predictability of the household's expenses. Expense predictability is a measure of whether a household can predict its upcoming expenses in a given year.

**Figure 4: Input, output, and outcome scores by expense predictability**



#### Analysis

Input, output, and outcome scores as per expense predictability follow a similar trend as in the case of income predictability. Those with predictable expenses have higher input, output, and outcome scores in almost all regions, except the South, where households with unpredictable incomes exhibit higher input scores.

The low input scores for households with unpredictable expenses in the West points to a possible structural access problem for seasonal workers, informal traders, and others who may face large ad-hoc expenses. Typically, formal providers are more comfortable engaging with households whose expenses fit predictable monthly templates, potentially leaving those with spiky, uncertain spending outside the system or only weakly connected to it. Similarly,

there are gaps in outcome scores among those with predictable versus unpredictable expenses in the Northern and Western regions. Even where some access exists, households facing irregular expenses appear less able to convert that access into resilience and long-term security. They are more likely to be surprised by large bills, fall behind on payments, or deplete savings in response to shocks.

This pattern points towards the need for financial products and services explicitly designed around expense volatility—such as envelope or goal accounts for periodic bills, flexible repayment schedules that anticipate irregular outflows, small emergency buffers linked to utilities or education payments, and tools that help households visualise and plan for non-monthly costs.



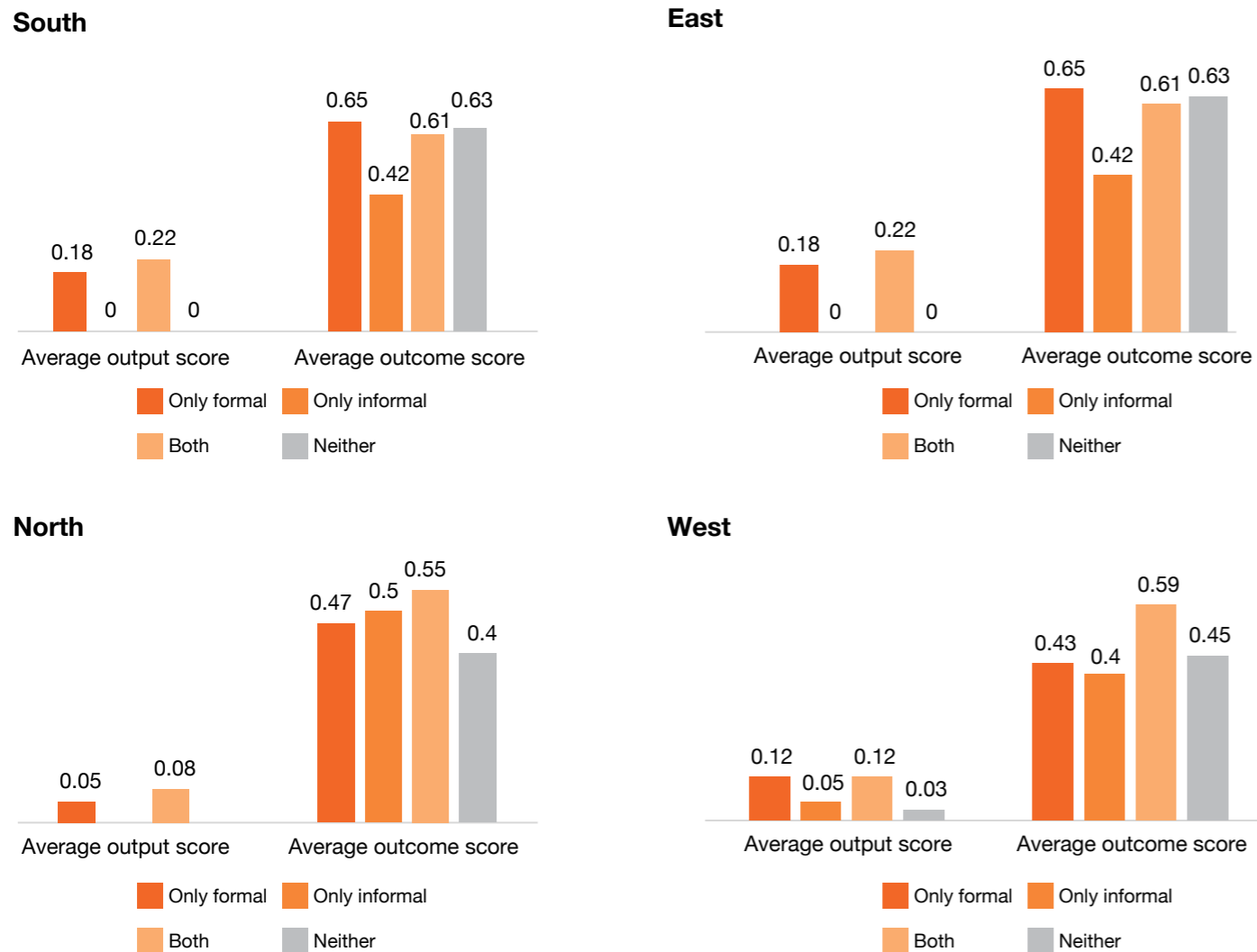


### 4.4. Variance of financial health in different regions based on financial engagement

#### Overview

This section examines how financial health varies depending on whether households access only formal finance, only informal finance, or a combination of both, across the four regions. It explores how different configurations of access shape input, output, and outcome scores, and what it reveals about the complementarities and tensions between formal and informal financial systems for low-income households.

**Figure 5: Input, output and outcome scores by nature of financial engagement**



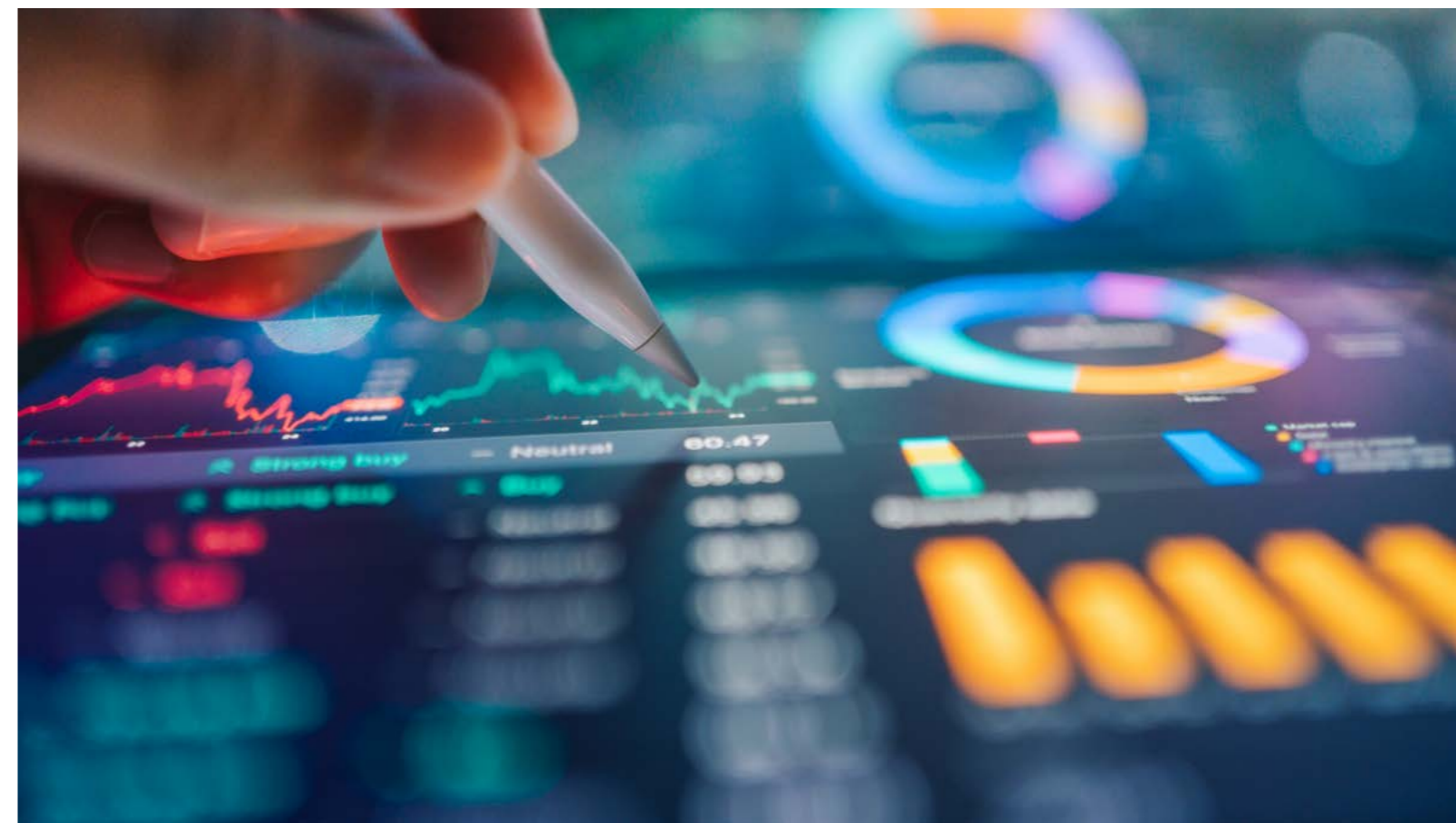
#### Analysis

In all regions, those with access to both formal and informal finance do better on output. That is, access to informal financial networks seems to contribute to higher levels of engagement with formal finance, pointing towards the complementarity of the two, especially for our low-income sample cohorts. This is especially pronounced in the East and North, where for those with access to only informal finance, the output score is especially low compared to those with access to both formal and informal finance. This pattern points to the value of viewing informal actors not as competitors, but as part of the broader financial ecosystem through which low-income households manage day-to-day cash flows.

In the case of outcome scores, those with access to only formal finance seem to fare somewhat better than those with access to both in the South and East. One possible explanation is that, in these regions, specific kinds of households with certain occupation types and wealth endowments might have the capability to rely exclusively on formal products and these concomitant factors may support more stable financial health. In other contexts, informal credit may be expensive or socially demanding, therefore, reduced dependence on it may contribute to improvements resilience.

However, in the North and West, those with access to both kinds of finance score better on outcomes than those with only formal finance access. This is especially pronounced for the West, especially given that output scores are somewhat comparable. This again underscores the potential need for bridging mechanisms between the formal and informal economies in these regions. Here, informal networks may be filling critical gaps in timing and flexibility—bridging shortfalls between formal disbursements, smoothing shocks that formal products do not fully cover, or providing emergency credit when formal underwriting is too rigid.

These findings point to the potential to build bridges between formal and informal economies in these regions. For instance, households often juggle multiple commitments to family networks and local creditors, in addition to formal lenders. Financial products that work alongside these realities rather than competing with them stand a better chance of adoption and sustained use. Policymakers may want to create pathways that help community groups formalise gradually so as not to lose the foundational strengths that they derive from multiple sources, both formal and informal.



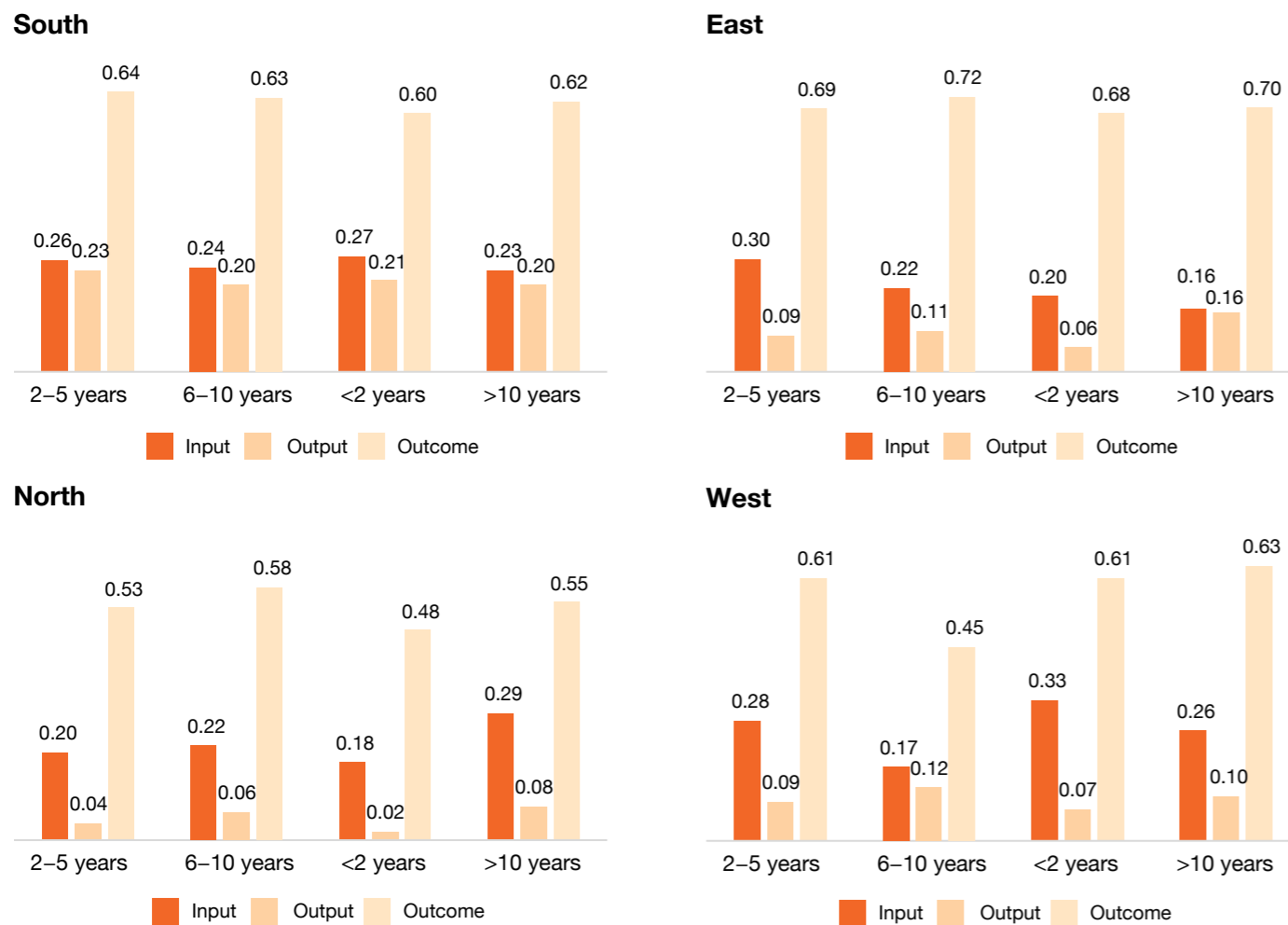


## 4.5. Variance of financial health in different regions based on customer vintage<sup>24</sup>

### Overview

This section examines how financial health evolves with customer vintage, i.e. how long households have engaged with formal finance. It compares input, output, and outcome scores between newer and older customers across different regions to identify patterns of significance.

**Figure 6: Input, output, and outcome scores by customer vintage**



Customer vintage and financial health shows ties that have distinct pattern in multiple regions. In the South and West, those with less than two years of engagement with formal finance have the highest input score, potentially indicating that recent efforts to onboard new users have been effective in expanding basic access.

In the South, this high input score is accompanied by the second-highest output score, pointing to access translating to engagement. Those with 2-5 years of formal finance association score highest on both output and outcomes in the South. This suggests a relatively healthy progression in the South—from onboarding to active use to improved financial health—as customers gain a few years of experience with the system.

In the West, contrastingly, the highest input score for the less-than-two-year cohort is associated with the lowest output score, indicating that many new users have been brought into the system but are not yet engaging deeply with the products available to them. Further in the West, those with 6-10 years and 2-5 years engagement with formal finance score higher on output, while those with greater-than-10 years engagement score the highest in outcome. This pattern potentially points to a slower transition from access to effective use in the West. Here, formal finance is present, but it takes time before customers fully integrate it into their financial lives.

In the East, the input score is lowest for the greater-than-10-year cohort, but they have the highest output and second-highest outcome score. This implies that, although older customers may not have the broadest access to multiple products or channels, they use the products they do have very intensively and with relatively good results. Newer customers in the East, by contrast, appear to access a wider set of products without engaging as deeply, suggesting that breadth of access has expanded faster than depth of use.

Again, contrastingly in the North, input scores are highest for the greater-than-10-year cohort, but this is accompanied by the highest output score as well as

the second-highest outcome score. Older customers in the North, therefore, appear both broadly and deeply integrated into formal finance, using multiple products and achieving relatively strong financial health. Newer customers, as they begin accessing more products, are not yet converting this access into comparable levels of engagement and outcomes.

Through these differences, we see that newer customers in the South are able to engage more broadly and deeply with formal finance, whereas just access is not ensuring good output or outcome in the West. In the East, older customers engage deeply but only on a narrow set of products, while in the North, older customers are able to engage deeply across multiple product categories. Relatively newer customers in both North and East, while accessing multiple products, are not as deeply engaged with them as in the case of older customers. These differences in customer experience across regions point to the need for a customised approach to ensure more optimal outcomes. Taken together, these patterns suggest that customer experience with formal finance is highly path-dependent and region-specific.

### Implications and what this means for financial service providers

#### Access, usage, outcomes: connected but not the same

Financial health improves when people gain access to accounts and then start using them actively, yet the story does not end there. While higher access leads to higher usage across regions and segments, outcomes do not always follow this pattern, showing that access alone is not a good proxy for good financial health.

Farmers in the South and East, as well as business owners in the North score moderately on access and usage parameters, yet achieve strong outcomes. Land ownership, social capital, and conservative borrowing habits could be cushioning them against economic shocks. These findings demonstrate that various factors such as (but not necessarily limited to) assets, income diversity, and social support can compensate when formal financial access remains limited.

24. **Note:** Customer vintage refers to the duration for which a household has maintained active engagement with formal financial systems.

**What this means for FSPs:** Tracking only acquisition and transaction counts misses the real story. The commercially valuable customer is not the one who has an account—it is the one whose financial health is improving. FSPs should redefine success metrics accordingly:

Current metric	Potentially better metric	Why it matters and what can be done
Accounts opened	% of customers with ≥2 active product categories	Breadth of engagement predicts resilience better than single-product ownership
Transactions per month	Savings balance trajectory at 6/12/24 months	Transaction frequency can mask shallow engagement; savings growth signals real behaviour change
Portfolio size	Outcome score distribution across customer base	Connects business scale to customer impact; positions FSP for NSFI 2025–30 quality metrics

Additionally, FSPs should recognise and incorporate asset ownership (land, livestock) and non-financial resilience factors (social capital) into customer assessment. For instance, farmers with moderate formal access but strong asset bases show high resilience—ignoring these assets leads to mis-segmentation and missed opportunities for tailored product design.

**Income and expense predictability: Stability as a foundation**

Predictable incomes and expenses create the foundation for financial health. Households with regular cash flows show greater access, higher usage, and better outcomes. This indicates that regular incomes are more amenable to loan repayment schedules, saving routines, and bill payments. Such stability enables the initial engagement with formal finance, which is one pathway to improving households’ financial health.

The South is a notable exception to access since households with volatile incomes and expenses show higher access scores, possibly because daily wage earners and freelancers have been the primary audience of inclusion efforts. In contrast, Western and

Northern regions show low access and wide outcome gaps for volatile earners, which signals that products remain poorly tuned to irregular cash flows and spiky bills.

**What this means for FSPs:** income predictability is a stronger predictor of financial health than income level itself. Two households earning ₹20,000/month can have vastly different financial health trajectories depending on whether that income arrives predictably or erratically. Current segmentation models that group customers primarily by income band will miss this critical dimension.

**Actions:**

- Add income and expense predictability as standard segmentation variables alongside income level, occupation, and geography
- Design separate product tracks for predictable vs. volatile segments: fixed-schedule products for stable earners; flex-EMI, episodic savings, and pay-per-use insurance for volatile earners
- In the West and North where outcome gaps are broader, prioritise product redesign for volatile earners as a market expansion strategy, not as a CSR initiative.

**Formal–informal mix: Complementary rather than substitutational**

Formal and informal finance are overlapping, complementary ecosystems rather than substitutable products. Across regions, households that use both systems tend to show higher usage scores.

As for outcomes, in the South and East, households that rely solely on formal products sometimes fare better, which suggests either inherent stabilising characteristics of these households that are choosing to only engage with formal finance or the drag of informal credit on outcomes. In the North and West, the opposite holds; people who combine both systems fare better on outcomes suggesting the use of informal networks to plug timing and flexibility gaps that formal products still do not fill.

**What this means for FSPs:** A customer’s informal financial behaviour is a signal which can be leveraged. An FSP that understands how its customers use informal channels (for what purposes, at what volumes, from how many sources) can design products that complement rather than compete with those channels.

**Actions**

- Incorporate questions on engagement with informal finance into customer onboarding and periodic reviews—use the answers to inform product recommendations, not as disqualification criteria
- In the North and West, where dual users fare better on outcomes, design products that explicitly acknowledge concurrent informal obligations (e.g. flexible repayment that accommodates informal repayment cycles)
- In the South and East, where formal-only users sometimes fare better, focus on building pathways that help customers gradually transition from informal to formal—without forcing an abrupt switch that destroys the flexibility they rely on.



**Customer vintage: Path-dependent journeys**

Time spent in the formal system shapes financial health in distinct, region-specific ways. The South shows a relatively smooth progression. New customers enter with strong access scores, but those who have been in the system for two to five years that lead on both usage and outcomes. The West looks different; new users have high access but weak usage, and only mid- and long-tenure users show strong outcomes.

The East flips the logic again. Older users have limited access but use them intensively and exhibit relatively good outcomes. Newer users spread themselves across more products yet don’t engage as deeply. Breadth has not translated into depth for this cohort. In the North, long-tenure customers demonstrate both strong connections to formal finance and active usage patterns, along with solid outcomes. Newer customers still don’t access different products and even when they do, they do not seem to be use it as well.





**What this means for FSPs:** A single national engagement playbook will underperform in at least three of four regions. The customer journey from onboarding to financial health is path-dependent and region-specific. FSPs need to tailor their engagement strategy by region and vintage as given in the table below.

Region	New customers need	Existing customers need
<b>South</b>	Light-touch onboarding; system already works reasonably well. The 2–5-year window is where habits form—invest in deepening engagement during this period.	Wealth-building products (goal-based savings, investment) to deepen the relationship beyond credit
<b>East</b>	Intensive activation programme in first 90 days; human follow-up after digital onboarding to close the massive input-to-output gap. Without intervention, it takes 6–10 years for usage to catch up—commercially unsustainable.	Flexible underwriting to reduce the 65% denial rate; retention through product relevance, not just access
<b>North</b>	Assisted digital adoption; agent-led rather than app-led entry. Focus on depth of engagement with fewer products rather than breadth across many.	Product deepening for loyal but narrowly engaged older customers; advisory services to fill the advice vacuum
<b>West</b>	Trust-building through local intermediaries; simplify processes to overcome self-exclusion. Replicate the older cohort’s deep integration for newer customers.	Cross-sell to deeply integrated older customers; bridge the rural-urban infrastructure divide

# 05

## Theme 1: Access to and usage of physical and digital financial infrastructure

### 5.1 Access to infrastructure by region—an overview

This section maps the difference in access to physical and digital financial infrastructure across regions and between urban and rural areas. It spotlights phygital access where households can combine both traditional and digital channels effectively. The survey observes uneven access to infrastructure across regions, with some areas showing robust coverage but others revealing stark gaps.

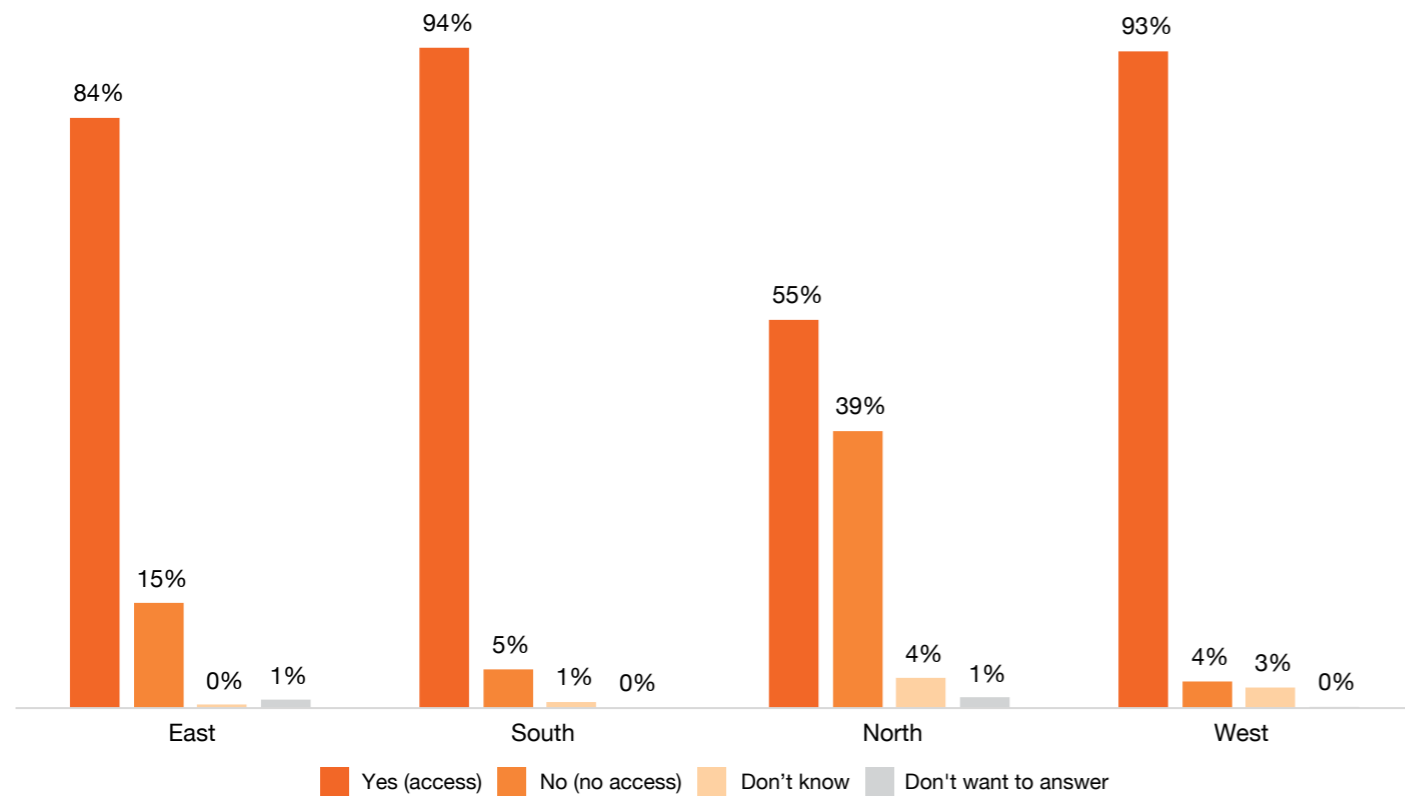




### 5.1.1 Access to physical infrastructure across different regions

This section analyses households' access to physical service points such as bank branches, ATMs and business correspondents (BCs)/agents within fifteen minutes of walking distance. Access to physical financial infrastructure is often indicative of the cost of using formal service which could affect day-to-day engagement, and shows where investments may be necessary.

**Figure 7: Access to physical infrastructure across different regions**



Access to nearby financial services is uneven across regions, with South, West, and East substantially better served than the North. In these three regions, most respondents can reach a financial access point within a 15-minute walk, indicating that brick-and-mortar and/or agent infrastructure are relatively well established. Accessibility of physical banking touchpoints lowers time and transport costs, making it easier for households to open accounts and transact regularly.

Access to physical infrastructure is far lower in the North since approximately 40% of the region reports no access to physical channels, indicating that customers may be traveling significant distances, depending on intermediaries, or forgoing formal services altogether.

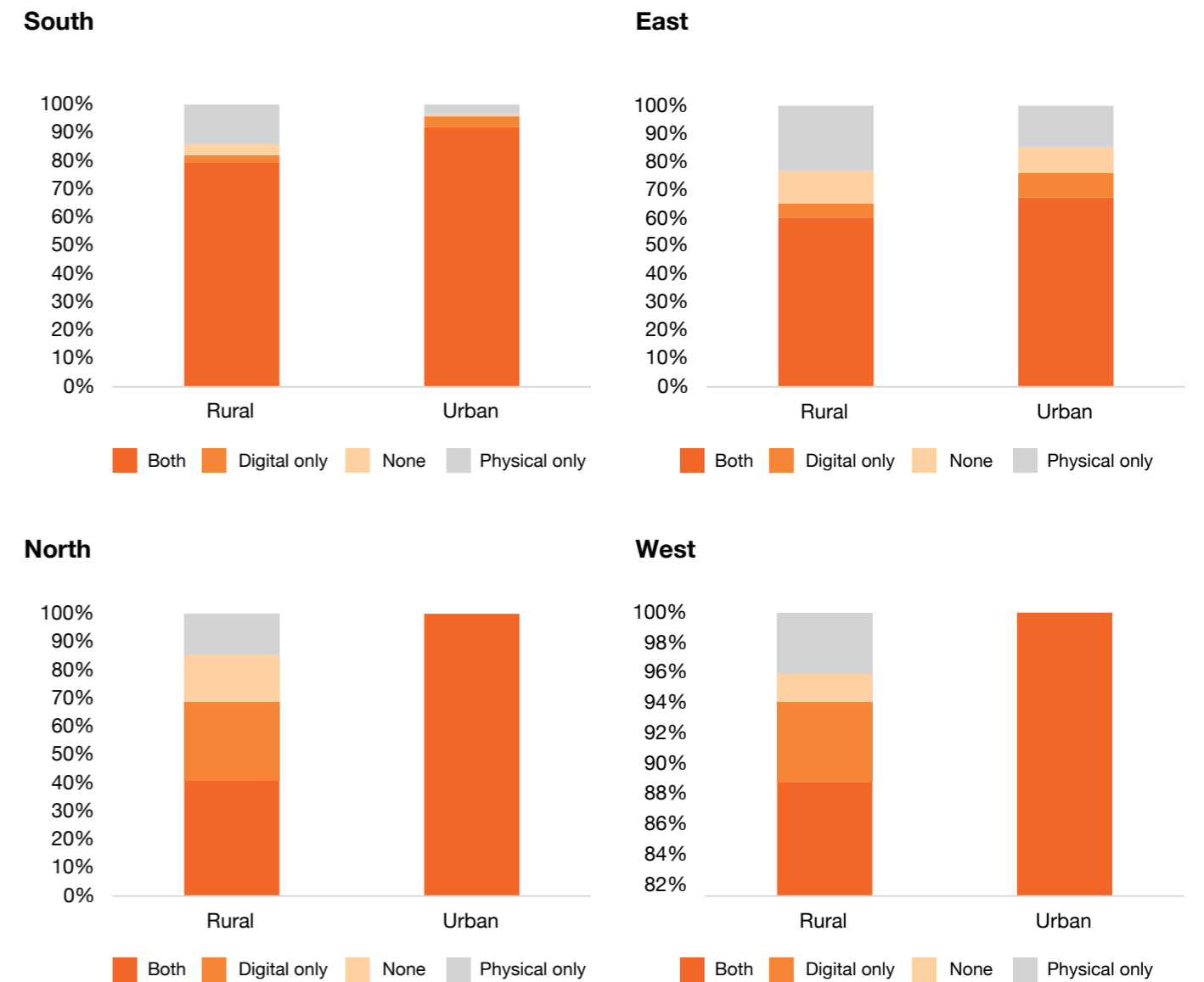
There are also signs of uncertainty or lack of awareness about access to physical banking touchpoints in the North and, to a lesser extent, the West. The North records the highest share of 'don't know' responses (around 4%), with the West also showing some uncertainty. These responses could potentially reflect weak awareness of existing service points, poor visibility or signage, or low confidence in whether outlets are usable for all needs (for example, whether a BC outlet can handle specific transactions).

If this were the case, both regions could benefit from clearer communication and local information campaigns about access points.

### 5.1.2 Access to physical and digital infrastructure

This section looks at the ability of respondents to access physical and digital infrastructure across regions.

**Figure 8: Access to infrastructure by region**



Across regions, urban centres generally exhibit stronger phygital infrastructure than rural areas, but the pattern and the size of the gap vary markedly by geography.

The sample demonstrates that urban regions in the North and West have full penetration of both physical and digital financial infrastructure, indicating that customers in this region may enjoy high convenience, low downtime during outages, and a wider spectrum of channels to choose from. The urban South differs slightly, as it has some pockets of digital-only and physical-only access despite high penetration of both channels otherwise. This may indicate localised constraints in connectivity or branch density. Comparatively, the urban East has lower levels of dual penetration, and a sizeable proportion of respondents report physical-only, digital-only or no access, signalling that the financial ecosystem may be somewhat immature.

Location does not appear to be an important determinant of access to financial infrastructure in the East, as rural areas also have significant numbers who report no access and only digital/only physical access. Notably, respondents in the rural East are more likely to report having access to only physical channels compared to their counterparts in urban areas. Contrastingly in the South, access in the rural South looks similar to access in the urban South, though with a higher number of people reporting physical-only access. Amongst all the rural locations, the rural West offers the best access to both types of infrastructure, possibly indicating a mature ecosystem. The most significant variation by location type occurs in the Northern region, since a significant proportion of the sample report no access or access through either physical only or digital only channel, possibly indicating uneven last-mile infrastructure and potential for targeted rural investments.

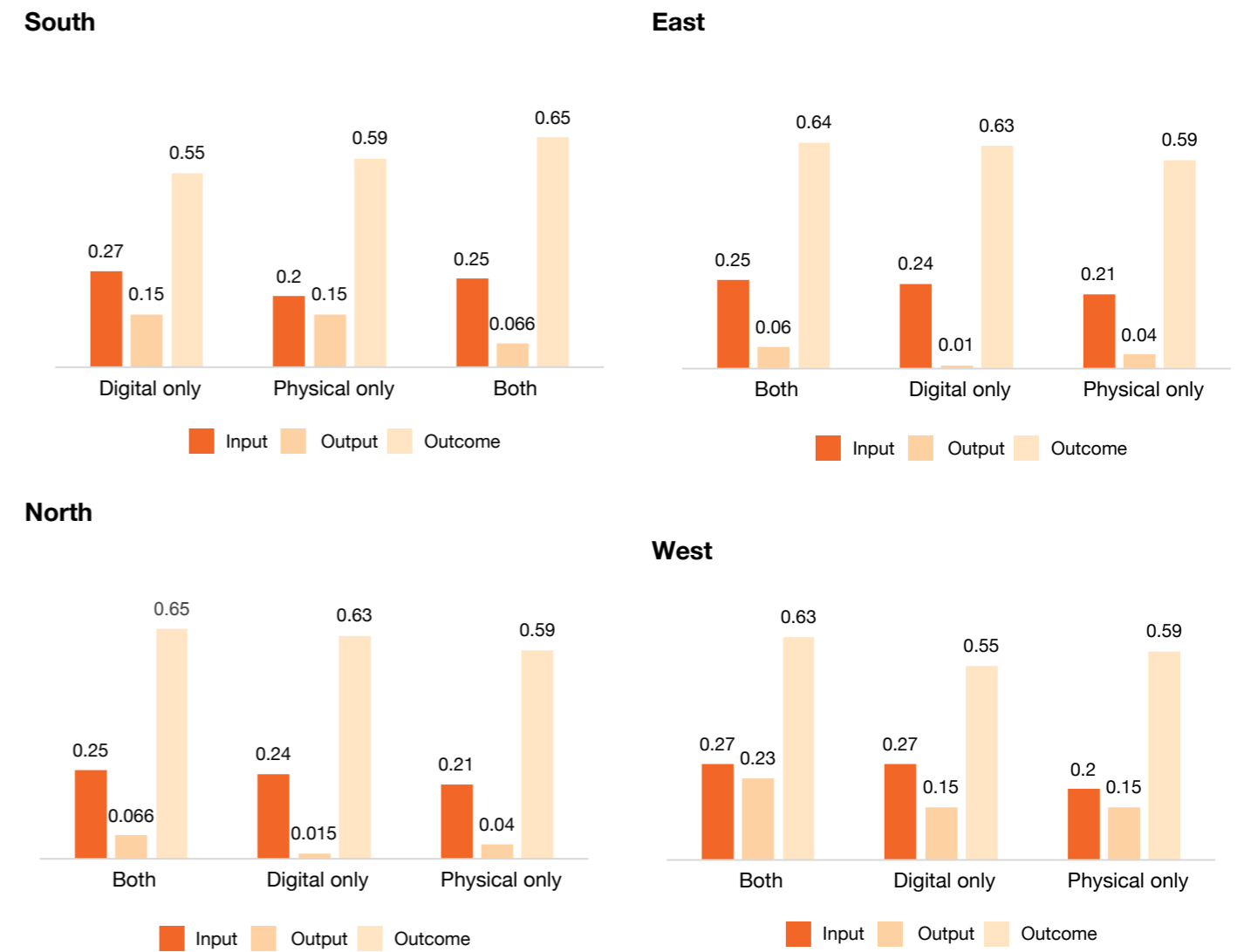


### 5.1.3 varying financial score based on infrastructure

#### Overview

This section analyses how different configurations of financial infrastructure—physical only, digital only, or combined phygital access—relate to households’ input, output, and outcome scores. It assesses whether digital-only or phygital access can also indicate active usage and real financial health across regions.

Figure 9: Input, output, and outcome scores by access to infrastructure



In the East and West regions, households with access to both physical and digital infrastructure record the highest input scores, suggesting that the combination of branches/agents and digital channels is most effective at pulling people into the formal system.

By contrast, in the South and North, access to digital-only infrastructure leads to the highest input scores. This could indicate that mobile and online channels have become the primary doorway into formal finance, especially where connectivity and smartphone penetration are relatively strong. However, this digital advantage at the access stage does not fully carry through to behaviour. In fact, customers with access to both types of financial infrastructure demonstrate the highest output scores. Therefore, it is likely that each channel plays a distinct role in leading customers to use financial services. For instance, digital channels may handle frequent, low-friction transactions with ease while physical touchpoints may build trust and tackle more complex customer needs like credit applications, dispute resolution, or product changes.

The same pattern sustains in outcome scores as well as customers with access to both types of financial infrastructure report higher outcome scores, implying

that they are more financially resilient and have higher perceived financial security. One potential conclusion is that a phygital approach may be associated with more robust engagement and may be preferred by those with pre-existing conditions for financial well-being. These patterns confirm that a phygital model creates the strongest foundation for financial engagement.

**Insights**

- Digital limitations:** Customers who have access to only digital infrastructure have high input scores in the South and North, but their usage highlights the need for physical touchpoints.
- Phygital superiority:** Those with high output and outcomes scores are predominantly opting to engage with both physical and digital infrastructure pointing to the preference for a phygital approach.
- Recommendation:** Develop integrated phygital platforms that combine digital convenience with physical accessibility to enhance financial engagement and customer satisfaction.



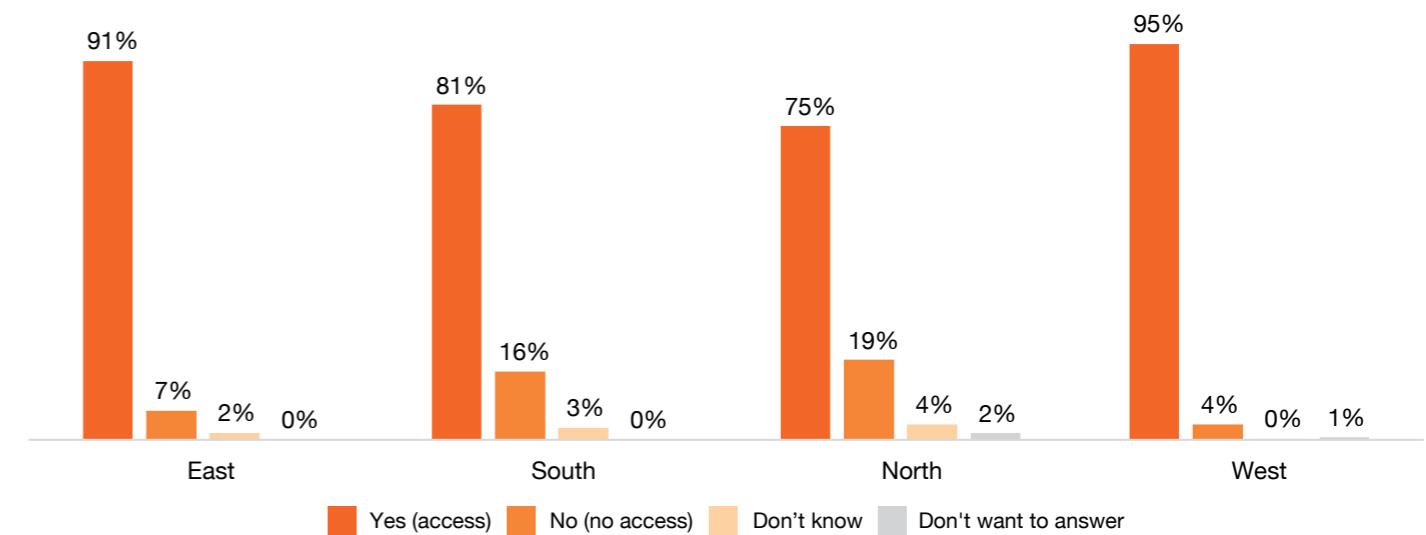
**5.2 Digital financial services<sup>25</sup> infrastructure**

**5. 2. 1 DFS acceptance**

**Overview**

This section breaks down merchant and service provider acceptance of digital payments across regions. It tracks penetration rates, pinpoint barriers holding back adoption, and spot opportunities to strengthen digital payments ecosystems.

**Figure 10: DFS acceptance across East, South, North, and West**



Region	DFS acceptance rate	Insight
West	95.60%	Highest DFS acceptance
East	91.37%	Strong DFS acceptance
South	~85-90% (estimated)	Moderate-high acceptance of DFS
North	75.67%	Highest non-acceptance of DFS

25. Digital financial services (DFS) are defined as accessing financial services through any electronic platform such as mobile phones, debit or credit electronic cards, internet, payment wallets, etc.

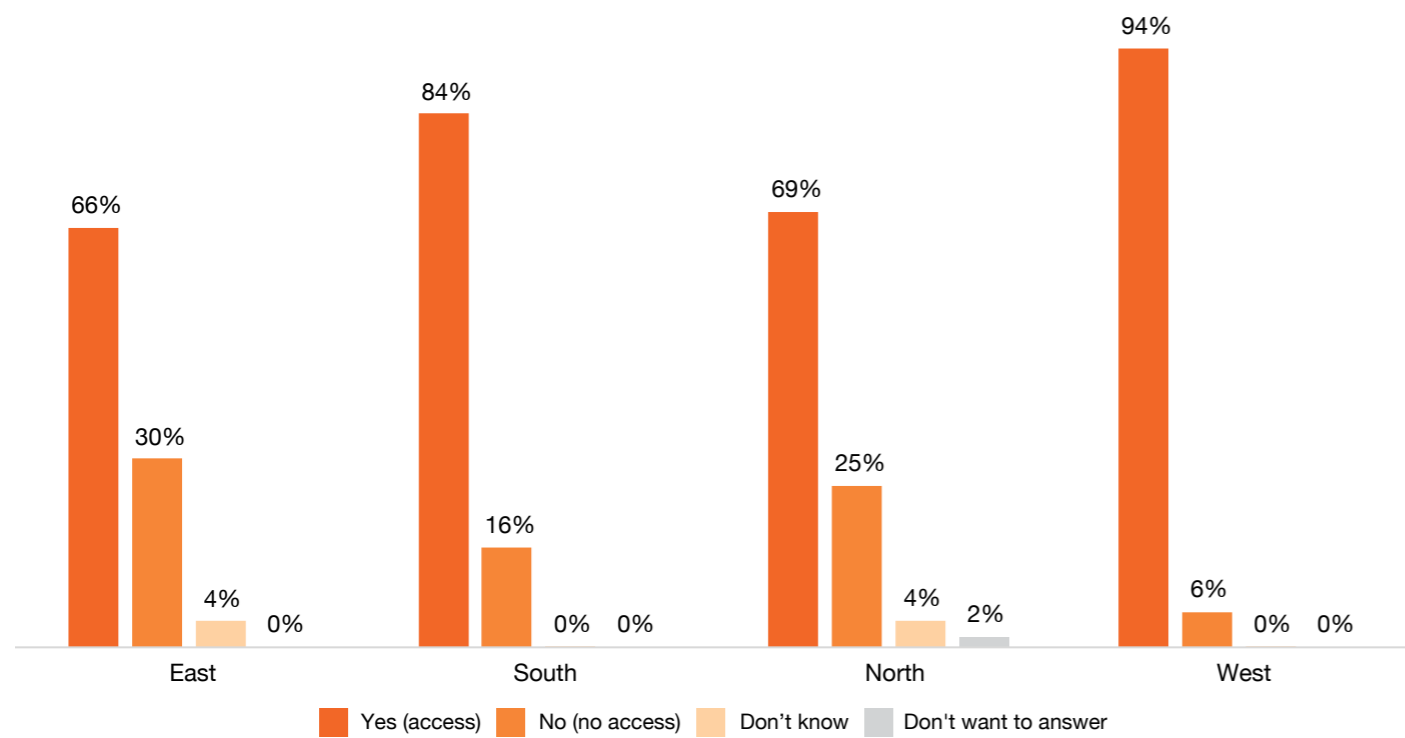




**Potential opportunity in North:** Nearly 20% of respondents in the North report that service providers in their locality do not accept DFS, potentially revealing an untapped market that could be unlocked by well-designed interventions. Agent-led support and local-language interfaces build the trust and usability that drive adoption of DFS.

**West and East as DFS leaders:** With acceptance rates surpassing 95%, the West and East are well-positioned to capitalise on their robust DFS infrastructure. Given the wide acceptance of digital payments, these markets could be signalling readiness for deeper and more complex engagement with the financial system.

**Figure 11: DFS usage across different regions**



Across regions, most respondents report having used DFS in the preceding month for some financial purpose. The West and South lead in usage of digital payments, while the North and East lag behind.

## 5.2. 2 Use cases of DFS across different regions

### Overview

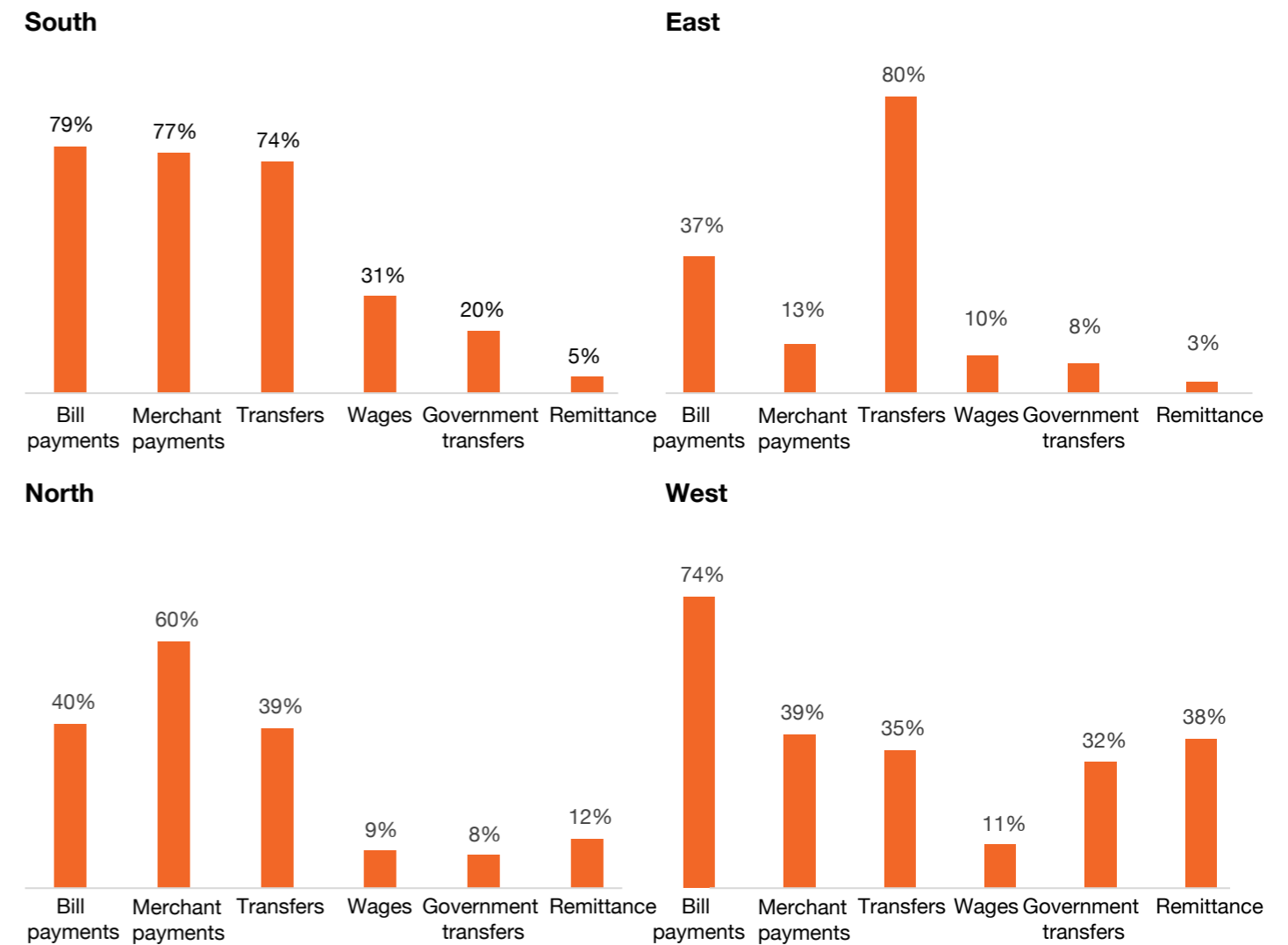
This section compares DFS usage frequency and patterns across regions, urban vs. rural areas. It also tracks adoption gaps, dominant use cases—transfers, bill pay, merchant payments—and what these might potentially reveal about ecosystem maturity, digital literacy, and inclusion hurdles.

## 5.2.3 DFS usage among digital users

### Overview

This section looks into usage patterns for specific DFS—merchant payments, bill payments, cash transfers—across Indian regions.

**Figure 12: DFS usage among digital users**

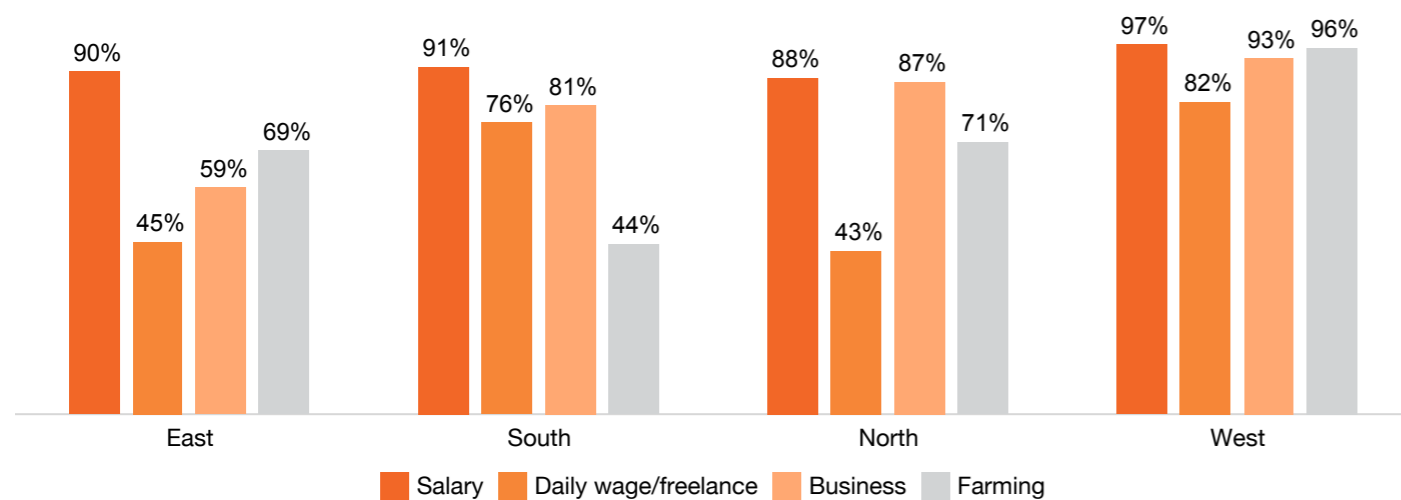


There is a marked differences in how DFS is used across regions. In the South, most respondents used DFS in the past month for bill payments, followed by merchant payments and transfers, with more than 70% of DFS users using all three. This high multi-use pattern indicates that Southern users may be using DFS as an integrated toolkit for daily financial management and their choices could also be supported by strong merchant adoption, reliable utility payment infrastructure, and active person-to-person transfer needs.

In the East however, 80% of DFS users make transfers, followed by bill payments (36%). This indicates that users in the East primarily leverage DFS for person-to-person cash transfers which could be remittances, family support, or informal business payments, while merchant and bill ecosystems are less frequently used.

In the North, approximately 60% of respondents use DFS for merchant payments, followed by bill payments (40%) and transfers (36%). This points to segmented usage where customers are opting to use whichever category of DFS that is most meaningful to them, with lesser overlap between usage of different services. Low overlap between services could point to either limited merchant readiness, fragmented ecosystems,

Figure 13: DFS' usage variance by income source



26. Our survey administrators reported that some respondents interpreted the question on DFS to mean whether they undertook various types of transactions (for bill payments, merchant payments, etc.) using UPI. The low occurrence of digital receipt of wages may be explained by this fact, since respondents may have assumed they had to receive wages over UPI to answer 'Yes'.

or customers who prefer sticking to one trusted use case rather than experimenting across multiple DFS functions.

In the West, bill payments are used by about 75% followed by merchant payments (39%) and receiving of remittance (38%). This pattern resembles the South's bill-centric focus but with less multi-product engagement, suggesting a strong utility payment infrastructure paired with moderate merchant penetration and remittance needs.

The data highlights a strong preference for transactional services (transfers and bill payments), with significantly lower adoption of income-related or government-related digital financial services.<sup>26</sup>

### 5.2.4 DFS usage variance by income source

#### Overview

This section analyses DFS adoption across various income streams, including salaried, self-employed, agricultural, daily wage, pension, and remittance income earners. The discussion points to regional differences in DFS penetration by income source, underscoring tailored intervention needs.

The West leads in DFS usage across all income groups, showcasing a mature and well-integrated ecosystem of digital financial services. South ranks second, showing good engagement, especially among pensioners and salaried individuals.

North and East lag especially among daily wagers/freelancers and farmers, signalling opportunities for tailored interventions. Similarly, very few farmers in the South appear to rely on DFS, meriting further contemplation.

### 5.2.5 Correlation matrix of DFS usage types

#### Overview

This section evaluates interrelationships among different DFS types at the regional level. It identifies whether the adoption of one service could be related to the uptake of others, and speculates on what that relationship might be, thus shedding light on the sequencing and integration of digital financial product use.

Figure 14: Correlation matrix of DFS usage types across geographies

South	Fund transfers	Receive remittances	Bill payments	Merchant payments	Receive wages	Government transfers
Fund transfers	1	0.09	0.47	0.33	0.06	0.26
Receive remittances	0.09	1	-0.03	0.04	-0.03	0.007
Bill payments	0.47	-0.03	1	0.52	0.09	0.05
Merchant payments	0.33	0.04	0.52	1	0.05	0.16
Receive wages	0.06	-0.03	0.09	0.05	1	-0.13
Government transfers	0.26	0.007	0.05	0.16	-0.13	1

East	Fund transfers	Receive remittances	Bill payments	Merchant payments	Receive wages	Government transfers
Fund transfers	1	0.12	0.16	0.21	0.16	0.2
Receive remittances	0.12	1	0.074	-0.016	-0.0066	-0.00066
Bill payments	0.16	0.074	1	0.47	0.34	0.42
Merchant payments	0.21	-0.016	0.47	1	0.33	0.74
Receive wages	0.16	-0.0066	0.34	0.33	1	0.36
Government transfers	0.2	-0.00066	0.42	0.74	0.36	1

North	Fund transfers	Receive remittances	Bill payments	Merchant payments	Receive wages	Government transfers
Fund transfers	1	0.1	-0.17	0.41	0.021	-0.1
Receive remittances	0.1	1	0.22	0.14	0.14	-0.024
Bill payments	-0.17	0.22	1	0.22	-0.022	-0.049
Merchant payments	0.41	0.14	0.22	1	0.094	-0.037
Receive wages	0.021	0.14	-0.022	0.094	1	0.015
Government transfers	-0.1	-0.024	-0.049	-0.037	0.015	1

West	Fund transfers	Receive remittances	Bill payments	Merchant payments	Receive wages	Government transfers
Fund transfers	1	0.076	-0.088	-0.4	-0.12	-0.29
Receive remittances	0.076	1	0.18	0.037	0.2	0.041
Bill payments	-0.088	0.18	1	0.18	0.1	0.18
Merchant payments	-0.4	0.037	0.18	1	0.27	0.65
Receive wages	-0.12	0.2	0.1	0.27	1	0.33
Government transfers	-0.29	0.041	0.18	0.65	0.33	1

In South, bill payments and merchant payments show the highest correlation, i.e. respondents that use one are also most likely to use the other. However, there is a much lower correlation between the usage of government transfers with other types of DFS such as fund transfer, bill payment, or merchant payments. This indicates that the typical hypothesis that digital deployment of government transfers

will enable further DFS adoption might not hold in this region. Contrastingly, in the East and West, correlations between government transfers and merchant payments are significantly higher and here, the hypothesis that digital government transfers might induce the adoption of other DFS types may hold.





In the North, however, the only significant correlation is between merchant payments and fund transfers, highlighting no direct pathway to broaden DFS adoption. This may reflect in fragmented digital ecosystems, inconsistent product quality or relevance, or structural barriers that limit users from expanding their DFS portfolio. For example, a borrower may adopt a transfer service but fail to access linked credit or savings products due to channel gaps or limited provider networks.

The differing patterns of DFS usage across regions signals that digital channels alone are insufficient to transition customers into comprehensive formal finance. Instead, digital products must be embedded

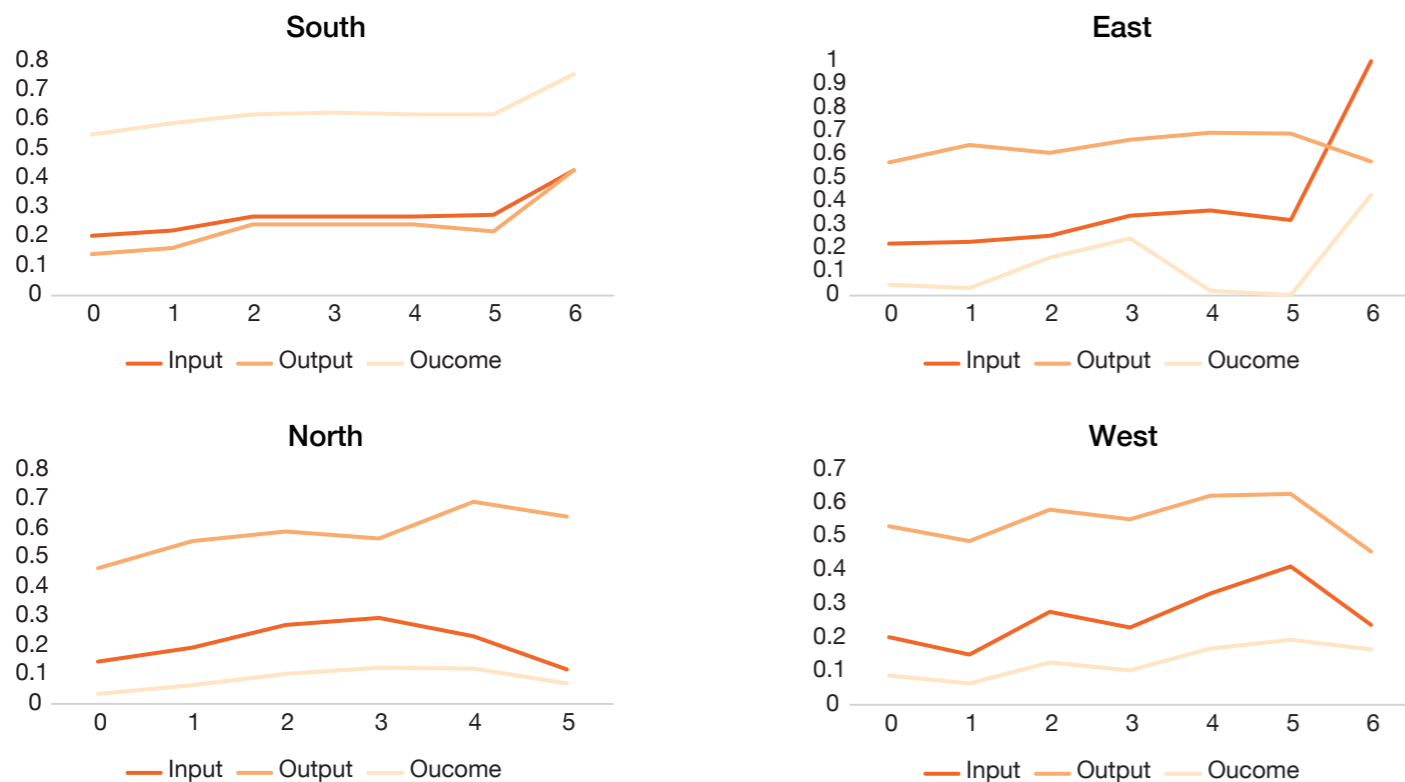
within integrated product and delivery frameworks, tailored to local user needs and coordinated with physical financial services.

### 5.2.6 Relationship between number of DFS services used and financial scores

#### Overview

This section investigates how customers' financial health scores vary due to the difference in the number of DFS products used and presents some narratives that may explain these observations.

**Figure 15: Relationship between number of DFS services used and financial scores**



Input, output, and outcome scores generally are seen to increase with an increase in the number of DFS used. However, only South exhibits an entirely positive relationship between the number of DFS used and

scores, albeit with a plateau after 2 DFS used. The other three regions show dips and spikes that point to the insufficiency of digital adoption in ensuring smooth transition to formal finance in different contexts.

Here, the digital product usage curve can serve as a diagnostic tool: a smooth, steadily increasing curve—as observed in the South—indicates a mature, integrated digital ecosystem supporting customer progression, while erratic patterns in other regions highlight specific zones requiring targeted innovation, ecosystem strengthening, and user education to convert digital touchpoints into durable financial security.

### What this means for financial service providers

The infrastructure and DFS analysis reveals four actionable insights for channel strategy, digital product design, and market prioritisation:

#### 1. Phygital is not optional—it is the winning model

Across all four regions, households with access to both physical and digital infrastructure achieve the highest output and outcome scores. Digital-only access generates strong enrolment in some regions but does not sustain the deepest engagement or best outcomes anywhere. This is not a transitional finding that will disappear as digital matures—it reflects a

fundamental truth about how low-income households build trust and navigate complex financial decisions.

What this means operationally:

- Not closing branches and improving agent networks the cost savings are illusory if they reduce customer resilience and long-term lifetime value.
- **Invest in agent enablement**, not just agent deployment. Equip agents to handle credit applications, insurance enrolment, and grievance resolution—not just cash-in/cash-out.
- **Design digital journeys that route to human support** at complexity inflection points (first loan application, insurance claim, investment decision).

#### 2. DFS usage patterns reveal entry-point strategies by region

DFS is not a single behaviour—it is a portfolio of use cases adopted in different sequences by region. Understanding these sequences allows FSPs to design smarter onboarding funnels:

Region	Primary DFS use case	Gateway strategy
South	Bill payments (gateway to merchant payments and transfers)	Promote bill payment adoption; multi-service engagement follows naturally. Build on existing DFS maturity with savings and investment features within digital channels.
East	Transfers (80% of DFS users)	Use person-to-person transfer as the anchor; introduce bill payment and merchant payment as adjacent features. Leverage g2p transfer receipt as an activation moment.
North	Merchant payments (segmented, single-use-case)	Start with whichever use case the customer already trusts; use in-app nudges to introduce adjacent services gradually. Do not assume cross-adoption will happen organically.
West	Bill payments (gateway, similar to South but less multi-service)	Strong utility payment infrastructure exists; build merchant payment and savings features on top of it.



### 3. Farmers need a different digital entry point entirely

Farming households use DFS very minimally across all regions. The data suggests that payments may not be their primary digital use case. Farmers need savings, credit, insurance, and advisory services—payments are a downstream consequence, not an entry point.

What to build for farmers:

- Digital entry through **crop advisory or weather information** (high relevance, daily engagement)

- Layer **parametric crop insurance** triggered by weather data (no claims paperwork)
- Add **post-harvest savings sweep** (automatic transfer from account to goal-based savings after mandi payment)
- Introduce **input financing** (seeds, fertiliser) as the credit product, not a generic personal loan
- Payments adoption will follow naturally once the digital relationship is established around high-value services.



# 06

## Theme 2: Product diversification—savings, investment, and potential

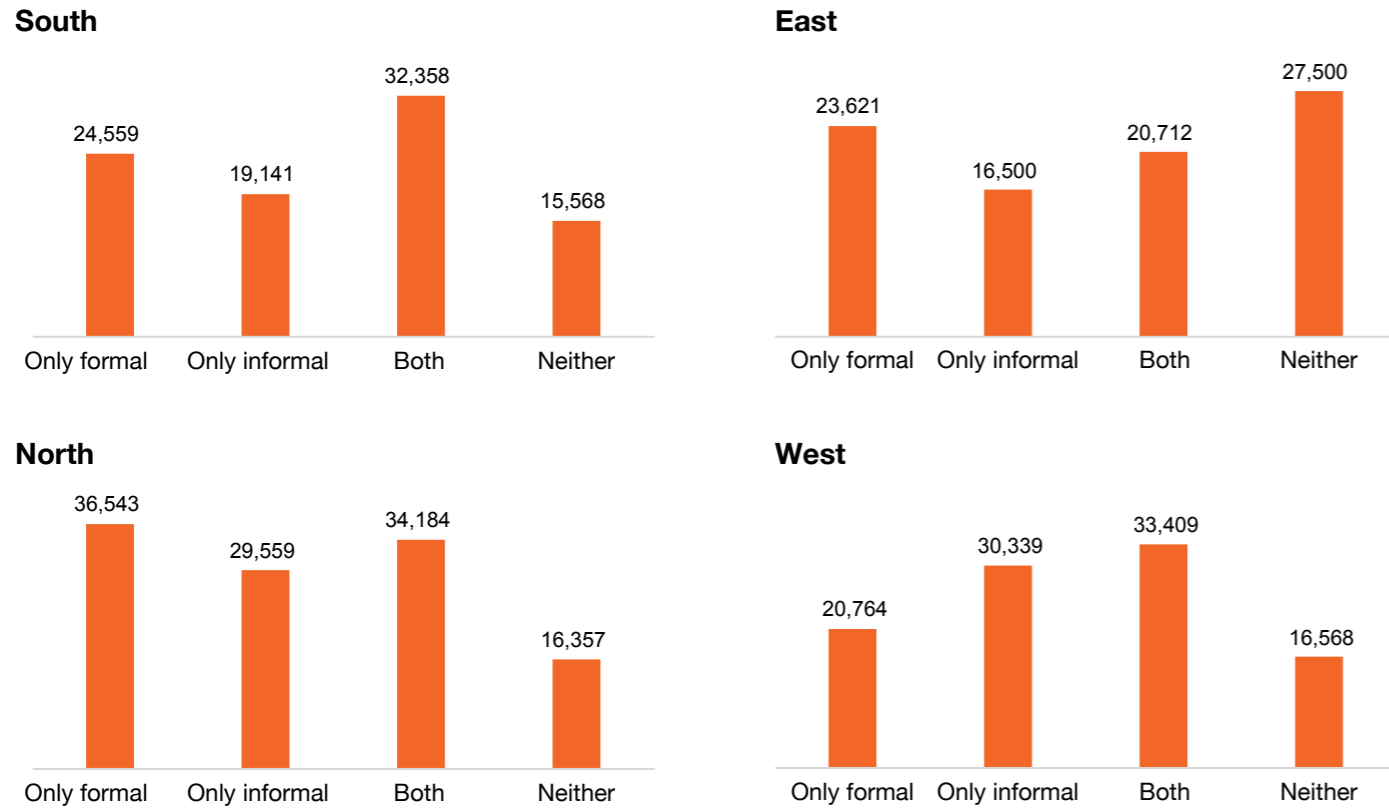
### 6.1 Average monthly income by nature of financial engagement

#### Overview

This section tracks how the usage of formal and informal financial instruments varies across income levels for each Indian region.



**Figure 16: Average monthly income by nature of financial engagement**



**Analysis:**

In the South and West, those with the highest average income use both formal and informal finance, suggesting that top earners may be leveraging formal scale for structured needs (mortgages, business loans) while maintaining informal channels (possibly for speed, flexibility, or relationships). In the East, those with the highest income use neither kind of finance—possibly reflecting self-sufficiency through assets, savings, or alternative channels—while low-income groups are split between exclusive informal use or both systems. The North shows high-income earners relying only on formal finance, with lower-income groups either excluded entirely or dependent on informal sources alone.

In the East, high-income groups are using either only formal finance or neither, while low-income groups are using only informal finance or both. The penetration pattern in the West is such that the low-income

segment is using either only formal finance or neither, and the higher income segment is using only informal finance or both. In the North and South, the high-income group is using either only formal or both, while the low-income group uses only informal or neither (exclusion).

The regional divergence underscores different maturity stages. The West’s inverted pattern—lower-income groups showing formal-only or exclusion, while high earners use mixed systems—suggests formal finance has penetrated the bottom segments first (possibly through government schemes or microfinance), but top earners retain informal ties for specialised needs. The East’s split reflects entrenched informal dominance among the poor alongside high-earner independence. North and South’ consistent gradient—high earners formal, low earners excluded/informal—mirrors classic inclusion challenges where formal systems serve stable/affluent segments first.

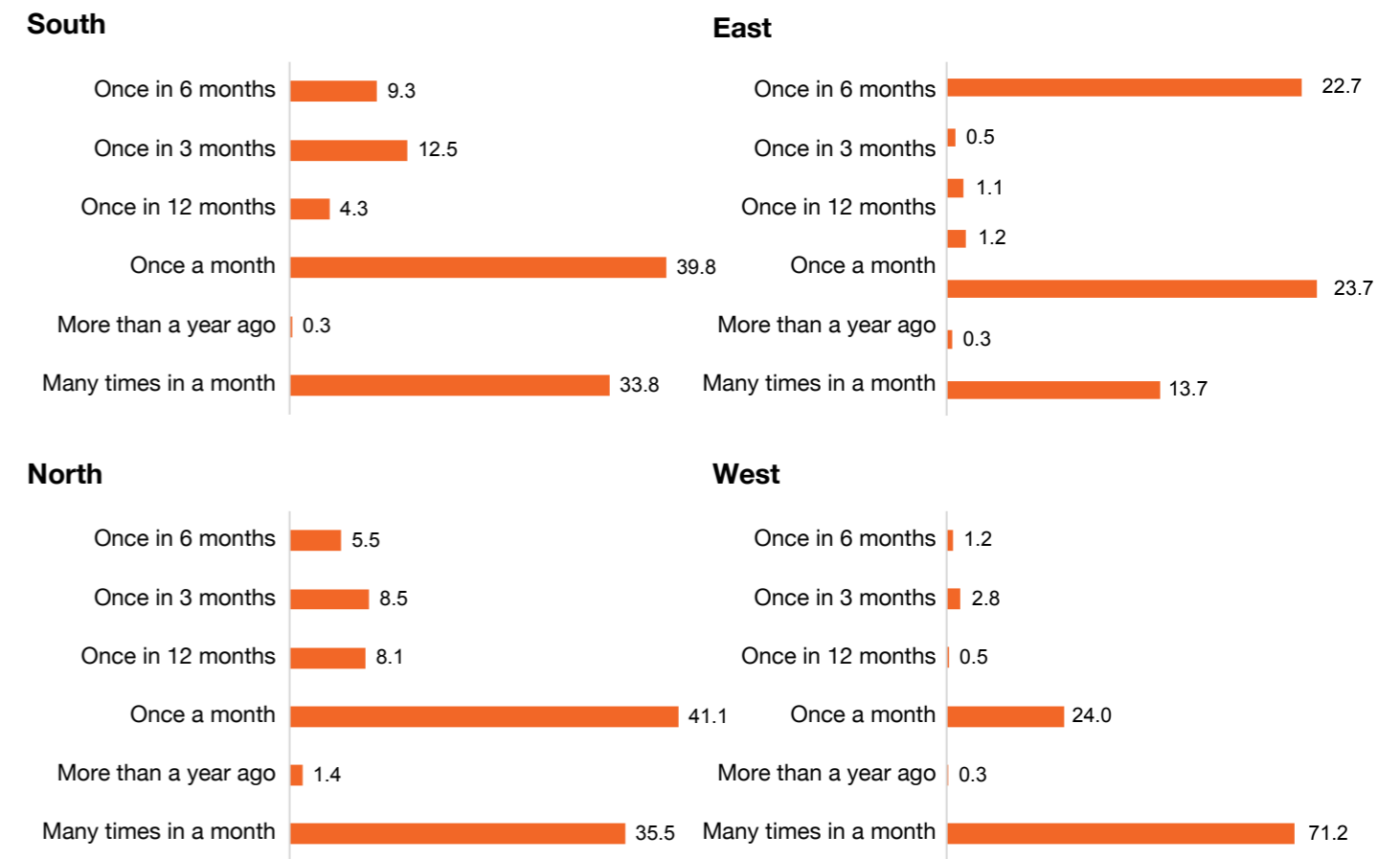
**6.2 Account utilisation and behavioural analysis**

**Overview**

This section outlines the analysis of the frequency of customer engagement with savings and investment products (bank accounts, fixed/recurring deposits, mutual funds, old age savings) across regions, mapping active versus passive usage patterns and their implications for financial habits and product design.

**Figure 17: Account utilisation and behavioural analysis**

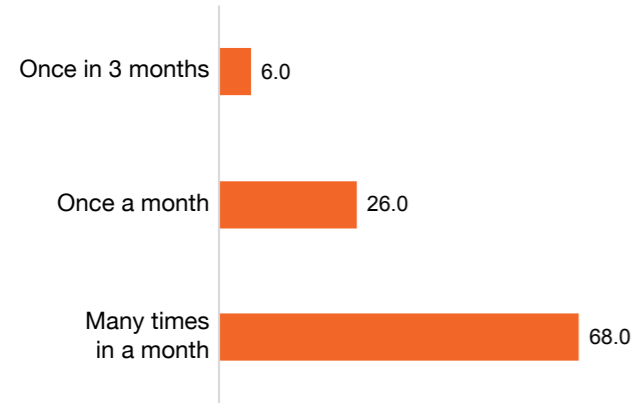
**Savings account usage %**



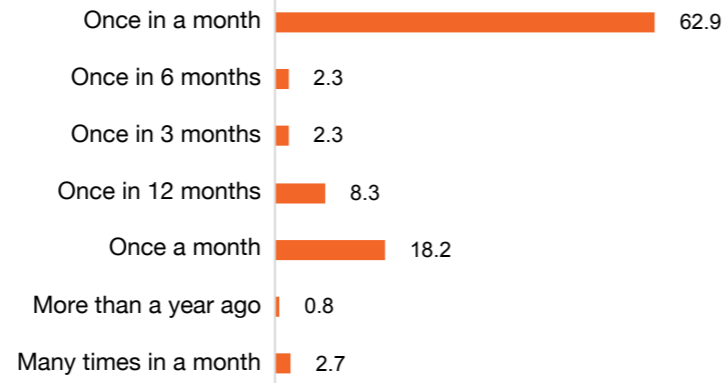


### FD/RD account usage %

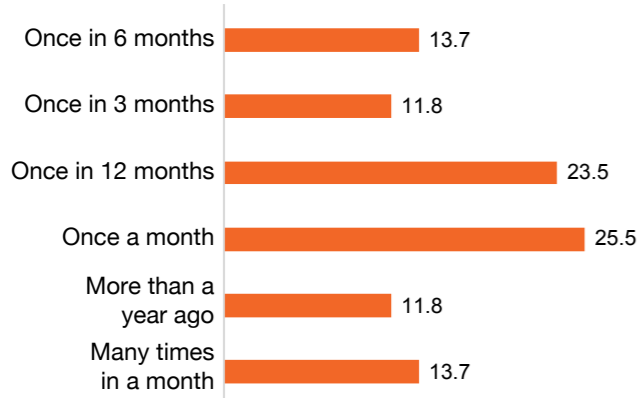
#### South



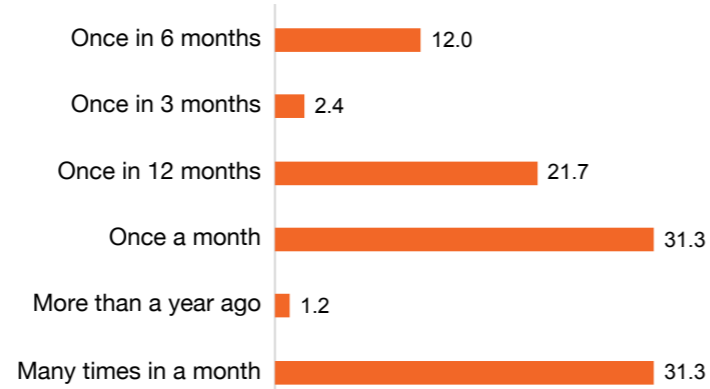
#### East



#### North

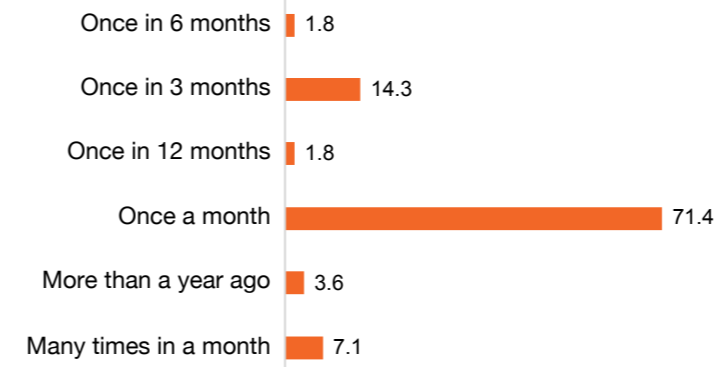


#### West

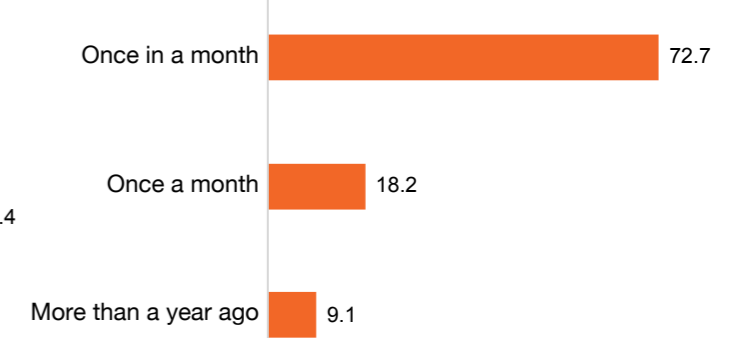


### Old age savings %

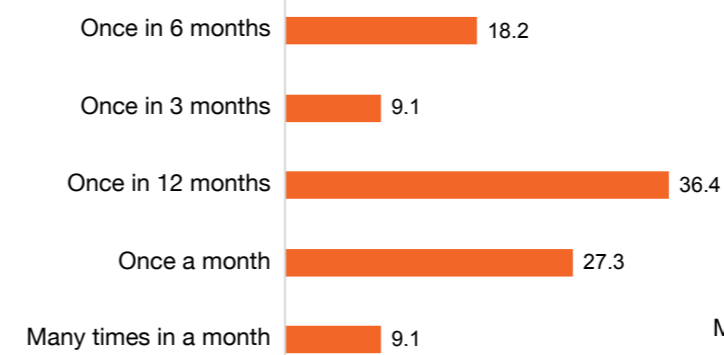
#### South



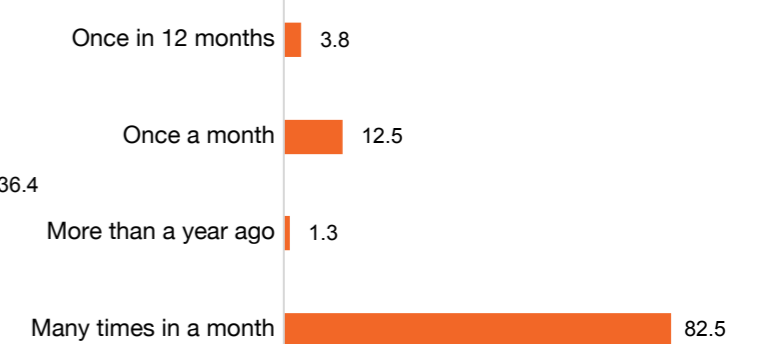
#### East



#### North

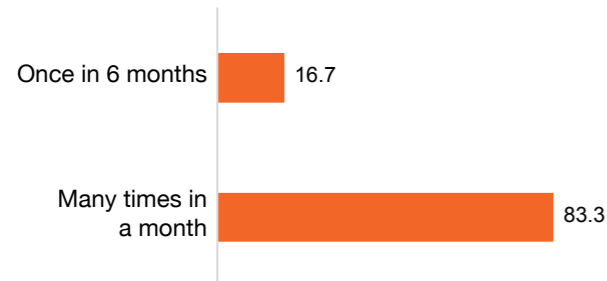


#### West

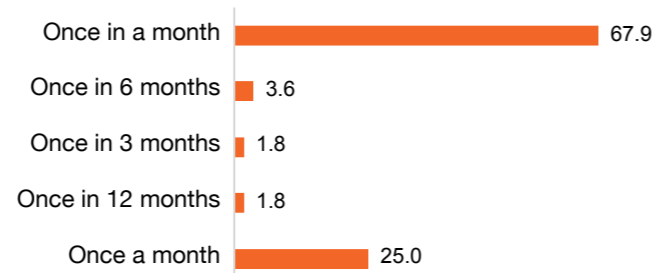


### Risky asset usage

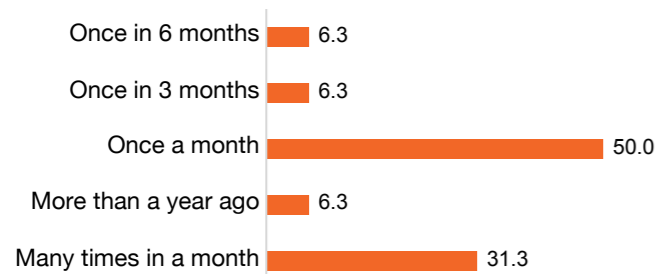
#### South



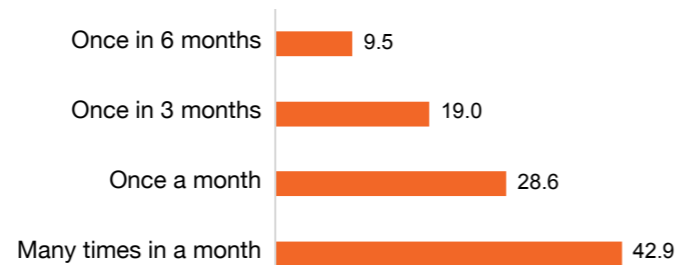
#### East



#### North



#### West



**Analysis**

Customers typically utilise savings bank accounts once a month, except in the West, where most use it many times a month, suggesting more active cash management and higher transaction volumes.

In South and West, most use risky assets (like mutual funds) and risk-free assets (like FDs/RDs) many times a month, while most in the East and North use such assets only once a month. Similarly, customers in the South and East regions engage with their old age savings once a month, while most in West use it many times a month. However, most in the North use old age savings only once a year. This points to markedly high levels of regular use in the West, followed by the South and East. Engagement

frequency is comparatively lower in the North. One possible distinction for this variance in frequency of engagement could be the nature of savings product earmarked for old age.

Risky assets like mutual funds follow a divide familiar to most FSPs. Customers in the South and West engage monthly with comfort, suggesting higher digital maturity, while those in the East and North regions stick to once-a-month checks.

West demonstrates active, frequent savings engagement across products, South and East show moderate monthly interaction, while North's low frequency signals product mismatches, low-salience or barriers to customer access and trust—which may require foundational interventions.

**6.3 Insurance coverage and digital usage**

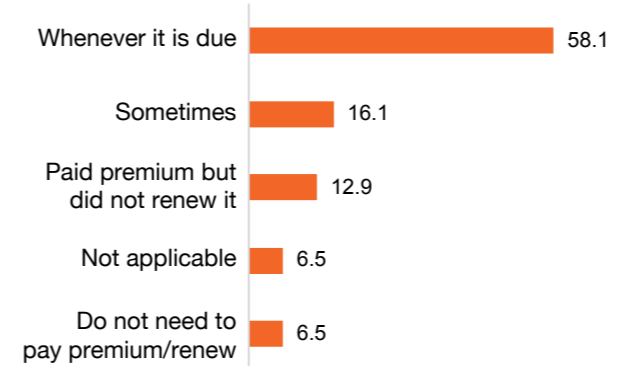
**Overview:**

This section explores regional differences in insurance premium payment awareness and behaviour for health, life, and asset insurance. Currently, the survey tool does not make clear and direct distinction between insurance coverage provided through government programmes and voluntary contributory schemes. Furthermore, our observations indicate that customers' awareness gaps may affect their product engagement as well as the levels of perceived protection.

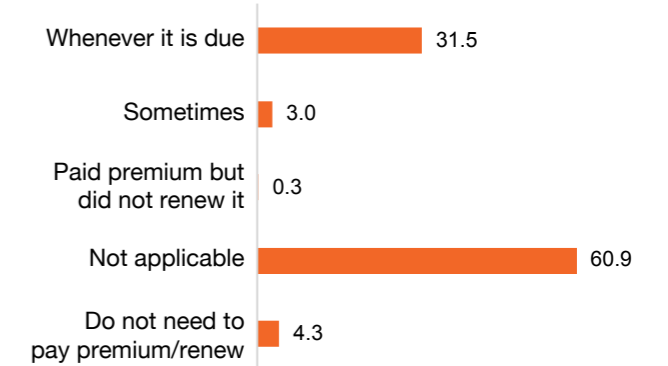
**Figure 18: Insurance coverage and digital usage**

**Life insurance usage %**

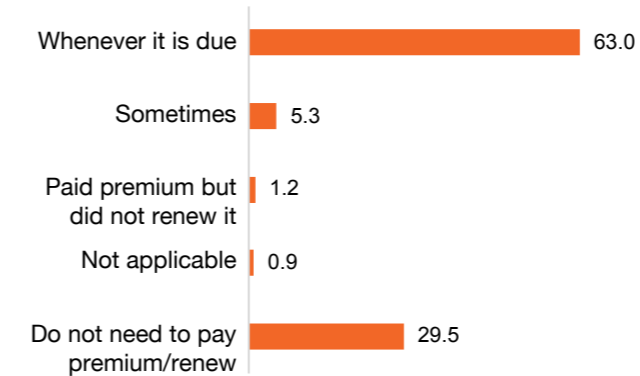
**South**



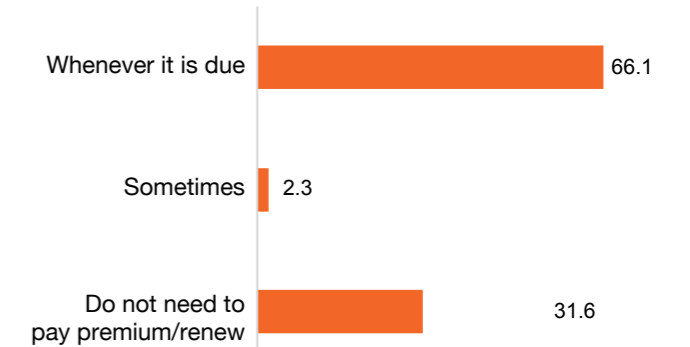
**East**



**North**



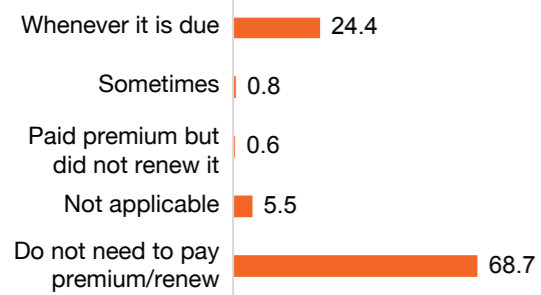
**West**



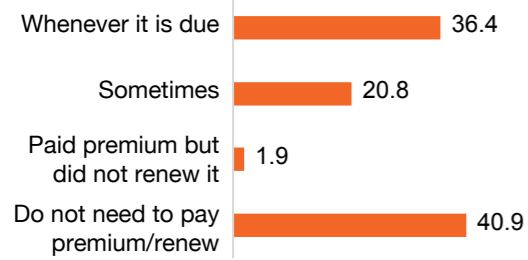


### Health insurance usage %

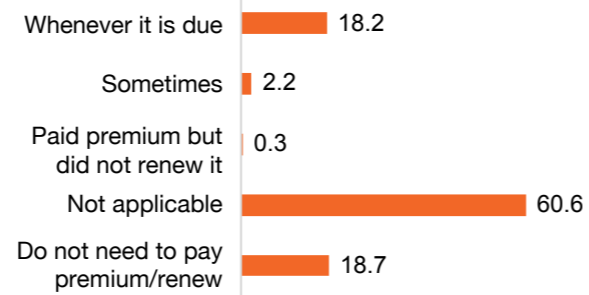
#### South



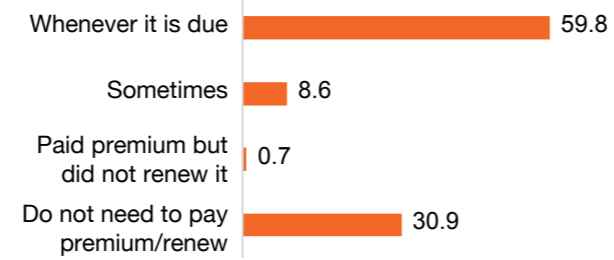
#### North



#### East

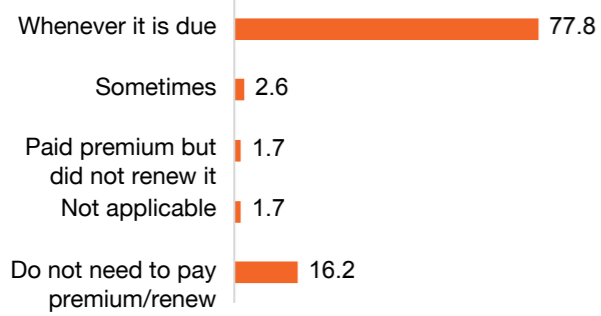


#### West

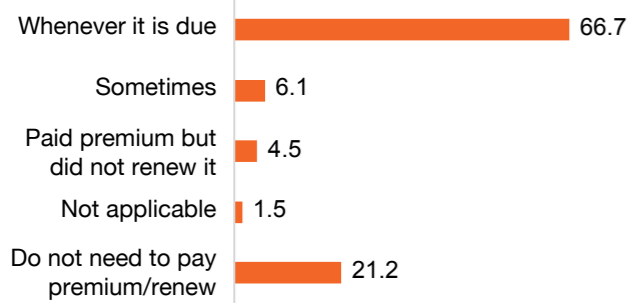


### Asset insurance usage %

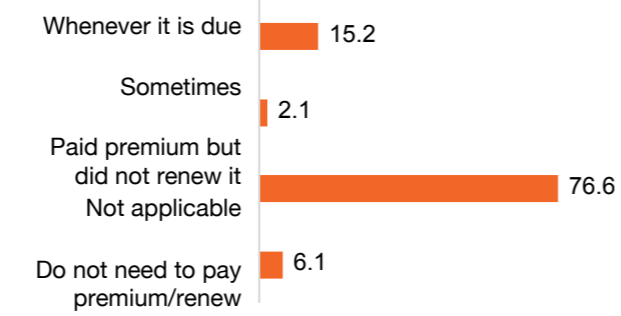
#### South



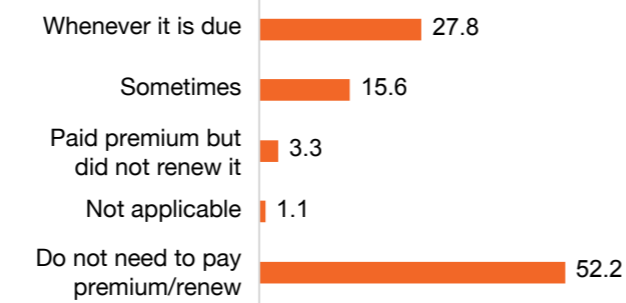
#### North



#### East

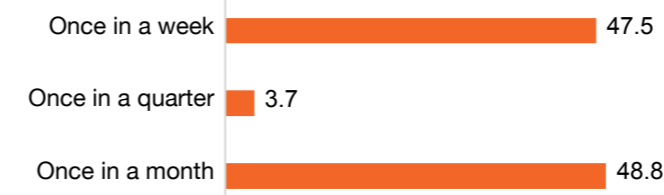


#### West

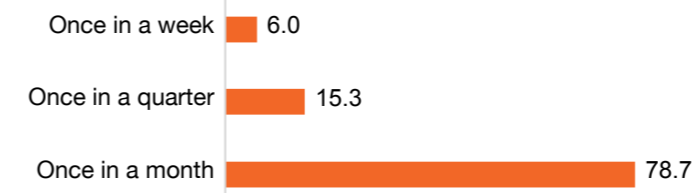


### Digital frequency usage %

#### South



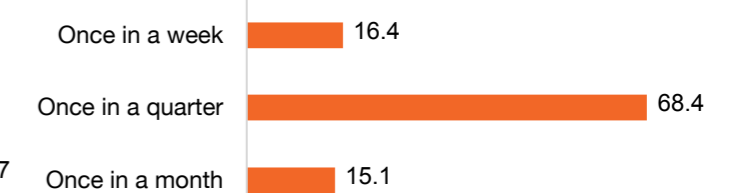
#### North



#### East



#### West





**Analysis**

Patterns of insurance premium payment vary sharply by region and product type, revealing a mix of genuine coverage and significant awareness gaps.

In the South and North, most claim not needing to pay premiums on their health insurance, pointing to the coverage of government health insurance schemes but may also indicate misunderstanding—respondents may have been unaware of existing coverage at the household level (i.e. they may have been covered as dependants and hence not aware of premium payments). In the West, by contrast, most claim to pay when due, suggesting a clearer perception of contributory health insurance and more active participation in voluntary or employer-linked schemes. In the East, most say premium is not applicable, possibly indicating low awareness of whether they are covered at all.

When it comes to life insurance, the pattern is somewhat stronger on the contributory side. Most respondents in the South, West, and North claim to pay premiums whenever they are due, indicating that where life insurance is held, people broadly understand their payment obligations and treat them as routine. The East stands out: here, the majority again indicate that premiums are ‘not applicable’, which, given the proliferation of low-cost, government-backed life covers, may suggest substantial gaps in awareness and/or understanding. People may be enrolled automatically through bank accounts or government schemes, but remain unclear about product terms, contributions, and benefits.

In the case of asset insurance, regional differences are starker. In the South and West, most respondents report paying premiums when due—pointing to a stronger understanding and intentional use of insurance to protect homes, vehicles, or business assets. In the East and North, however, most respondents are unaware of their premium obligations, suggesting that either asset insurance penetration is very low or that products bundled through loans (for example, credit-linked insurance) are poorly understood by customers.

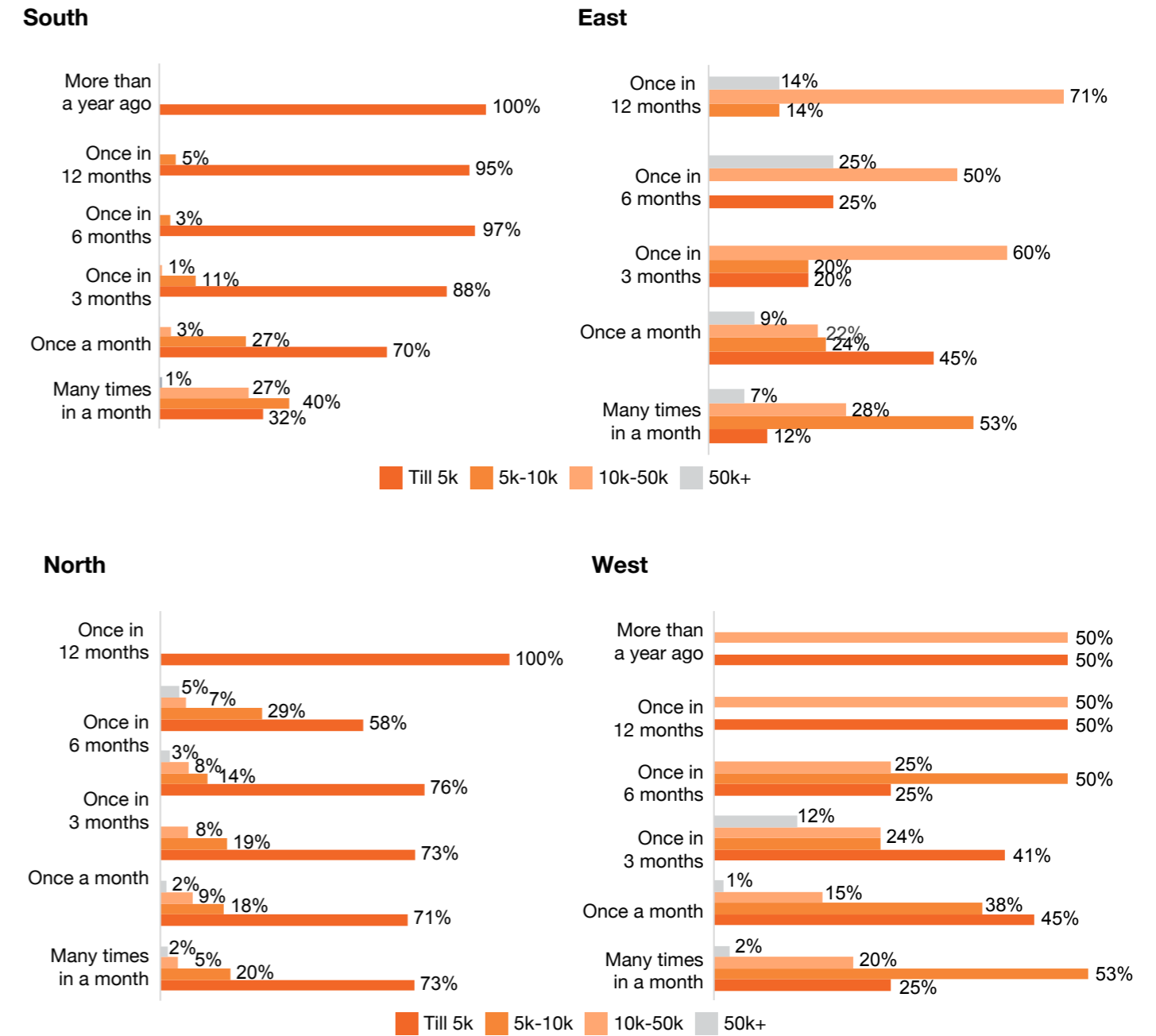
Taken together, these patterns suggest three main issues. First, contributory behaviour is strongest in the West and South, where respondents actively acknowledge and meet premium obligations across health, life, and asset products. Second, the East shows the highest degree of ‘premium invisibility’, with many respondents classifying premiums as ‘not applicable’ or unaware of their responsibilities, particularly for health and life covers—this indicates that subsidised or bundled products are not translating into informed usage. Third, the North sits in between, with relatively better recognition of life and health insurance premiums but weak awareness around asset insurance and a sizeable group assuming they do not need to pay for health cover.

From a policy and provider perspective, this underscores the need not just to expand insurance coverage but to ensure that beneficiaries clearly understand what they are covered for, who pays, and under what conditions premiums and claims apply. Without this, coverage risks remaining nominal, especially in regions like the East and parts of the North where awareness is low despite the presence of government-backed schemes.

**6.4 Savings affordability by saving account usage frequency**

This section tracks saving frequency—many times monthly, once monthly, or long gaps—across affordability bands<sup>27</sup> (≤5k, 5k-10k, 10–50k/50k+) and regions. Our findings indicate that higher incomes do not always imply frequent or sizeable saving.

**Figure 19: Savings affordability by saving account usage frequency**



27. Affordability bands reflect the value of savings instruments that respondents report having.

**Analysis**

In the East, most households who access/use their savings products once a month report having up to ₹5,000 in savings. Among those who save many times a month, most (53%) have between ₹5,000–10,000 in savings. Of households who report using their savings products only once in 12 months, 71% demonstrate a high affordability for savings (having saved between ₹10,000–50,000). This indicates that savings preferences are non-monotonic—that is, higher affordability need not imply higher frequency of savings. Higher affordability households may prefer lumpsum or ad-hoc saving patterns, or may be channelling surplus into non-account avenues such as real assets or informal instruments.

In the South, low-affordability households are widely spread across all usage periods, with some reporting last savings activity ‘more than a year ago’. Higher affordability groups (₹5k–10k and above) predominantly save many times or at least once a month, with very few reporting intervals beyond three months. This region thus exhibits the opposite pattern to the East: higher affordability is associated with more frequent saving, pointing to a culture of disciplined, regular saving in formal channels among better-off households.

In the North as well, there is variation in the number of times low-affordability households utilise their savings products, ranging from many times a month to once in twelve months. Notably, ‘more than a year ago’ responses appear only in the ≤5k group, suggesting that while some low-affordability households are very active savers, others are effectively disengaged.

The West presents a somewhat different profile. Low-affordability households are spread across intervals, including saving once every 12 months or more than a year ago. The mid-affordability band constitutes a majority of those saving in a disciplined manner, as they constitute 52% of those saving many times

a month, and 38% of those saving once a month. For higher-affordability groups (₹10,000–50,000 and ₹50,000+), savings patterns are more irregular, and overall saving activity is low, indicating that these households may be using alternative vehicles or do not rely on formal savings accounts as their primary instrument.

Across regions, two design-relevant themes emerge. First, low-affordability households (≤5k) often display volatile patterns, with some saving very frequently and others hardly at all. Such respondents may be considered candidates for flexible micro-savings products with daily or weekly contribution options, low minimums, and strong emergency fund incentives. Second, mid-affordability households (₹5k–10k) in the West and parts of the East and South are the most consistent savers.

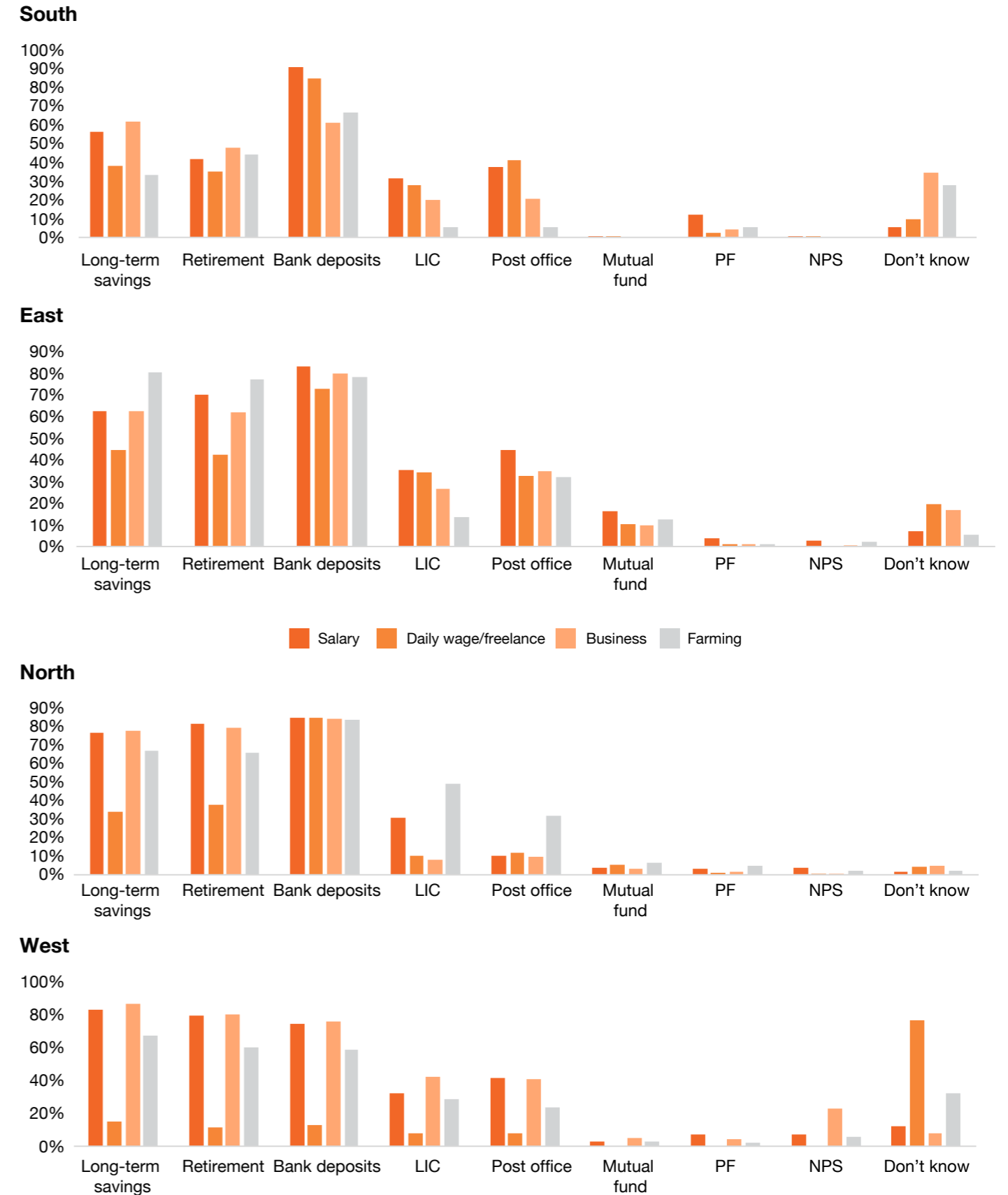
More broadly, the data suggest that strategies tailored by region and segment may work better to build saving habits and resilience than generic offerings.

**6.5 Investment behaviour in different asset categories across geographies based on income sources**

**Overview**

This section examines how households with different primary income sources (salary, business, farming, daily wage/freelance, remittance, pension) approach long-term and retirement saving, and their preferences for channels and instruments (bank deposits, LIC, post office, mutual funds, provident fund [PF], National Pension System [NPS]).

**Figure 20: Analysis of investments across geographies based on income sources**



**Analysis**

Across all regions, salaried and business households appear to be consistently oriented towards long-term and retirement saving, with 60–80% of those who report saving for such goals belonging to these income groups.

They overwhelmingly prefer bank deposits as their primary channel, with 70–85% of these groups indicating bank deposits as the first choice, and sizeable shares also using LIC and, to a lesser extent, post office savings. This suggests that for more such households, the default long-term strategy is still conservative, while mutual funds, PF, and NPS remain secondary or niche add-ons rather than core vehicles.

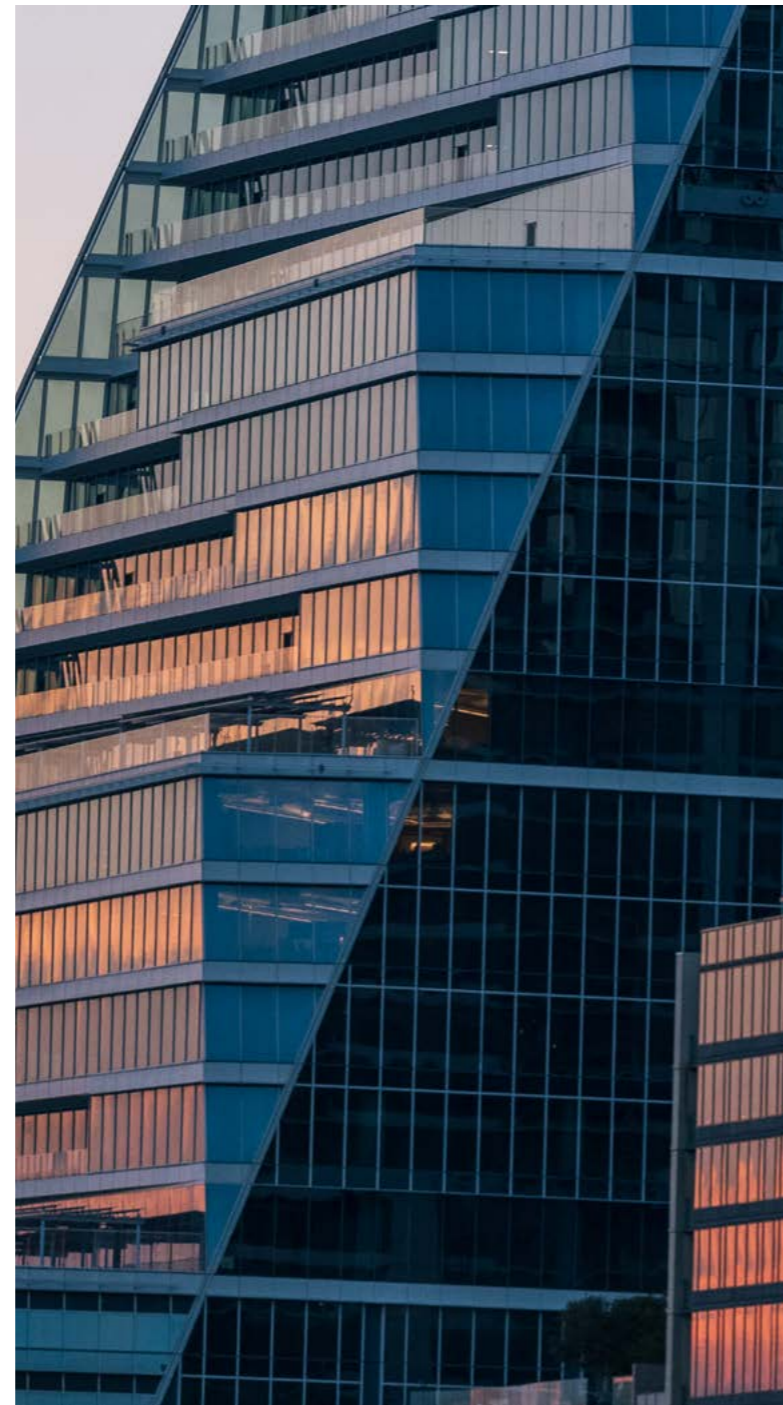
Farming households display a striking pattern: because of income volatility and limited formal access in some regions, they report relatively high intent for both long-term and retirement saving, especially in the East and North. Their channel mix leans heavily on bank deposits and LIC, with post office savings products also playing a visible role. Mutual funds, PF, and NPS adoption among farmers is extremely low. This reveals a strong preference for familiar, capital-protected instruments and a reluctance (or lack of opportunity) to engage with more complex, market-linked options—even when long-term goals are clear.

Daily-wage and freelance workers tend to have significantly lower long-term and retirement saving focus and much higher ‘don’t know’ responses across regions. In the West, for example, very small proportions of this group report long-term or retirement savings, and a large majority select ‘don’t know’ in at least one investment channel. Similar, though slightly less stark, patterns appear in the North and East. Where they do invest, daily-wage workers almost always default to bank deposits, likely to be constrained by their affordability.

In the South and East, business owners sit somewhere between salaried and daily-wage workers. Many report long-term and retirement saving intentions and prefer bank deposits and LIC, while virtually none use PF or NPS. Mutual fund usage among business

households is marginally higher in the West and South, indicating pockets of more sophisticated investment behaviour where digital and advisory ecosystems are stronger.

Remittance and pension households are small in number, but show scattered patterns: some in the West and North use bank deposits and LIC, others respond with ‘don’t know’ or report no clear channel. This reinforces that even among those with stable remittance or pension inflows, long-term investment behaviour is not automatic and depends heavily on awareness, advice, and product fit.

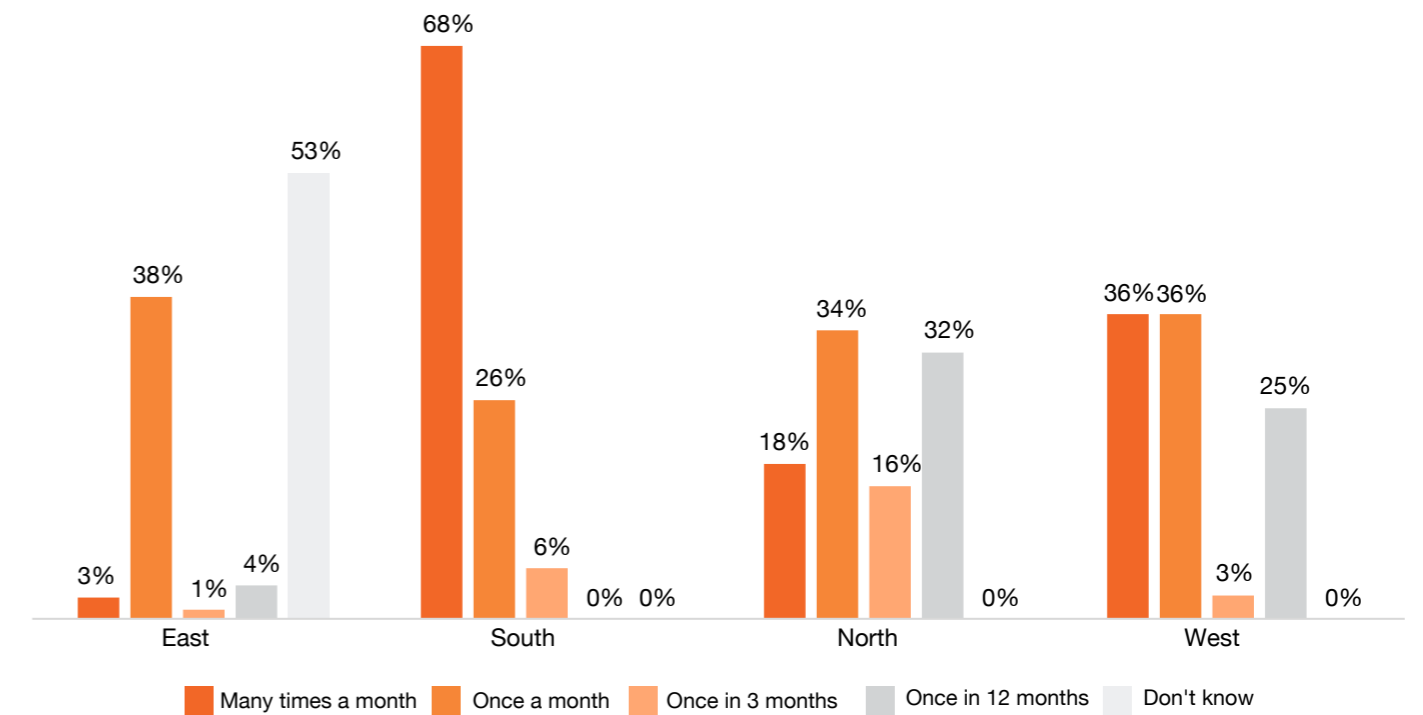


**6.6 Risk-free asset usage frequency across regions**

**Overview**

This section reviews usage patterns for safe assets (e.g. FDs, RDs) across regions, contrasting active management, passive holding, and awareness gaps to inform strategies for building saving discipline.

**Figure 21: Risk-free asset usage frequency across regions**



**Analysis**

Most respondents (68%) in the South report using risk-free assets many times a month. Monthly usage is moderate, and long-interval use (once in 12 months or more) is minimal. The high-frequency usage of risk-free assets suggests a mature saving culture in which safe assets are actively managed and well understood, with households monitoring and transacting frequently.

The West sits in the middle of the spectrum. Around 36.11% use risk-free assets many times a month, and roughly 34–38% use them once a month. Long-interval usage is more common here than in the South and East, indicating a mix of active savers and more passive users.



The North shows lower frequency of usage, with only 18.42% using safe assets many times a month. Monthly usage rates are similar to those in the West (around 34–38%), but longer intervals of engagement are more common than in the East and South. This points to a profile where many households maintain safe assets but check or transact with them infrequently, potentially limiting the role these instruments play in day-to-day financial management.

In the East, frequent usage is very low, though about 34–38% still report using safe assets once a month—the highest monthly-only usage share across regions. Long-interval usage is minimal, but 53% of respondents say they ‘don’t know’ their usage frequency, indicating either a major awareness gap or widespread misinterpretation/misunderstanding of the question. This suggests that many Eastern households may hold safe assets passively or via bundled

products (e.g. linked to term deposits or schemes), and that others may be unclear about their own saving behaviour.

Therefore, the South exemplifies an active, informed saving culture around safe assets. This points to the scope for building on existing habits with more sophisticated safe-asset features—laddering tools, goal-based FDs/RDs, automated top-ups, etc.

### 6.7 Risky asset usage frequency across regions

#### Overview

This section assesses engagement frequency and awareness with risky assets (e.g. MFs) by region, identifying sophisticated users, awareness crises, and growth opportunities for market-linked investments.

#### Analysis

Risky asset usage (such as mutual funds or similar products) shows stark regional contrasts in both behaviour and awareness. In the South, 71.43% of users report engaging with risky assets many times a month, and none say they ‘don’t know’ how often they use them. This combination of high frequency and zero uncertainty points to a relatively sophisticated user base: people know what they hold, monitor it regularly, and are comfortable transacting. It suggests stronger financial literacy and a higher degree of confidence in formal investment channels.

The East presents the opposite extreme. Frequent usage is low, where 52.63% of respondents say they ‘don’t know’ their usage frequency and 28.95% ‘don’t want to answer’. Over four in five respondents dodge reporting risky asset engagement. They’re either unsure or unwilling. This could reveal a major awareness and transparency gap. Many don’t grasp the products they’re in, mix them up with safer options, or just feel uneasy discussing them. Underreporting skews the data. Actual exposure likely runs higher.

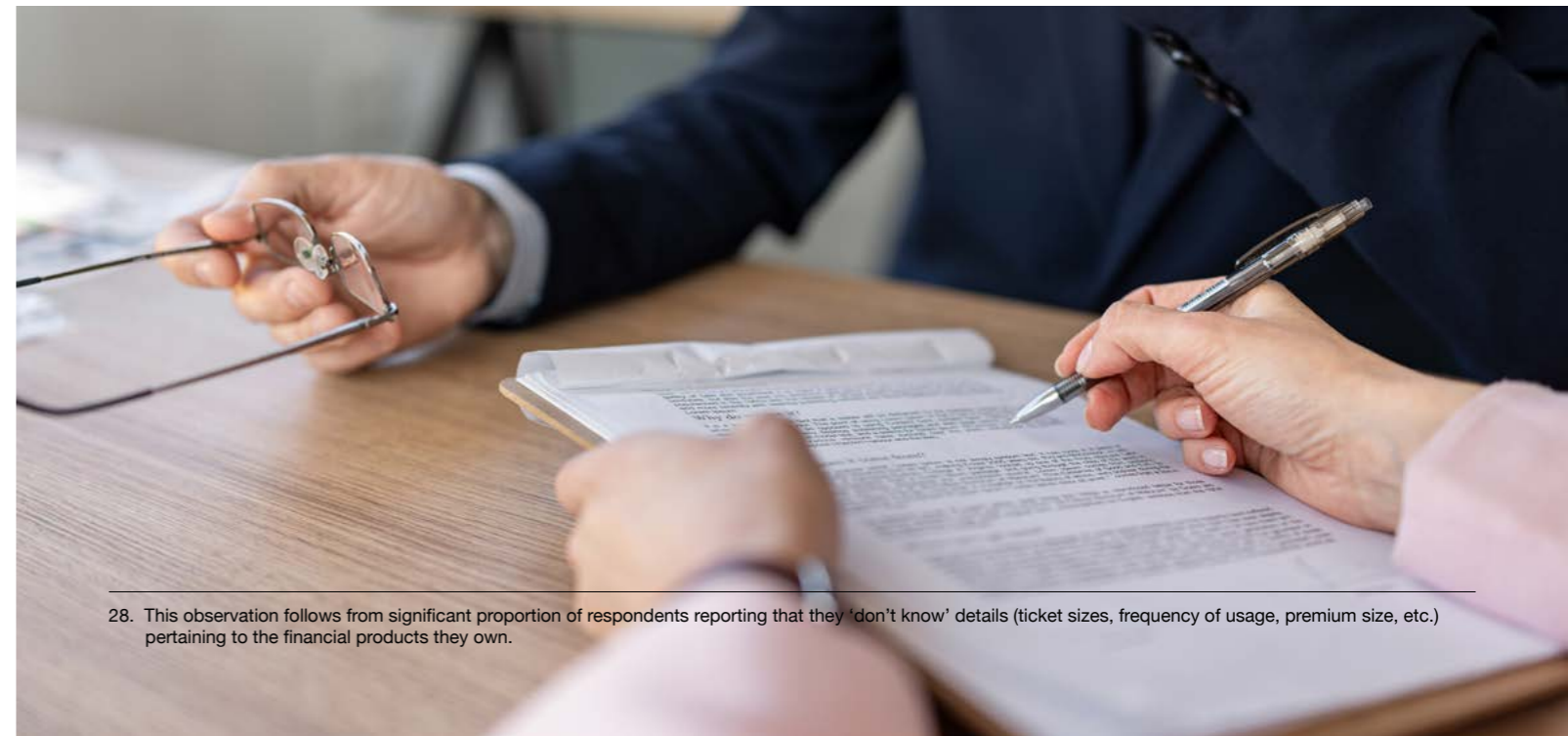
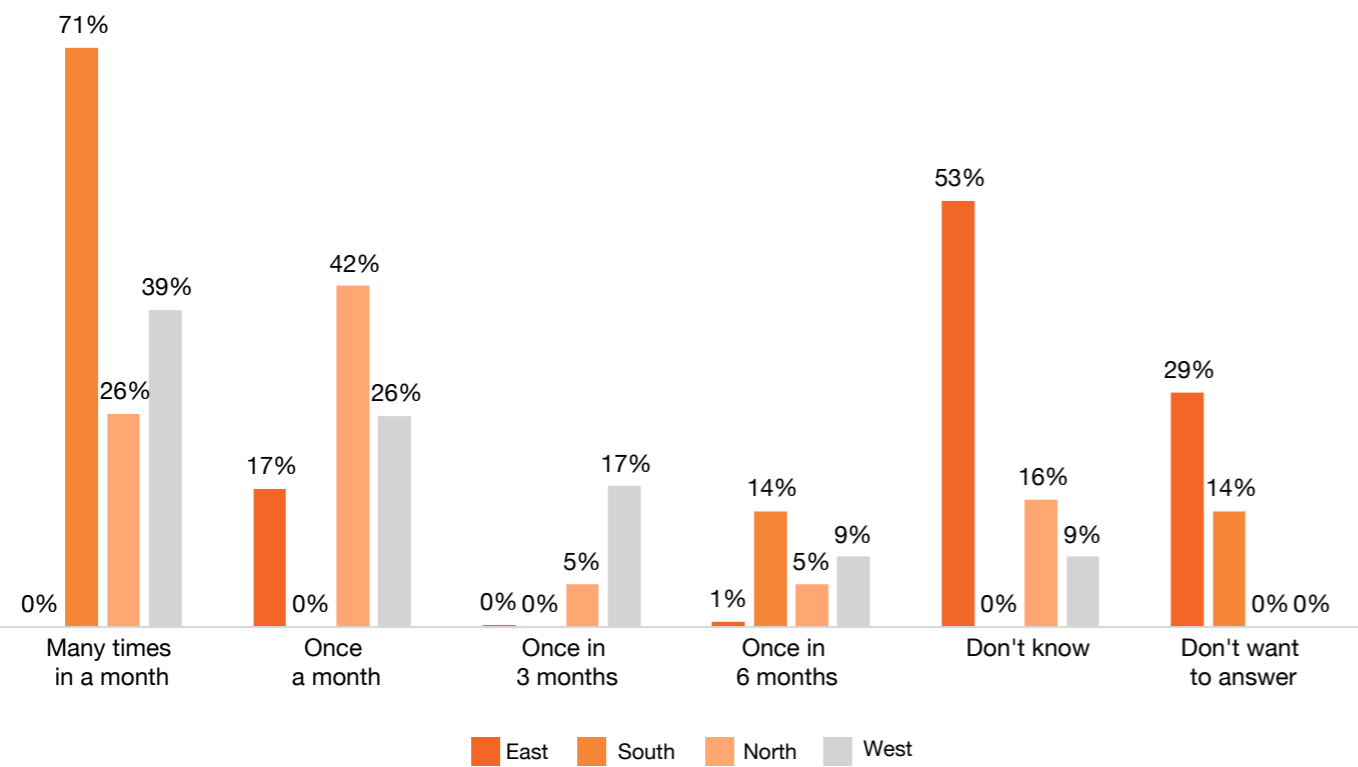
In the North and West, usage is moderate to high, but without the South’s intensity or clarity. In the North, responses are distributed between ‘once a month’ and ‘many times a month’, suggesting mixed usage patterns and only moderate engagement. The West shows a similar spread, but with lower ‘don’t know’

responses than the East, indicating somewhat better awareness. In both regions, risky assets are clearly present in household portfolios, but there remains scope to deepen understanding and move users from occasional or utilitarian engagement towards more deliberate, planned investing.

Across all regions, usage is rarely sporadic. Very few respondents report interacting with risky assets only ‘once in 12 months’ or ‘more than a year ago’. This creates a polarised pattern. Households either dive into risky assets actively or steer clear entirely—no casual middle ground. Once they’re in, they tend to stay engaged. This makes informed entry very important since getting people to start right prevents costly mistakes down the line.

These patterns have clear strategic implications. The South can be treated as a more advanced market for risk products, where the priority is improving portfolio construction—diversification, risk management, and goal-based investing—rather than basic access. The East faces an ‘awareness crisis’<sup>28</sup>: the immediate need is foundational financial literacy on risk instruments, simple disclosures, and trust-building rather than aggressive product push. The North and West sit between these poles, representing growth markets where accessible entry points—such as simple mutual funds, SIPs, or gold-linked products—combined with clear, ongoing education can shift users from basic engagement towards more structured, long-term investing.

Figure 22: Risky asset usage frequency across regions



28. This observation follows from significant proportion of respondents reporting that they ‘don’t know’ details (ticket sizes, frequency of usage, premium size, etc.) pertaining to the financial products they own.

## What this means for financial service providers

The savings, investment, and insurance analysis reveals five product design and distribution priorities:

### 1. Savings products must match actual behaviour, not assumed behaviour

Savings frequency is non-monotonic. In the East, the highest-affordability households save least frequently. In the West, mid-affordability households are the most disciplined savers. Low-affordability households show wildly variable patterns. Current savings products offer a binary choice—rigid RDs or structureless savings accounts—that misses the spectrum of real behaviour.



Segment	What they need	Product concept
<b>Low-affordability (≤₹5k savings)</b>	Flexibility with gentle structure	Digital piggy bank: Labelled goal pockets (health, education, emergency), micro-deposits accepted daily/weekly, no penalty for missed contributions, gamified milestones with rewards; surplus calculation based on inflows vs. outflows
<b>Mid-affordability (₹5k–10k)</b>	Reinforcement of existing discipline	Auto-sweep savings linked to UPI inflow thresholds, automated top-ups to goal accounts, small rewards for consistency milestones
<b>High-affordability (₹10k+) with low formal engagement</b>	Alternatives to gold/real estate that match their preferences	Gold accumulation plans (digital gold from ₹50), simple goal-based FDs/RDs with laddering options, assisted investment onboarding

### 2. Insurance needs awareness before expansion

The ‘premium invisibility’<sup>29</sup> crisis—especially in the East—means that expanding insurance enrolment without improving comprehension will not improve resilience. Households that do not know they are covered will not file claims, will not renew, and will continue hoarding precautionary cash.

**Priority action:** Before investing in new insurance product development, it is important to invest in making existing coverage visible. A one-page vernacular benefit statement delivered annually through SHG meetings or MFI loan disbursement touchpoints—showing what the customer is covered for, what it costs, and how to claim—could unlock more resilience value than new product launches.

Region	Insurance priority
<b>East</b>	Foundational awareness: most classify premiums as ‘not applicable’. Start with basic comprehension of existing government-backed schemes.
<b>North</b>	Asset insurance awareness is near zero. Bundled crop/livestock insurance with clear claim processes is the priority.
<b>South and West</b>	Contributory behaviour is strong. Focus on adequacy (Is the sum insured sufficient?) and claims experience (Is the process simple enough?).

### Beyond awareness, the Bharat segment needs a fundamentally different insurance architecture.

Traditional insurance products—with annual premiums, complex documentation, and lengthy claim processes—are designed for salaried, financially literate customers. The FHS data on volatile earners, low awareness, and weak emergency resilience points towards a micro-insurance model:

Principle	How it works
<b>Bite-sized, event-activated</b>	₹10–50/week; activates automatically on qualifying event—no lump-sum annual commitment
<b>Modular stacking</b>	Start with one cover (health); add crop, asset, income loss modules as trust grows
<b>Invisible premiums</b>	Auto-debited from UPI inflows, loan repayments, or SHG contributions—no separate payment action
<b>Automatic triggers</b>	Payouts triggered by verifiable data (hospitalisation records, weather readings)—no claim filing
<b>Rapid payout</b>	Settlement within 24–72 hours into the customer’s account—emergency response, not slow reimbursement

Elements of this already exist in India (parametric crop insurance, PMJJBY/PMSBY auto-debit) and globally. The opportunity is to integrate them into a coherent, stackable model designed for the cash-flow realities documented by the FHS. For FSPs, micro-insurance

generates steady premium income from a massive base, reduces portfolio risk by protecting borrowers from default-triggering shocks, and deepens customer relationships without complex underwriting.

29. This observation follows from significant proportion of respondents in the East reporting that they ‘Don’t know’ about the ticket sizes and premium payment details of their insurance products. Since the question was posed to the head of the household, who is presumed to be directly involved in most financial decisions, their lack of knowledge about such details is taken to imply an awareness gap.



### 3. Investment product design must start from the customers

Bank deposits and LIC dominate long-term savings preferences across all regions and income groups. Mutual funds, PF, and NPS are negligible among farmers, daily-wage workers, and most business owners. Daily-wage workers show the highest 'don't know' responses for investment channels.

This is not a market that will be won by pushing complex products. It will be won by **building bridges from familiar instruments to slightly more sophisticated ones:**

- **From bank deposits > goal-based FDs** (same instrument, but labelled and ladderred)
- **From LIC > simple term insurance + separate savings/investment** (unbundling to improve value)
- **From gold hoarding > digital gold accumulation > SGB/gold ETF** (same asset class, better form factor)

- **From nothing > ₹100/week SIP** with vernacular onboarding and one-tap setup (lowest possible entry barrier)

### 4. Account utilisation frequency is a diagnostic signal, not just a metric

The West demonstrates active, frequent engagement across all savings and investment products. The North shows low frequency, especially for old-age savings (once a year). This frequency gap is not random—it likely reflects product salience, channel convenience, and whether customers see the instrument as 'theirs' or as something imposed on them.

Action: Use account utilisation frequency as an early warning system. Declining frequency signals disengagement before the customer formally churns. Increasing frequency signals growing financial capability. Both are more actionable than annual satisfaction surveys.

# 07

## Theme 3: Dealing with routines and emergencies

### 7.1 Analysis of average income by basic needs

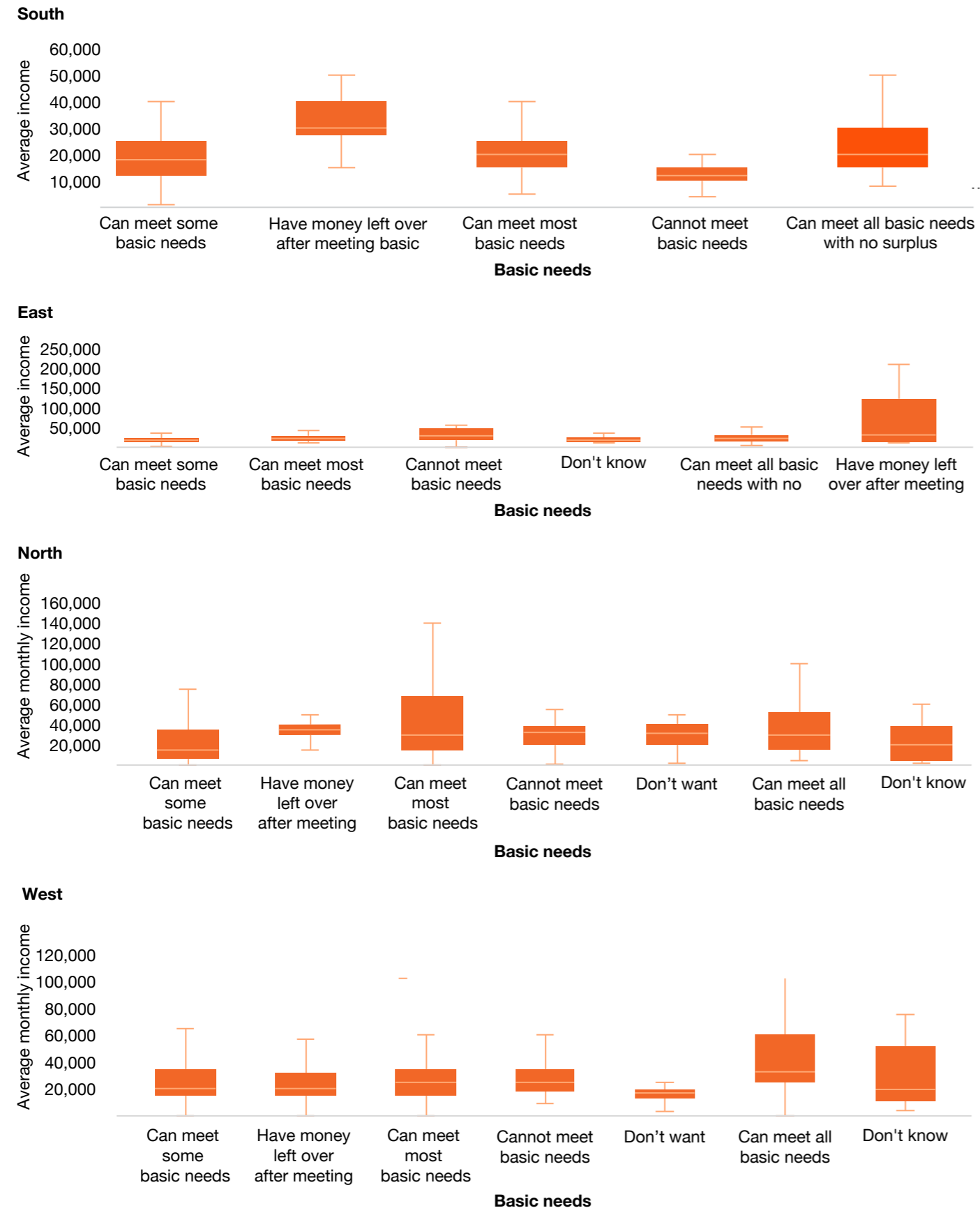
#### Overview

This section maps income ranges to households' self-reported ability to meet basic needs ('cannot meet', 'meet some/most/all with no surplus', 'surplus after needs') across regions, revealing how costs, aspirations, and other factors may shape perceived sufficiency beyond absolute income levels.





**Figure 23: Analysis of a household's ability to meet basic needs based on average monthly income**



In the South, income bands map relatively neatly onto self-reported financial sufficiency. Those who cannot meet their basic needs have an average income of around ₹12,000, while most who were able to meet some, most, or all basic needs with no surplus have an average income of around ₹20,000. It is those earning between ₹30,000 to ₹40,000 who report having surplus left over after meeting all their needs. This pattern suggests a clearer progression: as income rises, households first secure subsistence and only later move into a stage where discretionary resources are available.

In the North, those earning between ₹30,000–40,000 report having leftover surplus. In the West, the earning band reporting surplus is slightly wider at ₹25,000–60,000. These differences could potentially point to the subjective experience of sufficiency, which itself might be influenced by regional costs, family size, debts, dreams, and cultural distinctions between needs and wants.

In the East, households earning ₹15,000–22,000 meet basic needs but end with zero surplus— placing them right at subsistence. Even so, some households in the ₹15,000–50,000 range still struggle to cover expenses, while surplus begins to emerge across households earning between ₹12,000–70,000.





## 7.2 Number of informal needs vs volume of informal loans

### Overview

This section analyses how households diversify informal borrowing sources across low, medium, and high loan volumes by region. It examines single-source dependence versus multi-source strategies.

### Analysis

Patterns of informal borrowing by loan size reveal clear regional differences in diversification, while living arrangements continue to shape vulnerability.

In the East, informal finance is the least diversified. Around 78% of low-volume (<30k) loans, and 77% of high-volume (>80k/1L+) loans, involve just one

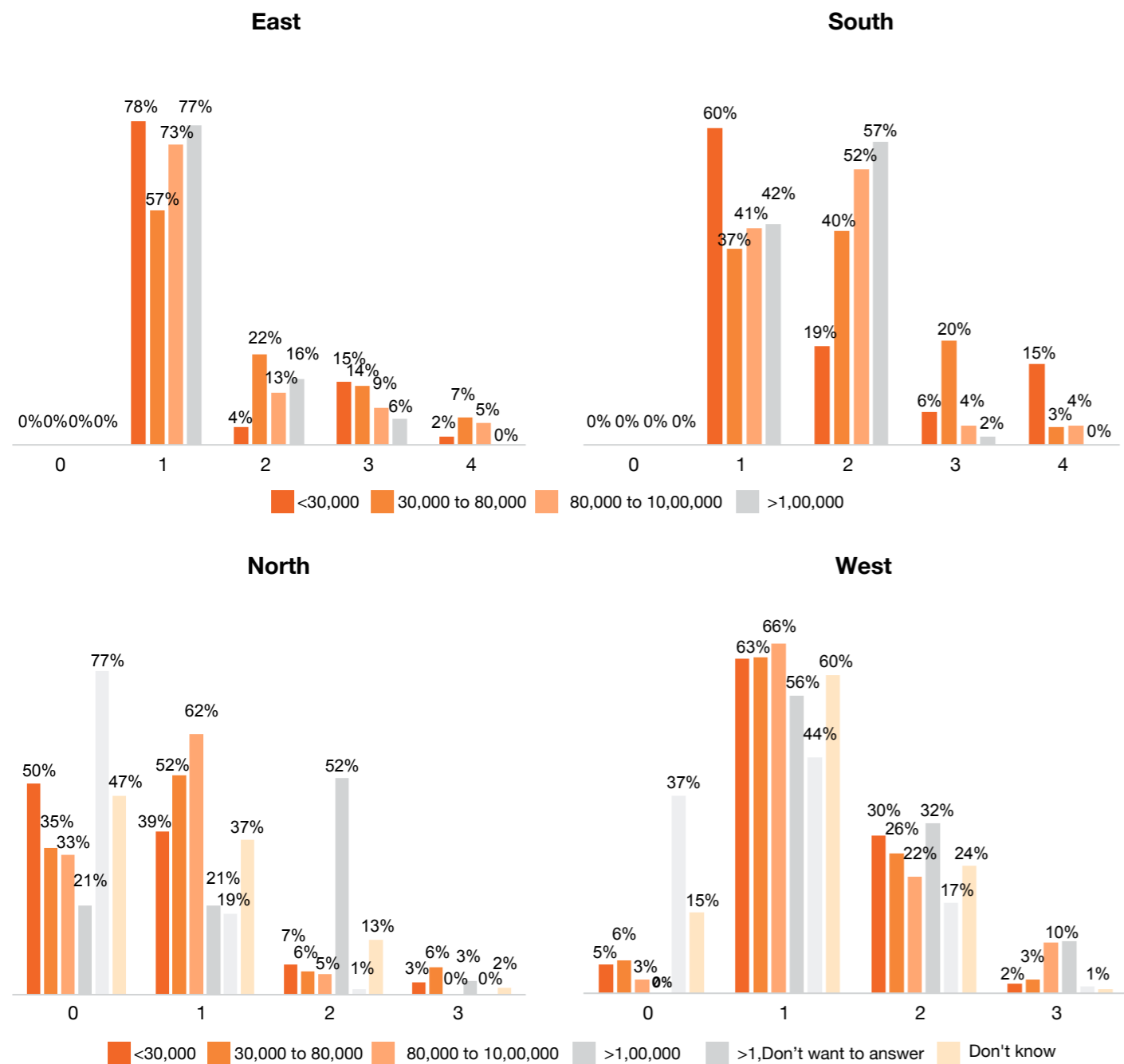
informal source. Even at higher ticket sizes, borrowers overwhelmingly rely on a single lender. This single-source dependence may indicate that borrowers may have some social relationship with the lender, therefore choosing to borrow only from a single party. Therefore, borrowers are willing to bear the increased concentration risk associated with such borrowing.

The South sits at the opposite end of the spectrum. Across low, medium, and high volumes, most borrowers use one or two informal sources, and by the time loans exceed 1 lakh, 57% rely on two or three sources, with three-source borrowing rising at the very top end. This indicates that households with higher borrowing requirements may be comfortable approaching multiple sources of informal credit. In such cases, diversifying funding could possibly build resilience through multiple channels.

The North presents a mixed picture. At low volumes, there is a high share of 'zero-item' cases (no informal borrowing), and single-source loans dominate at medium and high volumes. Only at the highest loan sizes does two-source borrowing reach about 52%, and cases with three or more sources remain rare. This suggests a system that is largely single-source until households are pushed into larger borrowing, at which point a limited degree of diversification appears.

The West is relatively balanced. One or two informal sources dominate across all volume bands, with only a slight rise in multi-source borrowing as volumes increase. Multi-source cases exist but remain rare, possibly indicating that most borrowers rely on the same social relationships even when needs grow.

Figure 24: Analysing volume of informal loans vs number of informal needs





### 7.3 Living arrangement vs emergency fund availability

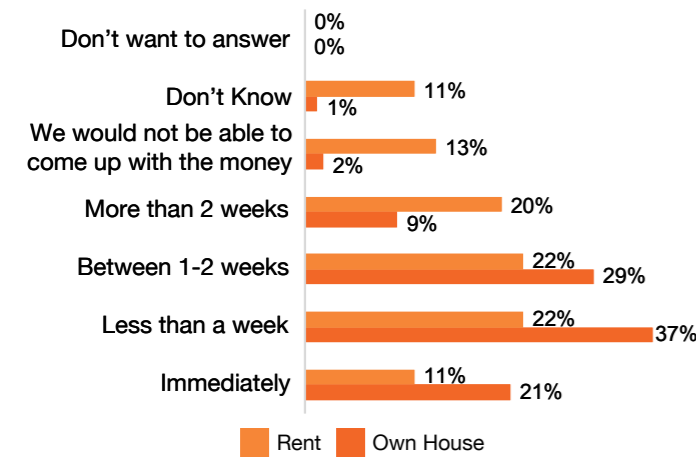
#### Overview

In this section, we compare emergency fund access speed (immediate, <1 week, delays, inability) between homeowners and renters across regions, highlighting the universal asset-based divide in financial resilience and its implications for product design.

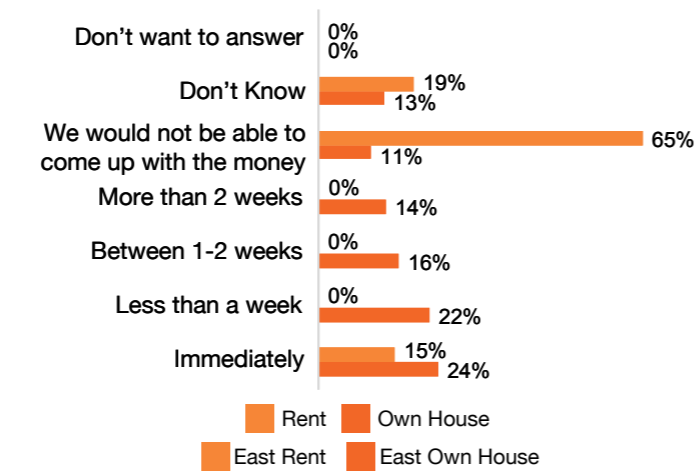
Homeowners in all four regions are able to mobilise emergency funds fast with most reporting that they could access their funds immediately or within days. This speed could potentially be explained by stronger buffers, credit access, and liquid assets. On the other hand, there is greater variation in the time taken for renters to mobilise the same funds.

Figure 25: Living arrangement x Emergency fund availability

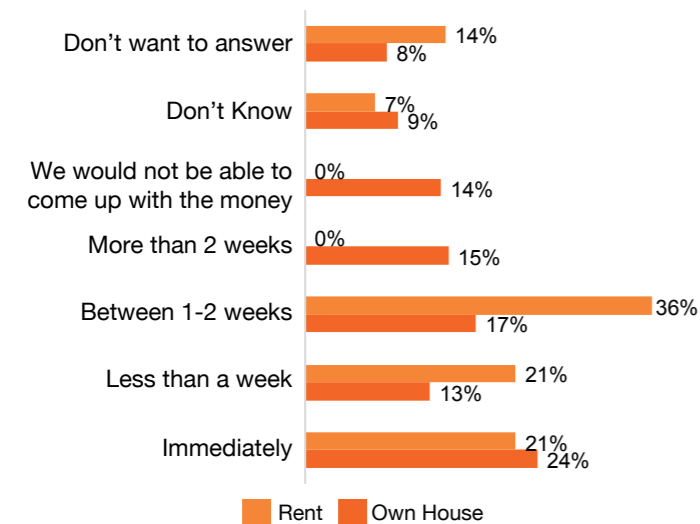
#### South



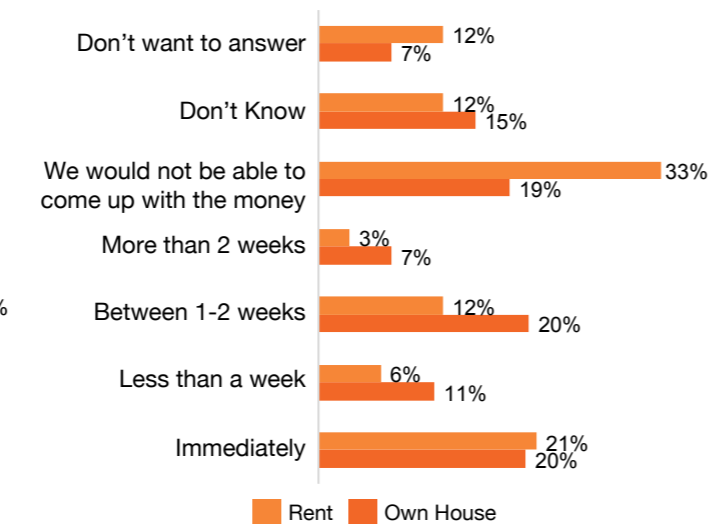
#### East



#### North



#### West



In the East, the divide is most severe. While homeowners can usually access funds quickly, 65.38% of renters report being unable to come up with the required amount at all. This points to extreme vulnerability among renting households, who likely lack both pledge-able assets and reliable support networks, and may already be operating at or below subsistence levels.

The North presents a somewhat milder picture. Homeowners still fare better, but renters report relatively higher immediate or 1–2-week access than in other regions, suggesting that rental status there does not translate into as deep an exclusion as in the East or, to a lesser extent, the South and West. Even so, renters remain more constrained than owners, particularly for larger or repeated shocks.

In the West, homeowners again enjoy quick access, whereas renters experience longer delays, higher inability rates, and slightly higher 'don't know' responses.

### What this means for financial service providers

The routines and emergencies analysis—covering basic needs, informal borrowing patterns, and emergency fund access—reveals three immediate product and risk implications.

#### 1. Renters are the most underserved segment in your portfolio

The homeowner–renter divide on emergency fund access is the starkest vulnerability finding in the entire FHS. Homeowners mobilise funds immediately or within days. In the East, 65% of renters cannot mobilise ₹30,000 at all. This is not a niche issue—India's urban renter population is growing rapidly with migration and urbanisation.

Most formal financial products implicitly assume property ownership as a baseline for stability. Renters lack pledge-able assets, have weaker credit profiles, and are often invisible to risk models. Yet they are income-active, digitally reachable, and represent a large addressable market.

Product opportunity	Design principle	Distribution channel
<b>Emergency credit line</b>	Pre-sanctioned ₹10k–50k, drawable via UPI/USSD, repayable over 3–6 months. No collateral. Eligibility based on 6+ months of transaction history or SHG membership.	Savings account-linked; activated through app or agent
<b>Renter's insurance</b>	Low-cost contents + personal accident cover. Bundled with rental agreement.	Digital rental platforms, employer HR portals, urban housing societies
<b>Security deposit financing</b>	Small loan to cover upfront rental deposit. Repayable over 6–12 months.	Urban agent networks; employer partnerships for migrant workers
<b>Rent payment credit reporting</b>	Report consistent rent payments to credit bureaus to build renter credit history.	Partnership with digital rental platforms and landlord associations



## 2. Single-source informal dependence is a hidden portfolio risk

In the East, 78% of informal loans—across all ticket sizes—come from a single source. This means the borrowers' entire informal safety net rests on one relationship. If that relationship breaks down (i.e. lender demands repayment, relationship deteriorates, lender faces own liquidity crisis), the household has no fallback.

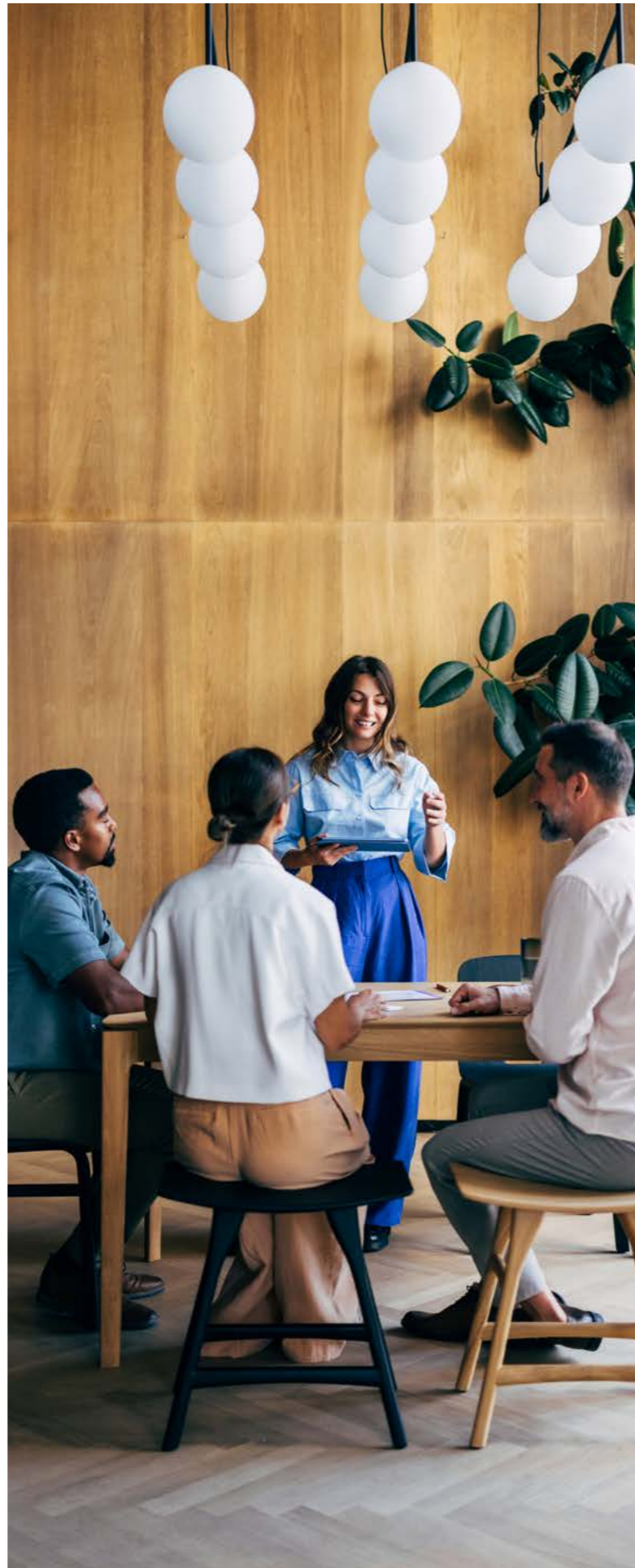
For FSPs, this creates both **risk and opportunity**:

- **Risk:** Customers who are simultaneously indebted to a single informal lender and a formal lender may face competing repayment demands during a shock. The informal lender—who has social leverage—may get repaid first.
- **Opportunity:** A formal product that explicitly matches the speed and simplicity of informal lending (same-day disbursement, flexible repayment, small ticket sizes) can capture this market by offering a second source at lower cost and lower concentration risk.

## 3. 'Surplus after basic needs' is not a fixed income threshold—it is regional and subjective

The basic needs analysis shows that the income level at which households report surplus varies significantly by region: ₹30,000–40,000 in the South and North, ₹25,000–60,000 in the West, and highly variable in the East. This means FSPs cannot use a single national income threshold to define a 'viable customer' or a 'savings-ready household'.

**Action:** Calibrate product eligibility thresholds, savings nudge triggers, and marketing messages to regional cost-of-living realities rather than applying uniform national benchmarks. A ₹20,000 household in the South may be more financially stressed than a ₹20,000 household in the North—or vice versa—depending on local costs, family size, and existing obligations.



# 08

## Theme 4: Experience with formal credit

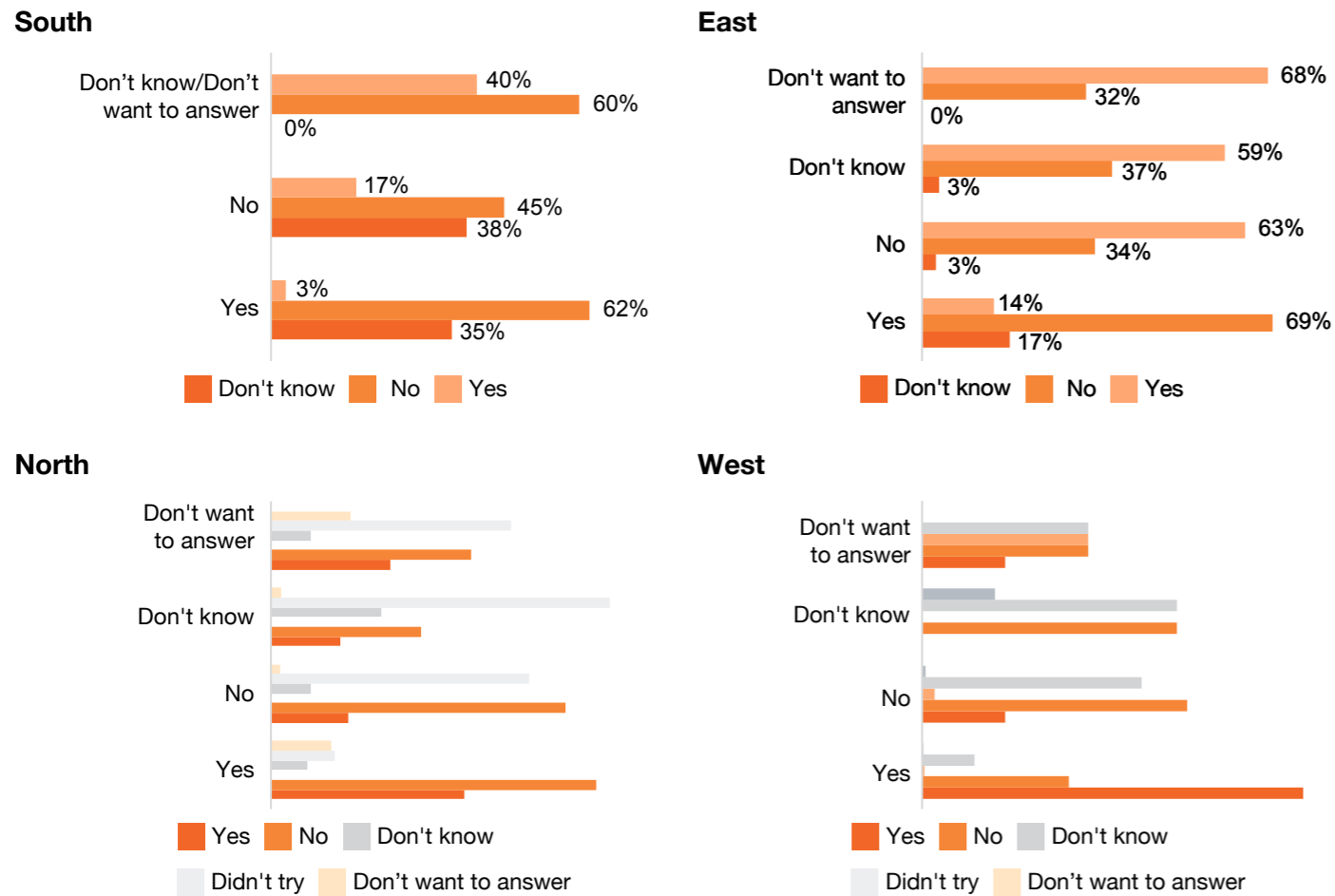
### 8.1 Formal credit availment vs credit denied

#### Overview

This section compares credit denial experiences between households who have availed formal credit and those who have not, across regions. It distinguishes supply-side rejection from demand-side self-exclusion and uncertainty ('don't know/ didn't try'), revealing region-specific barriers to formal credit access and uptake.



**Figure 26: Formal credit availment vs credit denial**



**Analysis**

Patterns of credit denial and uptake differ substantially across regions, revealing both informational gaps and structural access issues.

In the East, the dominant feature is uncertainty. Among those who have not availed formal credit, a large share report either 'no denial' (33.92%) or 'don't know' (37.29%). Even among those who have availed credit, 17.14% still report denial. High proportions of 'don't know' and 'don't want to answer' responses indicate that many households are unclear about whether they were formally denied, did not complete applications, or simply opted out based on perceived ineligibility. This makes it difficult to distinguish genuine supply-side denial from demand-side hesitation or misunderstanding.

In the South, the picture is clearer but still concerning. Among non-users, a higher proportion report 'no denial' (45.24%) or are uncertain (60%). Among those who have availed credit, 35.12% report having been denied at some point, showing that a substantial share of active users have also experienced rejection. This suggests that a considerable portion of applicants households in the South have been being excluded from credit due to screening, eligibility criteria, or product fit issues. Overall, better product design, eligibility tweaks, and grievance systems could potentially preclude such exclusion in the South.

The North exhibits both denial and self-exclusion. Among non-users, around 43.40% say they have been denied and 47.98% say they have not, while 28.45% of users report denial as well. The 'didn't try' category

is significant, particularly in the 'don't know' denial column (50%), which signals that many potential borrowers opted not to apply—perhaps due to fear of rejection, complexity of procedures, or lack of confidence. Awareness of denial status is mixed, and both supply-side and demand-side barriers appear to be at play.

In the West, credit denial among users is particularly high: a majority (65.39%) of those who have availed credit report having faced denial. Among non-users, 45.43% say they were not denied, but 43.75% are uncertain. 'Didn't try' and 'don't know' responses are also notable. This combination suggests that, in the West, formal credit is widely sought but also frequently refused, and that credit processes are not transparent enough for households to fully understand why applications succeed or fail.

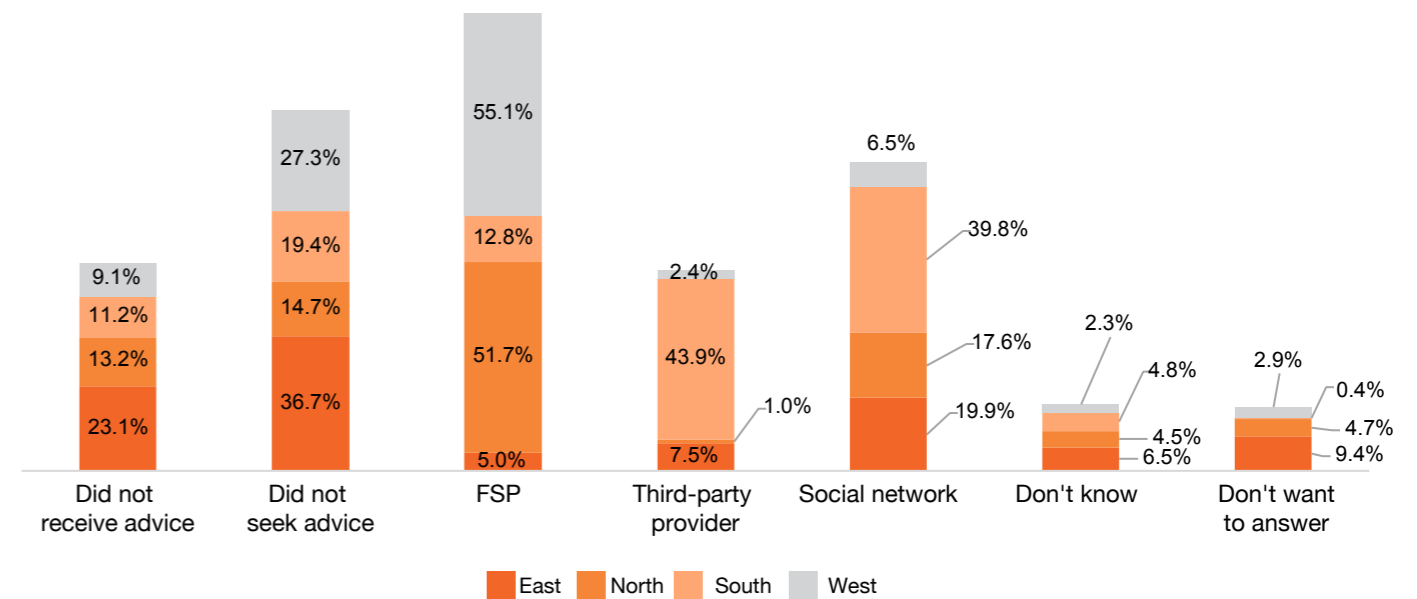
**8.2 Seeking financial advice**

**Overview**

This section maps the various channels through which households seek financial advice across regions, such as formal FSPs, third parties, or social networks. These patterns help us understand accessibility gaps and where each region may require targeted help.



**Figure 27: Sources for seeking financial advice across regions**



Respondents from the East comprise the majority among both—those who did not seek advice (36.7%) and those who did not receive any advice (23.1%)—indicating a large segment making financial decisions without guidance. The West has the lowest ‘did not receive advice’ share (9.1%) and only moderate ‘did not seek’ rates (27.3%), suggesting that once people in this region look for advice, they are relatively likely to find it. The North and South sit between these two extremes in overall advice-seeking and receipt, but diverge strongly in who is actually advising.

The North (51.7%) and West (55.1%) regions constitute the majority of respondents that receive their advice from formal financial service providers. This indicates that banks and other regulated players are already central to the advice ecosystem there. The key questions are therefore less about creating new channels and more about the quality, suitability, and inclusiveness of advice—whether it reaches renters, daily-wage earners, and other vulnerable groups, and whether mis-selling risks are contained.

The South presents a very different picture—advice is plentiful but heavily mediated by third parties and social networks. This region constitutes 43.9% of those receiving advice from third-party providers, and 39.8% of those relying on friends, family, or community members. Their representation in receiving advice from formal FSPs is low, at only 12.8%. This network-driven model could cut both ways. While advice quality could vary extensively and incentives might introduce some bias in recommendations, trusted local intermediaries can unlock powerful scaling potential—if trained, certified, and incentivised to align their interests with customer welfare.

Of those receiving advice from social networks, the East (19.9%) is second only to the South. The East is well represented among those who ‘did not seek’ (36.7%) and ‘did not receive’ (23.1%) advice, but poorly represented among those who obtained advice from FSPs (5.0%). Many households appear to either make decisions alone or with limited informal input, without systematic access to professional guidance.

Overall, North and West can be characterised as FSP-led advice markets where the priority lies in improving appropriateness, transparency, and reach to underserved segments. The South is a network- and intermediary-led market, where regulation, quality assurance, and partnership with local advisors are central. The East is the weakest on advice, requiring both demand-side interventions to normalise advice-seeking and supply-side efforts to build trustworthy, structured channels that go beyond ad-hoc social networks.

### What this means for financial service providers

The credit experience analysis reveals that access to credit is blocked by three distinct barriers that require specific solutions:

#### 1. Supply-side denial: Fix underwriting, not just products

In the West, 65% of those who have availed formal credit report having faced denial at some point. In the South, 35% of active credit users have experienced rejection. These are not people outside the system—they are people inside it who are being told “not yet” or “not you” without clear explanation.

##### Actions:

- **Audit denial reasons systematically.** It can be value additive to know if denials are driven by documentation gaps (fixable), income volatility (addressable through alternative underwriting), existing debt burden (requires different product, not rejection), or genuine credit risk (appropriate denial).
- **Implement transparent denial with guided next steps.** When declining an application, providing a clear, vernacular explanation and outlining specific actions to improve eligibility (e.g. “Maintain savings balance above ₹X for three months and reapply”) can help improve the overall loan book.
- **Develop alternative underwriting models** using UPI transaction data, savings account behaviour, and SHG/JLG repayment records to expand eligibility without increasing risk.

#### 2. Demand-side self-exclusion: Build confidence, not just channels

In the North, significant numbers of potential borrowers fall into the ‘didn’t try’ category. They are not being rejected—they are not applying. This self-exclusion is driven by fear of rejection, procedural complexity, perceived ineligibility, or a belief that formal credit is “not for people like us”.

##### Actions:

- **Myth-busting marketing** using local peer testimonials. “I thought I would be rejected because I don’t have a salary slip. But my SHG record was enough.”
- **Intermediary-assisted applications.** SHG leaders or BC agents walk customers through the application process, reducing intimidation and procedural friction.
- **Simplified application processes.** Reduce documentation requirements for small-ticket loans. Accept alternative KYC and income evidence.

#### 3. Advice channels shape credit outcomes

The North and West are FSP-led advice markets where banks and regulated players dominate financial guidance. The South is intermediary- and network-driven. The East has an advice vacuum—37% never sought advice, 23% sought it but didn’t receive it.



Region	Advice priority for FSPs
North and West	Improve quality and reach of existing FSP advice. Ensure it reaches vulnerable segments (renters, daily-wage earners), not just established customers. Monitor for mis-selling risk.
South	Partner with existing third-party advisors and SHG networks. Co-develop training, certify advisors, create revenue-sharing models aligned with customer outcomes.
East	Build the channel from scratch. Train community-based financial health workers. Compensate per household financial health check-up. Provide simple diagnostic tools and referral pathways.

# 09

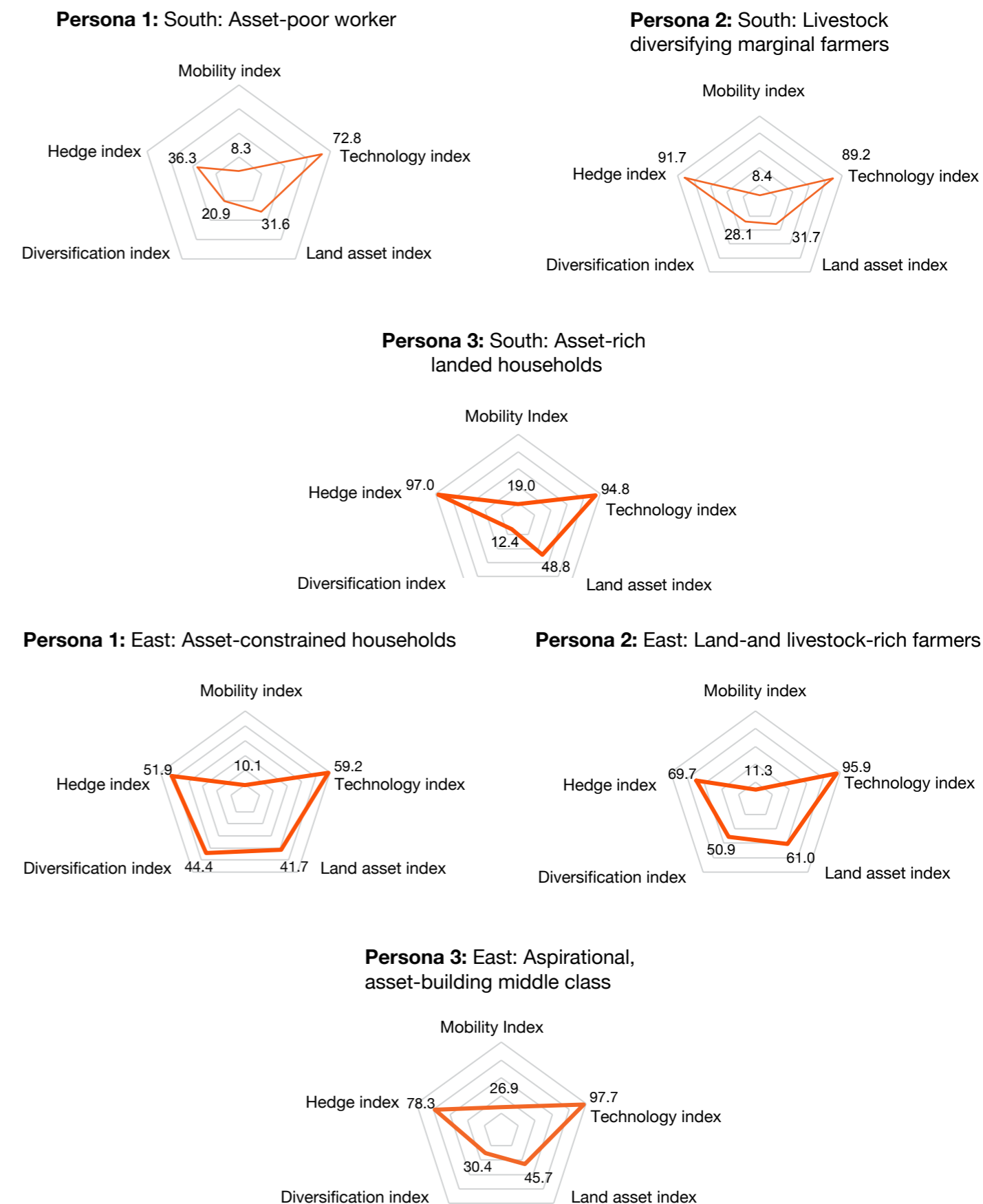
## Theme 5: Cluster analysis

### 9.1 Regional personas: Three archetypes per region

This section uses a K-means clustering analysis that profiled customers into three personas based on their asset, income, and other pertinent variables.<sup>30</sup> It illustrates the heterogeneity among low-income populations through the use of these three personas per region. Here, **land index** captures ownership of agricultural land, non-agricultural land, shop and residence; **mobility index** captures ownership of car, two-wheeler, tractor, and bicycle; **technology index** captures ownership of button phone, smartphone, and portable internet connectivity; **livestock** index captures ownership of different livestock; and **gold index** captures ownership of gold.

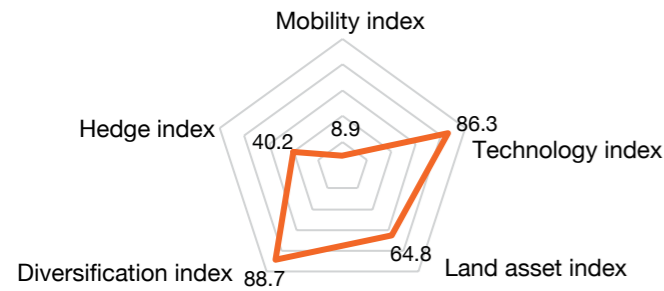
30. A total of 33 variables were used in this clustering.

Figure 28: Emerging personas across regions

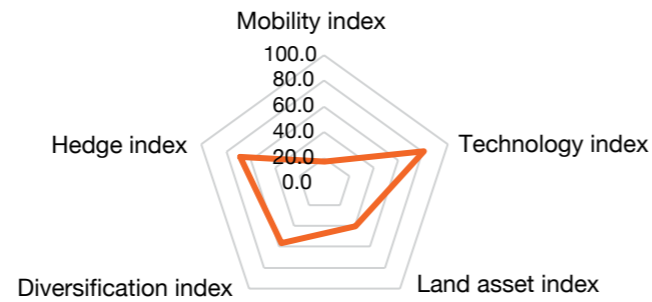




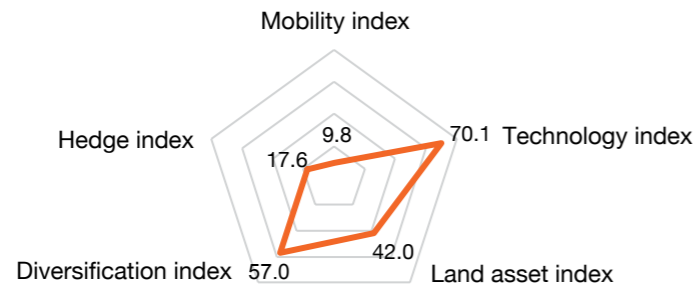
**Persona 1: North: Locally anchored producers**



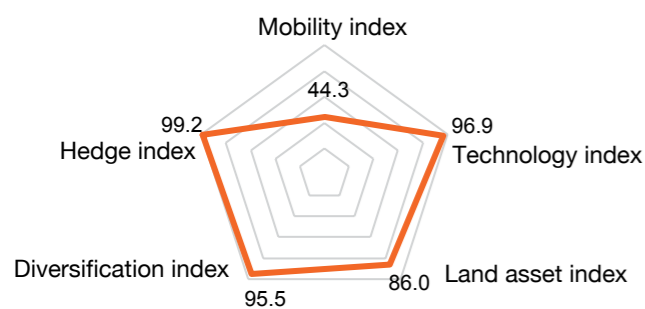
**Persona 2: North: High-income mobile households**



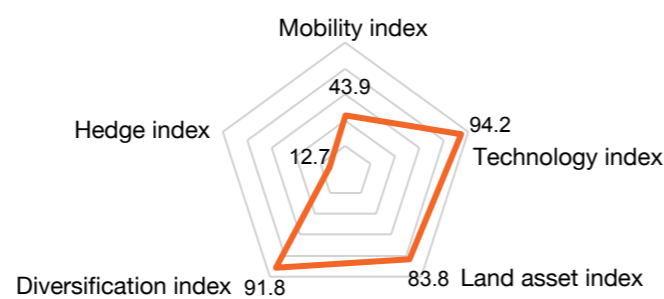
**Persona 3: North: Economically constrained households**



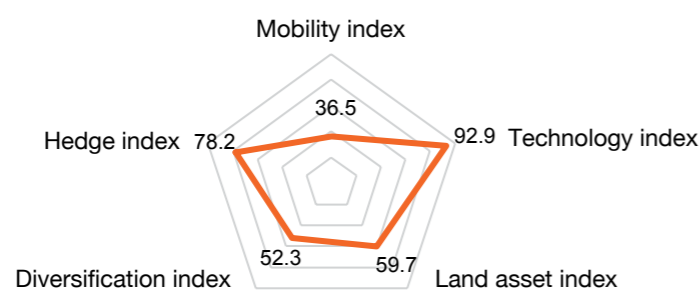
**Persona 1: West: Highly diversified asset secure households**



**Persona 2: West: Productive-asset-rich, low-hedge households**



**Persona 3: West: Aspirational, mobility-and hedge-oriented households**



**In the South, the three personas map clearly onto distinct socio-economic classes.** Persona 1, with an average monthly household income of around ₹15,000 scores the lowest across all asset indices. This persona represents own-account or hired workers who are highly asset-poor.

Persona 2, with an average monthly household income of approximately ₹22,000, closely follows Persona 1 across most asset indices, with the notable exception of livestock, where it outperforms all other personas. Given its relatively low land ownership but high livestock assets, this persona likely represents marginal farmers who typically diversify into livestock-based livelihoods.

Persona 3 earns about ₹20,000 monthly (less than Persona 2) yet tops nearly every asset index except livestock. High scores in mobility, land, and gold mark them as landed gentry: asset-rich but cash-constrained like smallholders.

**The East shows sharper contrasts.** Persona 1 earns ₹18,000 monthly and scores lowest across assets—limited ownership all around.

Persona 2 earns ₹35,000 and dominates land and livestock indices: well-endowed farmers diversifying into animal husbandry.

Persona 3 sits mid-range at ₹25,000 but leads on mobility and gold—an aspirational middle class building tangible wealth.

**In the North, the three personas reflect distinct livelihood and asset profiles rather than a simple income gradient.** Persona 1, with an average monthly household income of around ₹26,500, scores moderately on land and livestock indices but remains lower on mobility and gold. These households stay stable but locally rooted. Their productive assets cluster in agriculture and livestock, not liquid or aspirational holdings.

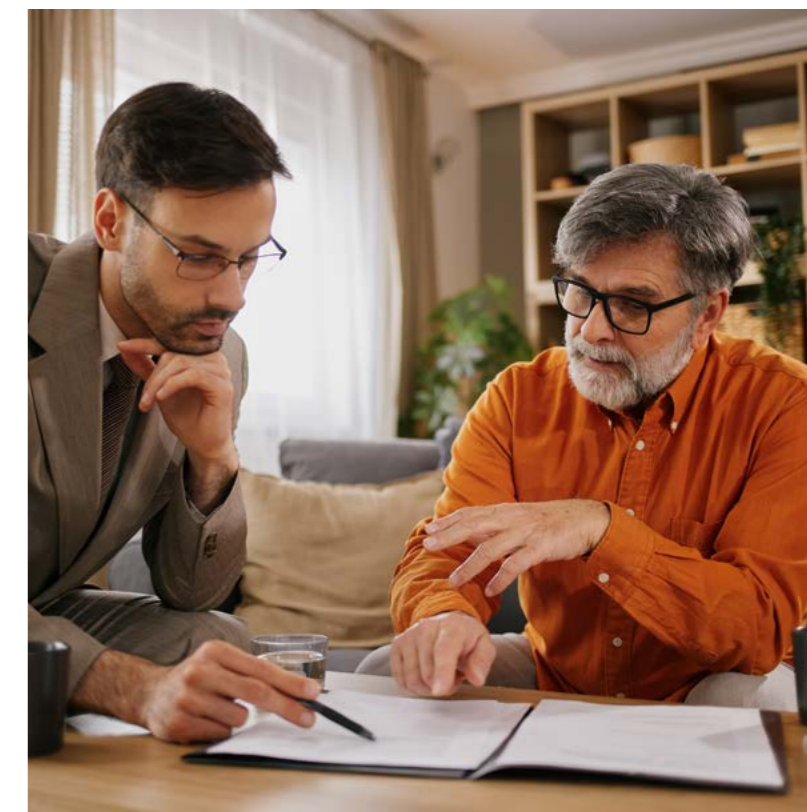
Persona 2 stands apart with ₹56,300 monthly. They lead on mobility and gold despite owning less land and livestock. Gold hedges their wealth, not land.

Persona 3 earns far less at ₹20,900, and scores lower across the board, especially mobility and gold. These households face real constraints—limited asset building and few ways to diversify.

**In the West, the three personas display relatively strong asset ownership overall, with differentiation emerging in the composition and purpose of assets rather than absolute deprivation.** Persona 1 dominates at ₹44,500 monthly income. They score exceptionally high everywhere—mobility, tech, land, livestock, gold. These well-established households own both productive and hedge assets. High resilience, diversification, and long-term security define them.

Persona 2 earns ₹35,600 and matches Persona 1 closely on mobility, tech, land, and livestock. But gold scores drop sharply. They are asset-rich in productive terms, yet skip financial hedging. Stable income or reinvestment into livelihoods likely explains this confidence.

Persona 3, with a lower average monthly household income of around ₹28,100, scores comparatively lower across most indices, particularly land and livestock, but maintains relatively high scores in mobility and gold. They own fewer farms or livestock but compensate by investing in mobility and hedge assets.



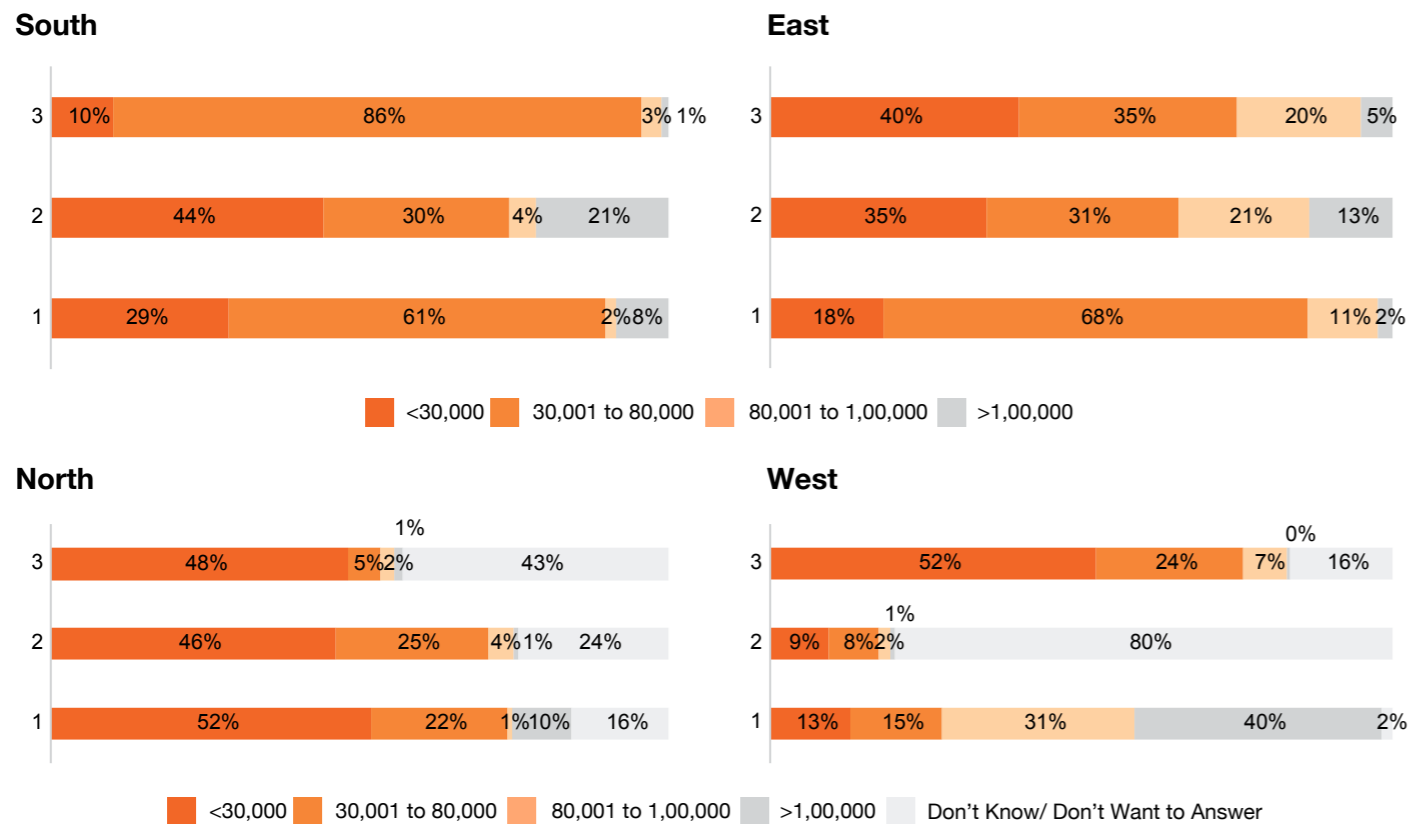


Region	Persona 1	Persona 2	Persona 3
South	Asset-poor workers	Livestock-diversifying marginal farmers	Asset-rich landed households
East	Asset-constrained households	Land- and livestock-rich farmers	Aspirational, asset-building middle class
North	Locally anchored producers	High-income, mobile households	Economically constrained households
West	Highly diversified, asset-secure households	Productive-asset-rich, low-hedge households	Aspirational, mobility- and hedge-oriented households

## 9.2 Informal finance usage by personas across regions

This section explores the intensity of informal finance usage by each of the three personas across all four regions.

Figure 29: Usage of informal finance across regional personas



### South

Persona 1 borrows strategically in the ₹30–80k mid-range. Most supplement formal credit or smooth consumption rather than depend chronically. Persona 2 represents households split between tiny loans (below ₹30k) and massive ones (above ₹1 lakh). Large-ticket borrowing signals distress from livelihood shocks or working capital gaps when formal credit fails. Persona 3 clusters tightly in the ₹30–80k range; implying that they take on controlled, purpose-driven loans for productive investments, matching their stronger asset base.

### East

Persona 1 concentrates in mid-range borrowing (₹30–80k). Structured use covers working capital and periodic needs. Persona 2 has significant shares at both extremes. One may theorise that the constituent households have heterogeneous needs, and may be mixing consumption smoothing with high-value livelihood loans. Even better-off households still lean on informal sources heavily. Persona 3 polarises sharply—large shares at the low end (below ₹30k) and upper-mid range (₹80k–₹1 lakh).

### North

All personas in the North skew heavily towards low-volume loans. Persona 3 borrows almost entirely below ₹30k, perhaps due to limited capacity and cautious lender engagement which may fit their constrained assets. Persona 2 stays low-volume but accesses mid-range (₹30–80k) slightly more. Their borrowing patterns are possibly driven by routine or seasonal needs, not investment. Persona 1 bifurcates uniquely. Most borrow small amounts, but a subset taps high-ticket loans (above ₹1 lakh) for livelihoods or shocks.

### West

The sharpest differentiation appears here. Persona 1 relies heavily on high-ticket borrowing—substantial shares above ₹1 lakh and in the ₹80k–₹1 lakh range. Since these households borrow sizeable sums, their borrowing purposes may be to fund business investment, asset buys, or major shocks. Higher capacity meets greater debt exposure. Persona 2

balances across the low (below ₹30k) and mid-range (₹30–80k), with minimal large loans. Given their moderate credit size, perhaps strategic borrowing covers working capital and periodic liquidity needs. Persona 3 concentrates overwhelmingly below ₹30k—nearly two-thirds. The small ticket size of loans may imply that borrowing is being utilised for short-term consumption smoothing or emergencies. This persona may also be characterised by lower risk appetite and constrained capacity keep borrowing small.

Across regions, informal finance serves very different functions by persona. In the South, usage scales with asset security; in the East, it cuts across personas and purposes; in the North, it remains largely small-value and necessity-driven; and in the West, it is sharply polarised, with high-ticket borrowing among stronger households and low-value borrowing among more constrained groups.

### What this means for financial service providers

The cluster analysis proves that ‘low-income households’ is not a meaningful product design category. Within each region, three distinct personas emerge with different asset profiles, income levels, borrowing behaviours, and—by implication—different financial needs. FSPs that design a single inclusion product for the Bharat segment will underserve at least two of the three personas in every region.



Figure 30: How to potentially use the personas for product and channel strategy

Region	Persona	Profile	Priority product need	Channel fit
South	Persona 1: Asset-poor workers	₹15k income, lowest across all assets	Emergency credit line + sachet insurance + micro-savings with flexible deposits	Agent-assisted digital; SHG-linked distribution
South	Persona 2: Livestock-diversifying marginal farmers	₹22k income, high livestock but low land	Livestock insurance + sea-sonal savings + working capital loan with harvest-linked repayment	SHG + veterinary services partnership; agent-led
South	Persona 3: Asset-rich landed households	₹20k income but high land, mobility, gold	Goal-based investment products + gold-linked savings + crop insurance adequacy review	Digital-first with periodic agent advisory; can handle more complex products
East	Persona 1: Asset-constrained	₹18k income, limited assets across board	Basic savings activation + emergency credit + insurance awareness drive	Agent-heavy; needs foundational trust-building
East	Persona 2: Land- and livestock-rich farmers	₹35k income, strong productive assets	Farm input financing + diversified savings (beyond single bank deposit) + formal bridge loan to reduce moneylender dependence	Agent + cooperative channel; formal-informal bridge products
East	Persona 3: Aspirational middle class	₹25k income, high mobility and gold	Starter investment (First SIP) + gold accumulation plan + health insurance upgrade	Digital-ready; responsive to education-led onboarding
North	Persona 1: Locally anchored producers	₹26k income, moderate land and high livestock	Livestock + crop insurance bundle + seasonal credit + post-harvest savings	Agent-assisted; cooperative and mandi-linked
North	Persona 2: High-income mobile households	₹56k income, high mobility and gold, lower land	Portfolio diversification (SIPs, SGBs) + comprehensive health insurance + business expansion credit	Digital-first with advisory support; can absorb complex products
North	Persona 3: Economically constrained	₹21k income, low across all indices	Emergency credit line + basic insurance awareness + simplified savings product	Agent-led; trust-building is the first priority; any product must be extremely simple
West	Persona 1: Highly diversified, asset-secure	₹44k income, highest across all indices	Wealth management lite (investment diversification, tax-efficient savings, retirement planning) + business credit at competitive rates	Digital + relationship manager; treat as premium segment within Bharat



Region	Persona	Profile	Priority product need	Channel fit
West	Persona 2: Productive-asset-rich, low-hedge	₹35k income, strong productive assets but no gold	Gold accumulation plan (hedge gap) + income protection insurance + business working capital	Hybrid digital-agent; focus on risk awareness
West	Persona 3: Aspirational, mobility- and hedge-oriented	₹28k income, lower productive assets but high mobility and gold	Micro-investment + flexible savings + small-ticket credit for asset building	Digital-first with agent support for complex decisions

**Key principle:** The personas should inform **product bundling, channel selection, and communication strategy**—not just targeting. A product designed for South Persona 1 (emergency credit for asset-poor workers) will fail if offered through a digital-only channel to North Persona 3 (economically constrained households who need agent-led trust-building first).

**The informal borrowing dimension adds another layer.** In the South, informal borrowing scales with asset security—that is, stronger personas borrow more strategically. In the East, even better-off personas lean heavily on informal sources. In the North, all personas skew towards low-volume informal loans. In the West, the sharpest polarisation exists—asset-secure households borrow large amounts informally while constrained households borrow tiny amounts.

**Implication:** Formal credit products must be calibrated not just to the persona’s income and assets, but to their **existing informal borrowing pattern**. A household already carrying ₹1 lakh in informal debt (West Persona 1) needs a different conversation and a different product than one borrowing ₹20,000 for consumption smoothing (West Persona 3).



# 10

## Final consolidated recommendation:

The FHS highlights significant regional variations and nuanced challenges in financial access, product engagement, credit experience, and resilience across India. To meaningfully address these disparities and accelerate inclusive financial health, all stakeholders need to work together.

The thematic analyses throughout this report highlight detailed, section-specific implications for FSPs (presented at the end of each theme). In this section, we consolidate those findings into regional action agendas and overarching strategic shifts.

### Regional action agendas

**East:** Awareness crisis and single-source dependency

In the East, the dominant challenge is widespread uncertainty and exclusion, particularly among renters and low-income groups heavily dependent on single informal sources. 65% of renters cannot mobilise ₹30,000 for emergencies. 78% of informal loans come from a single source. 37% of households never sought financial advice. 53% say 'don't know' when asked about their risky asset usage frequency.

Community interventions can focus on strengthening local institutions such as SHGs and peer advisor networks, formalising informal lenders through certifications, and building social trust around credit and advice. A financial health worker model—community members trained and compensated for household-level financial health check-ups—could begin to fill the acute advice vacuum.

Product and process innovation can support in unsecured micro-credit lines, income-linked flexible repayment, and easily accessible digital payment bundles combined with transparent feedback mechanisms on credit decisions. Emergency credit lines for renters (pre-sanctioned, drawable via UPI, no collateral) address the most acute vulnerability. Formal bridge loans matching informal speed and simplicity can reduce single-source dependencies.

Policy priorities include promoting clearer communication about government insurance schemes (addressing the 'premium invisibility' crisis), enforcing denial reason disclosures, and investing in rural phygital infrastructure to close access gaps and improve financial literacy. This region's patchy infrastructure—significant 'no access' and 'only physical' pockets in both urban and rural areas—requires targeted last-mile investment.

**West:** High credit denial amid strong engagement

The West shows the highest credit denial rates (65% of users) despite broad formal access and relatively mature phygital ecosystems. Newer customers have the highest access scores but the lowest usage scores—which shows a massive activation gap. DFS acceptance exceeds 95%, yet this digital maturity has not translated into deep financial engagement for all segments.

Advisory and activation efforts can target the input-to-output gap among newer customers. The first 90 days activation programme—structured onboarding with 5–7 touchpoints including welcome call, first transaction incentive, savings goal setup, and agent check-in—addresses the West's specific pipeline break. Salaried and business users who have navigated the system can serve as peer advocates and referral sources.

FSPs could focus on dynamic underwriting models incorporating alternative data (UPI cash flows, savings behaviour, SHG records) to reduce denial rates. Tailored products for volatile income earners—flex-EMI microloans, episodic savings—address the wide outcome gap between predictable and unpredictable earners. Renter-specific co-guarantor schemes and rent-payment credit reporting can build credit identity for the asset-poor but income-active renter segment.

Government and regulators can support guarantee funds for flexible products, address literacy drop-offs across customer vintages, and replicate proven phygital models from the West's rural successes (which show the best rural dual-access penetration across all regions) nationwide. Transparent denial with guided next steps should become standard practice.

**South:** Network-driven market with smooth customer journeys

In the South, the financial landscape is shaped primarily by social and intermediary networks, combined with smoother onboarding and engagement over customer vintages. The 2–5-year cohort leads on both usage and outcomes, suggesting an effective learning curve. 44% of advice comes from third-party providers and 40% from social networks—formal FSPs provide only 13%. DFS multi-service adoption exceeds 70%.

Community-driven activities can encompass training and certifying third-party advisors and leveraging SHG-based savings-plus literacy initiatives to reinforce community norms supporting financial health. The network-driven advice model is a strength to be regulated and scaled, not replaced. Quality assurance, standardised curricula, and outcome-linked incentives can professionalise what already works.

FSPs could align product design with trusted intermediaries, offering intermediary-partnered savings and credit products, and developing transition pathways from informal ROSCAs to formal savings accounts. The South's mature saving culture (68% use risk-free assets many times a month; 71% of risky asset users engage frequently with zero 'don't know' responses) signals readiness for wealth-building products such as goal-based SIPs, gold accumulation plans, farm-linked investment products, and portfolio diversification tools—that move beyond basic deposits and LIC.

Regulatory mandates could ensure quality control over intermediaries and expand rural phygital infrastructure, along with embedding product innovations (like volatility-aware products) which into flagship schemes. The South's smooth customer journey from access to outcomes provides a model that other regions can learn from—but the reliance on unregulated intermediaries for advice carries mis-selling risk that needs proactive management.

**North:** Self-exclusion and rural infrastructure gaps

The North faces barriers from both self-exclusion and uneven rural-urban infrastructure, which impact credit availability and advice channels. 40% lack physical access within walking distance. Newer customers show low trust and are not converting access into engagement. Significant numbers fall into 'didn't try' for credit. Older customers (10+ years) are deeply integrated and high-performing—but this incumbency advantage is not being replicated for newer cohorts.

Structured entrepreneurship and farmer co-op models can build community financial literacy and trust among underserved groups. The North's Persona 1 (locally anchored producers with ₹26k income and high livestock) and Persona 3 (economically constrained at ₹21k) both need trust-building as a precondition for product adoption. Local peer testimonials and intermediary-assisted applications can overcome the self-exclusion barrier.

Product and process innovations could simplify KYC processes to lower onboarding friction, enhance rural agent networks (the highest priority infrastructure investment across all regions), and design activation programmes tailored to newer customers. The farmer segment—with the highest input scores in the North but low DFS adoption—needs advisory-first digital engagement (crop information > insurance > savings > credit) rather than payments-led onboarding.

Policy investments in rural last-mile phygital infrastructure, awareness campaigns targeting 'didn't try' populations, and building farmer-credit linkages can significantly improve all three metrics of input, output, and outcome. Trust-rich, agent-assisted product bundles (credit + insurance + savings) with simple, outcome-linked promises, co-branded with local institutions, offer the best path to converting the North's high-access older cohort model into a replicable journey for newer customers.

**Key takeaways for financial service providers**

These strategic shifts are not only commercially sound—they are increasingly aligned with regulatory direction. The Reserve Bank of India (RBI)'s National Strategy for Financial Inclusion (2025–30) explicitly moves beyond access targets to track whether financial services improve household security and resilience. RBI's emerging customer outcome monitoring framework for non-banking financial companies (NBFCs) and MFIs signals that supervisors will assess whether lending practices are improving or degrading borrower financial health. Insurance Regulatory and Development Authority of India's (IRDAI) push to deepen insurance penetration in underserved districts makes the FHS's 'premium invisibility' finding directly relevant to compliance strategy. And Securities and Exchange Board of India's (SEBI) drive for mutual fund penetration in B-30 cities aligns with the FHS evidence that investment product awareness and adoption remain negligible among farmers and daily-wage workers outside the South. For FSPs, adopting financial health measurement now is a way to get ahead of these converging regulatory expectations—while simultaneously building the evidence base for better product decisions.

The thematic analyses throughout this report point to five overarching strategic shifts that FSPs serving the Bharat segment should prioritise:

**1. Measure what matters: Shift from access metrics to financial health outcomes**

The FHS demonstrates that access, usage, and outcomes are connected but not the same. Tracking account openings and transaction volumes misses the real story. FSPs that adopt input–output–outcome measurement as a standard practice—and link it to business KPIs like delinquency, lifetime value, and cross-sell—will make better product decisions, build regulatory goodwill under NSFI 2025–30, and differentiate their brand with impact investors and customers alike.

**2. Design for volatility: The majority of your customers do not earn monthly salaries**

Income and expense unpredictability is the single most consistent drag on financial health across regions. Products designed for monthly salaried customers—fixed EMIs, rigid RDs, annual premium cycles—structurally penalise the majority of the Bharat segment. The FSPs that redesign credit, savings, and insurance around actual cash-flow patterns (seasonal, episodic, irregular) will capture the largest underserved market in Indian financial services.

**3. Build phygital ecosystems: Digital for routine, human for trust**

The data is unambiguous: phygital wins everywhere. Digital-only access drives enrolment but not engagement or resilience. Physical-only access limits reach and convenience. The combination of the two consistently produces the highest usage and outcome scores. Investing in agents, branches, and intermediaries is not a legacy cost—it is a strategic asset, especially for complex products like credit and insurance where trust and advice are prerequisites for adoption.



#### 4. Partner with informality: Complement, don't compete

Informal finance is not the problem to be solved—it is the ecosystem to be integrated. Households using both formal and informal channels show higher formal engagement and, in many regions, better outcomes. FSPs that recognise SHG membership, accept informal repayment histories, train local intermediaries as certified advisors, and design bridge products that offer formal benefits at informal speed will build deeper, more resilient customer relationships.

#### 5. Serve personas, not segments: One inclusion product is not enough

The cluster analysis proves that the Bharat segment contains distinct personas with different assets, income patterns, borrowing behaviours, and financial needs. A single product or engagement model will underserve most of them. The FSP that builds persona-specific bundles—combining the right product, the right channel, and the right communication—for each archetype will achieve both better outcomes and better unit economics.

### Cross-regional imperatives

Focus area	Recommendation
<b>Volatility-aware design</b>	Embed flexible EMIs, episodic savings, and seasonal insurance across product lines. Build phygital ecosystems where digital rails handle routine tasks, and human touch-points handle advice, troubleshooting and complex journeys.
<b>Trusted local channels</b>	Use locally trusted actors (SHGs, merchants, leaders) as primary interface for all financial education. Create peer role models in each region that reflect local realities: renters in the East, gig and platform workers in the South, smallholder farmers in the North and shopkeepers in the West.
<b>Shift from access to health</b>	Track and incentivise improvements in resilience metrics, not just account or transaction counts. Build dedicated protection for structurally vulnerable groups: renters without assets, volatile earners, advice-poor regions and those relying on a single informal lender.

#### A final note: The business case for financial health

It is tempting to frame financial health measurement as a social responsibility exercise. The FHS data suggests it is equally a commercial imperative.

Customers with stronger outcome scores are likely to be better credit risks—they can absorb shocks without defaulting. They are more valuable over their lifetime—they deepen engagement and diversify product holding. And they are more likely to advocate for the provider within their communities.

The underserved Bharat segment is not a charity case—it is the largest untapped market in Indian financial services. Over 800 million adults, the majority of whom are not yet meaningfully served by formal finance. The FSPs that learn to design for volatility, partner with informal ecosystems, and measure what matters—financial health, not just financial access—will capture disproportionate value as this market matures.

The FHS is designed to be the diagnostic engine that powers this learning. The baseline is now set. What happens next depends on whether the industry chooses to act on what the data is telling us.

# 11

## Looking ahead: Wave 2 and beyond

The baseline FHS establishes a starting point—it reveals patterns, surfaces gaps, and generates hypotheses. But a single cross-sectional snapshot cannot answer the questions that matter most: Are households getting healthier over time? Which interventions actually move the needle on outcomes? What happens to financial health after a shock? Answering these questions requires tracking similar households over time.



## How FSPs can participate

The FHS is designed as a collaborative platform. Its value grows with participation—more FSPs, more geographies, more customer segments create a richer, more actionable evidence base for the entire ecosystem.

Wave 2 offers the following engagement models:

Model	What the FSP contributes	What the FSP receives	Best suited for
<b>Observer</b>	No direct participation	National and regional financial health benchmarks. Directional market intelligence on Bharat segment needs and gaps.	FSPs exploring the Bharat segment; impact investors seeking market intelligence; industry bodies and associations
<b>Participant</b>	Core FHS module administered to a representative sample of the FSP's customers (sample size agreed jointly).	Benchmarking report against regional and national baselines; financial health profiles for specific customer segments.	Mid-size FSPs seeking to measure and report impact; MFIs responding to regulatory expectations around customer outcome monitoring.
<b>Strategic partner</b>	Core module + custom questions + optional oversampling of target segments.	Everything in participant, plus product gap analysis, longitudinal tracking, and anonymised peer comparison with FSPs in the same geographies.	Large FSPs, small finance banks (SFB), and FinTechs investing in the Bharat segment; organisations seeking to differentiate on customer outcomes and build evidence-based product strategy.

### Get involved

The baseline is set. The question is: who will help build what comes next?

**Financial service providers:** Contact us to discuss participation models and customisation options. Early conversations are non-binding.

**Investors and DFIs:** The FHS can serve as a standardised financial health benchmark across your portfolio. Encouraging investees to participate creates consistent, comparable outcome data.

**Regulators and policymakers:** The FHS produces segment-level financial health data that complements supply-side indicators with demand-side outcome measures. We welcome alignment conversations with the NSFI monitoring framework.

**Researchers:** Anonymised baseline data will be available for academic research under appropriate data-sharing agreements. We welcome methodological collaboration.

# 12

## Methodology and sampling—partners; quants

### 1. Research design and scope

FHS represents a pioneering baseline assessment of household financial well-being across India's underserved communities. PwC and DRF jointly orchestrated this pilot initiative, enlisting multiple specialised partners to reach populations historically excluded from mainstream financial analysis. The survey captured insights from 4,000 households spread across 18 districts in seven states, establishing critical baseline metrics against which future waves can measure progress.



This foundational dataset wasn't random. Rather, it purposefully targeted households with limited access to formal financial services and support networks—exactly the populations whose financial trajectories matter most for policy and practice.

**Geographic coverage and regional distribution**

The survey's geographic footprint reflects strategic selection across India's diverse economic landscape. Four distinct regions organised the data collection effort:

- North region encompasses 1,000 household responses collected from Uttar Pradesh and Madhya Pradesh
- South region comprises 1,000 responses from Kerala and Tamil Nadu
- East region represents 1,000 responses from West Bengal
- West region includes 1,000 responses from Rajasthan and Maharashtra.

This four-region structure ensures representation across multiple economic zones, climate patterns, and financial service ecosystems. The stratification allows researchers to identify whether financial behaviours and challenges manifest consistently across geographies, or whether regional nuances demand tailored approaches.

**Sampling strategy and target populations**

The survey strategically zeroed-in on these specific population segments: households across different city tiers (urban, peri-urban, and rural), communities connected to microfinance institutions, and groups organised through self-help groups (SHGs) and joint liability groups (JLGs).

This deliberate targeting recognised a fundamental truth about financial exclusion—it clusters in particular communities and geographies. By concentrating effort on these populations, the survey captures the experiences of people whose financial lives remain least documented in national statistics.

**Data collection partners and their role**

Three organisations drove field operations, each bringing existing relationships and networks that accelerated data collection while ensuring cultural competence:

**Haqdarshak**

Haqdarshak served as the primary data collection partner across the Western and Northern states. They reached 2,000 households spanning Maharashtra, Rajasthan, Uttar Pradesh, and Madhya Pradesh—covering two districts in each state with equitable distribution ensuring representative sampling.

**Sampling distribution:**

- Total households reached: 2,000
- Per state allocation: 500 households
- Per district allocation: 250 households

**AMFI West Bengal**

The All-India Microfinance Institution Association's West Bengal chapter expanded the survey's geographic footprint considerably. AMFI connected research teams with 1,000 households across six West Bengal districts, leveraging deep integration within the region's financial services ecosystem. Their existing relationships with microfinance clients and community organisations streamlined participant recruitment.

**Sampling distribution:**

- Total households reached: 1,000
- Number of districts covered: 6
- Average households per district: Approximately 167 households

**RSB Insight and Keshava Prabha Microfin**

These partners collaborated to bring 1,000 customer households from Tamil Nadu and Kerala into the study. Rather than recruiting from scratch, they drew participants from KP Microfinance's existing client base—a pragmatic approach that ensured respondents had some exposure to formal financial services and could discuss credit relationships meaningfully. The team surveyed two districts in each Southern state.

**Sampling distribution:**

- Total households reached: 1,000
- Per state allocation: 500 households
- Per district allocation: 250 households

**About the survey:**

- 15–25 minutes to administer
- Can be administered telephonically or in person

- Administered in partnership with civil society organisation, by community-based enumerators<sup>31</sup> with knowledge of local context

The sampling strategy for the FHS included households across different city tiers, communities connected through microfinance, and groups organised via self-help groups (SHGs) and joint liability groups (JLGs).

**2. Survey instrument**

The financial health survey instrument systematically assesses financial lives of households through six interconnected themes, from socio-demographic foundations to physical assets and cashflow stability. It captures access, usage, and financial resilience via ~25 minutes of targeted questions with structured response options (e.g. Yes/No, multi-select, value bands, numeric entries). This modular design enables robust segmentation and links household profiles to financial health outcomes.

Consent form	No.	Questions	Options
	1	Do you agree to participate?	1. Yes 2. No
	2	Do you have any questions? Please ask your questions now and the I will answer them to the best of my ability. If your question has been answered, may we proceed with the questionnaire?	1. Yes 2. No

31. The surveyors recruited from the community are provided appropriate training to ensure cross-country standardisation and rigour.

## Theme 1: Household features (Socio-demographic)

This theme establishes baseline demographics for contextualising financial behaviours across regions and occupations.

No.	Questions	Options
1	State (To be pre-filled by surveyor)	
2	District (To be pre-filled by surveyor)	
3	What is your region type?	1. Urban 2. Rural
4	What is your gender?	1. Male 2. Female 3. Others
5	What is your age?	[Numerical entry]
6	How many members are present in your household? (A household is defined as being composed of blood relatives, or sharing the same kitchen if they physically share the same house. If your son/daughter has migrated for work, they may be considered as part of the household, while a married daughter may not.)	[Numerical entry]
7	How many members of your household are earning?	[Numerical entry]
8	How many members of your household have migrated elsewhere?	[Numerical entry]

No.	Questions	Options
9	How would you classify your family's primary occupation?	1. Self-employed in agriculture 2. Self-employed in non-agriculture 3. Regular wage/salary earning 4. Casual labour in agriculture 5. Casual labour in non-agriculture 6. Unemployed 7. Retired 8. Others 9. Don't know 10. Don't want to answer
10	What are the primary source(s) of income for you and/or your household?	I. Salary I. Business III. Farming IV. Remittance V. Pension VI. Daily wage/freelance VII. None
11	What kind of KYC document do you use for your engagement with financial service providers? (Choose all applicable under all category)	i. Address proof (e.g.: Aadhaar/ rent agreement/ electricity bill/ sale deed/ passport/ voter ID/ driving licence) ii. Identity proof (e.g.: Passport/ voter ID/ driving license/ student ID card from a renowned institute) iii. PAN card iv. Don't know v. Don't want to answer

## Theme 2: Financial services infrastructure

This gauges physical/digital access, language barriers, and payment integration in daily life.

No.	Questions	Options
1	Are you able to use financial service access points such as bank branches, post offices, AePS/kirana stores/business correspondents, ATMs, within 15 minutes of walking distance as and when required?	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> <li>3. Don't know</li> <li>4. Don't want to answer</li> </ol>
2	In your go-to financial institutions, do you find financial product documents in the vernacular language? For example: Bengali, Hindi, etc.	<ol style="list-style-type: none"> <li>i. Yes</li> <li>ii. Yes, for some products</li> <li>iii. No</li> <li>iv. Not applicable (I don't have a go-to financial institution)</li> <li>v. Don't know</li> </ol>
3	In the last month, did you or anyone in your household use any digital financial service (such as debit or credit card, net banking, mobile banking, UPI, payment wallets)?	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> <li>3. Don't know</li> </ol>
4	If yes, for which of the following purposes did you or anyone in your household use digital financial services?	<ol style="list-style-type: none"> <li>1. Transferring money (within country)</li> <li>2. Receiving remittance from abroad</li> <li>3. Bill payments</li> <li>4. Merchant payment (for any purchases you made)</li> <li>5. Receiving wages/ salary from employer digitally (bank account/e-wallet)</li> <li>6. Receiving government transfers digitally (from MGNREGS, PM-KISAN scheme, maternity or any other state level schemes)</li> </ol>
5	(If 'Transferring money within country' is selected) What is the frequency of making such transfers?	<ol style="list-style-type: none"> <li>i. Once in a quarter</li> <li>ii. Once in a month</li> <li>iii. Once in a week</li> </ol>
6	(If 'Transferring money within country' is selected) What is the transfer fees paid in percentage of transfer value?	<ol style="list-style-type: none"> <li>1. 1–2%</li> <li>2. 2–4%</li> <li>3. 4–6%</li> <li>4. &gt; 6%</li> <li>5. NA</li> </ol>



No	Questions	Options
7	Do shops and other service providers (e.g.: beauty parlours, plumbers, provision stores, auto rickshaws, etc.) in your locality accept payments digitally?	<ol style="list-style-type: none"> <li>1. Yes</li> <li>2. No</li> <li>3. Don't know</li> </ol>
8	What are the type of payment modes used by you and your household? (Select all that apply)	<ol style="list-style-type: none"> <li>i. Cash</li> <li>ii. UPI</li> <li>iii. Net banking</li> <li>iv. PPI card</li> <li>v. Debit card</li> <li>vi. Credit card</li> <li>vii. Don't know</li> <li>viii. Don't want to answer</li> </ol>

## Theme 3: Financial assets and liabilities

This captures formal asset holdings, usage, advice, borrowing terms, and informal reliance.

No	Questions	Options
1	Do you or anyone in your household own the following transactional assets:	<ol style="list-style-type: none"> <li>1. Saving accounts (from bank or post-office)</li> <li>2. FD, RD, NSC etc.</li> <li>3. SIP, listed shares, mutual funds etc.</li> <li>4. Health insurance</li> <li>5. Life insurance</li> <li>6. Asset insurance (home, shop, crop, cattle, vehicle, etc.)</li> <li>7. Old age income support (national old age income support, EPF, PPF)</li> <li>8. Don't know</li> <li>9. Don't want to answer</li> </ol>



No	Questions	Options
2	(If "savings account" selected) How often do you deposit/withdraw/operate this account?	<ol style="list-style-type: none"> <li>1. Many times in a month</li> <li>2. Once a month</li> <li>3. Once in 3 months</li> <li>4. Once in 6 months</li> <li>5. Once in 12 months</li> <li>6. More than a year ago</li> <li>7. Don't know</li> <li>8. Don't want to answer</li> </ol>
3	(If "savings account" selected) What is the value of total savings in bank account?	<ol style="list-style-type: none"> <li>1. 0–5,000</li> <li>2. 5,001–10,000</li> <li>3. 10,001–50,000</li> <li>4. 50,000+</li> <li>5. Don't know</li> <li>6. Don't want to answer</li> </ol>
4	(If "FD/RD/NSC" is selected) How often do you use (invest in/ withdraw from) ----- [chosen risk-free assets]?	<ol style="list-style-type: none"> <li>1. Many times in a month</li> <li>2. Once a month</li> <li>3. Once in 3 months</li> <li>4. Once in 6 months</li> <li>5. Once in 12 months</li> <li>6. More than a year ago</li> <li>7. Don't know</li> <li>8. Don't want to answer</li> </ol>
5	(If "FD/RD/NSC" is selected) What is the total value invested in ----- [chosen risk-free assets]?	<ol style="list-style-type: none"> <li>1. 0–10,000</li> <li>2. 10,001–30,000</li> <li>3. 30,001–80,000</li> <li>4. 80,001–1,00,000</li> <li>4. &gt;1,00,001</li> <li>5. Don't know</li> <li>6. Don't want to answer</li> </ol>

No	Questions	Options
6	(If "SIP, listed shares, mutual funds" is selected) How often do you use (invest in/buy or sell/withdraw from) ----- [chosen risky assets]?	<ol style="list-style-type: none"> <li>1. Many times in a month</li> <li>2. Once a month</li> <li>3. Once in 3 months</li> <li>4. Once in 6 months</li> <li>5. Once in 12 months</li> <li>6. More than a year ago</li> <li>7. Don't know</li> <li>8. Don't want to answer</li> </ol>
7	(If "SIP, listed shares, mutual funds" is selected ) On average, how much do you invest in ----- [chosen risky assets] every ----- [risky_asset_usage]?	<ol style="list-style-type: none"> <li>1. 0–5,000</li> <li>2. 5,001–10,000</li> <li>3. 10,001–50,000</li> <li>4. 50,000+</li> <li>5. Don't know</li> <li>6. Don't want to answer</li> </ol>
8	(If "Health insurance" is selected ) How often do you pay a premium for or renew your health insurance?	<ol style="list-style-type: none"> <li>1. Do not need to pay premium/renew (true in case of public insurance schemes)</li> <li>2. Whenever it is due</li> <li>3. Sometimes</li> <li>4. Paid premium but did not renew it</li> <li>5. Not applicable</li> <li>6. Don't know</li> <li>7. Don't want to answer</li> </ol>
9	(If "Health insurance" is selected)What is the sum insured value covered in the insurance policy or purchase value of the last policy?	<ol style="list-style-type: none"> <li>1. Less than 1 lakh</li> <li>2. 1–5 lakh</li> <li>3. More than 5 lakhs</li> <li>4. Don't know</li> <li>5. Don't want to answer</li> </ol>



No	Questions	Options
10	(If "Life insurance" is selected) How often do you pay a premium for or renew your investment in life insurance?	<ol style="list-style-type: none"> <li>1. Do not need to pay premium/renew (true in case of public insurance schemes)</li> <li>2. Whenever it is due</li> <li>3. Sometimes</li> <li>4. Paid premium but did not renew it</li> <li>5. Not applicable</li> <li>6. Don't know</li> <li>7. Don't want to answer</li> </ol>
11	(If "Life insurance" is selected) What is the sum insured value covered in the insurance policy or purchase value of the last policy?	<ol style="list-style-type: none"> <li>1. Less than 1 lakh</li> <li>2. 1-5 lakh</li> <li>3. More than 5 lakhs</li> <li>4. Don't know</li> <li>5. Don't want to answer</li> </ol>
12	(If "Asset insurance" is selected) How often do you pay a premium for or renew your investment in asset insurance?	<ol style="list-style-type: none"> <li>1. Do not need to pay premium/renew (true in case of public insurance schemes)</li> <li>2. Whenever it is due</li> <li>3. Sometimes</li> <li>4. Paid premium but did not renew it</li> <li>5. Not applicable</li> <li>6. Don't know</li> <li>7. Don't want to answer</li> </ol>
13	(If "Asset insurance" is selected) What is the ticket size of the last bought insurance policy?	<ol style="list-style-type: none"> <li>1. Less than 1 lakh</li> <li>2. 1-5 lakh</li> <li>3. More than 5 lakhs</li> <li>4. Don't know</li> <li>5. Don't want to answer</li> </ol>
14	(If "Old age assets" is selected) How often do you deposit in/withdraw from pension instrument/EPF/PPF accounts?	<ol style="list-style-type: none"> <li>1. Many times in a month</li> <li>2. Once a month</li> <li>3. Once in 3 months</li> <li>4. Once in 6 months</li> <li>5. Once in 12 months</li> <li>6. More than a year ago</li> <li>7. Don't know</li> <li>8. Don't want to answer</li> </ol>

No	Questions	Options
15	(If "Old age assets" is selected) What is the current cumulative combined value in your pension instrument/EPF/PPF?	<ol style="list-style-type: none"> <li>1. 0-100,00</li> <li>2. 10,001-30,000</li> <li>3. 30,001-80,000</li> <li>4. 80,001-1,00,000</li> <li>4. &gt;1,00,001</li> <li>5. Don't know</li> <li>6. Don't want to answer</li> </ol>
16	Who did you receive financial advice from, for any formal financial asset (multiple select)?	<ol style="list-style-type: none"> <li>1. Tried but did not receive any professional advice</li> <li>2. Did not try to seek any professional advice</li> <li>3. Received professional advice from the FSP themselves</li> <li>4. Third party</li> <li>5. Social network</li> <li>6. Don't know</li> <li>7. Don't want to answer</li> </ol>
17	Do you or anyone in your household have an outstanding borrowing (active loans) from banks, NBFC dealers, SHGs (either via a bank loan or an NGO linked SHG), MFIs or credit cards for any purpose?	<ol style="list-style-type: none"> <li>1. Y</li> <li>2. N</li> <li>3. Don't know</li> <li>4. Don't want to answer</li> </ol>
18	If ("Yes"), what is the total amount of loan taken	<ol style="list-style-type: none"> <li>1. 0-10,000</li> <li>2. 10,001-30,000</li> <li>3. 30,001-80,000</li> <li>4. 80,001-1,00,000</li> <li>4. &gt;1,00,001</li> <li>5. Don't know</li> <li>6. Don't want to answer</li> </ol>
19	If ("Yes"), tenure of the loan (months range)	<ol style="list-style-type: none"> <li>1. &lt;1 year</li> <li>2. 1-2 years</li> <li>3. 2-3 years</li> <li>4. 3+ years</li> </ol>
20	Who did you (or someone else in your family) receive financial advice from, while availing formal credit?	<ol style="list-style-type: none"> <li>i) Third-party financial advisor</li> <li>ii) Social network</li> <li>iii) Did not seek advice</li> <li>iv.) Did not receive advice</li> <li>v) Don't know</li> </ol>



21	How long have you or your household been associated with any formal financial institution to deposit savings, take loans, or purchase insurance?	<ol style="list-style-type: none"> <li>1. &lt;2 years</li> <li>2. 2 to 5 years</li> <li>3. 6 to 10 years</li> <li>4. &gt;10 years</li> </ol>
22	In the past 12 months, in case you tried to get a loan from a formal financial institution, did you get rejected?	<ol style="list-style-type: none"> <li>1. Y</li> <li>2. N</li> <li>3. Did not try</li> <li>4. Don't know</li> </ol>
23	For what kind of needs do you rely on informal financial products? (select all that apply)	<ol style="list-style-type: none"> <li>i. Day-to-day functioning</li> <li>ii. Borrowing</li> <li>iii. Sale of assets (e.g. gold, livestock, other physical assets)</li> <li>iv. Financing unexpected events (e.g. medical shocks)</li> <li>v. Financing expected life events (e.g. marriage, education)</li> <li>vi. Others, please specify</li> <li>vii. Do not use informal finance</li> <li>viii. Don't know</li> </ol>
24	(If Yes for getting informal finance) what is the amount of loan taken through informal sources?	<ol style="list-style-type: none"> <li>1. 0 –10,000</li> <li>2. 10,001–30,000</li> <li>3. 30,001–80,000</li> <li>4. 80,001–1,00,000</li> <li>4. &gt;1,00,001</li> <li>5. Don't know</li> <li>6. Don't want to answer</li> </ol>

## Theme 4: Financial well-being

This blends objective resilience with subjective confidence and service experiences.

No.	Questions	Options
1	Are you and your household able to meet basic needs?	<ol style="list-style-type: none"> <li>i. Cannot meet basic needs</li> <li>ii. Can meet some basic needs</li> <li>iii. Can meet most basic needs</li> <li>iv. Can meet all basic needs with no surplus left over</li> <li>v. Have money left over after meeting basic needs</li> <li>vi. Don't know</li> </ol>
2	Over the last three months, were you and your household able to make your payments (bills and rent) on time and in full?	<ol style="list-style-type: none"> <li>1. Y</li> <li>2. N</li> <li>3. Don't know</li> <li>4. Don't want to answer</li> </ol>
3	(If "Yes") How did you manage to make these payments?	<ol style="list-style-type: none"> <li>1. Used monthly disposable income</li> <li>2. Take an advance from an employer</li> <li>3. Used savings</li> <li>4. Borrowed</li> <li>5. Sold an asset</li> <li>6. Broke an FD</li> <li>7. Tapped into retirement savings</li> <li>8. Did not pay insurance premium</li> <li>9. Rely on social network (friends, family, relatives, neighbours)</li> <li>10. We are not (would not be) able to come up with the money</li> <li>11. Don't know</li> <li>12. Don't want to answer</li> </ol>



No	Questions	Options
4	Does paying back the money you owe (to any lender) make it difficult for you to pay for other things you need?	<ol style="list-style-type: none"> <li>1. Y</li> <li>2. Sometimes</li> <li>3. N</li> <li>4. Don't know</li> <li>5. Don't want to answer</li> </ol>
5	In the past 12 months, have you or anyone in your family been contacted by a person or company trying to collect debt from you when it was past your due date?	<ol style="list-style-type: none"> <li>1. Y</li> <li>2. N</li> <li>3. Don't know</li> <li>4. Don't want to answer</li> </ol>
6	How many weeks or months would your savings last if your income stopped?	<ol style="list-style-type: none"> <li>i. Less than a week</li> <li>ii. 1–3 weeks</li> <li>iii. 1–2 months</li> <li>iv. 2–3 months</li> <li>v. 3–5 months</li> <li>vi. 6 months or more</li> <li>vii. Don't know</li> <li>viii. Don't want to answer</li> </ol>
7	If you or anyone in your family experiences an unexpected emergency, and have to collect ₹30,000 for the expenses, how long would it take you?	<ol style="list-style-type: none"> <li>1. We would not be able to come up with the money</li> <li>2. Immediately</li> <li>3. Less than a week</li> <li>4. Between 1–2 weeks</li> <li>5. More than 2 weeks</li> <li>6. Don't know</li> </ol>
8	If you or anyone in your family experiences an unexpected emergency, how would you obtain funds to meet the expenses? (Select all that apply)	<ol style="list-style-type: none"> <li>1. Money from working (use current or monthly salary)</li> <li>2. Rely on your social network (e.g. friends, immediate family, relatives, neighbours, employer and/or local authorities)</li> <li>3. Rely on insurance</li> <li>4. Draw down savings/investments</li> <li>5. Borrow</li> <li>6. Sell gold</li> <li>7. Sell other physical asset</li> <li>8. Pledge gold</li> <li>9. Pledge other physical asset</li> <li>10. Don't know</li> </ol>

No	Questions	Options
9	Are you and/or your household saving money to meet some long-term goals?	<ol style="list-style-type: none"> <li>1. Y</li> <li>2. N</li> <li>3. Don't know</li> <li>4. Don't want to answer</li> </ol>
10	Are you and/or anyone in the household saving money to meet expenses during old age?	<ol style="list-style-type: none"> <li>1. Y</li> <li>2. N</li> <li>3. Don't know</li> <li>4. Don't want to answer</li> </ol>
11	Are you confident in your ability to take financial decisions on behalf of yourself or the household?	<ol style="list-style-type: none"> <li>1. Y</li> <li>2. N</li> <li>3. Don't know</li> <li>4. Don't want to answer</li> </ol>
12	Do you feel confident that the financial instruments you are having (such as bank account, insurance, gold) will provide support when you need them to?	<ol style="list-style-type: none"> <li>1. Very confident</li> <li>2. Somewhat confident</li> <li>3. Slightly confident</li> <li>4. Not at all confident</li> <li>5. Don't know</li> </ol>
13	How often have you had negative experiences with financial services where you did not feel respected or where you felt mistreated or any other kind of negative experiences (experience problems, discrimination, long waiting time, etc.)?	<ol style="list-style-type: none"> <li>1. Always</li> <li>2. Frequently</li> <li>3. Sometimes</li> <li>4. Never</li> <li>5. Don't know</li> </ol>
14	In case you experience a complaint/query pertaining to any of the financial products or services you are availing, how do you prefer to resolve the query?	<ol style="list-style-type: none"> <li>1. Online</li> <li>2. Support call</li> <li>3. Offline branch</li> <li>4. None</li> </ol>
15	What are your preferred mode(s) of savings and investments? (select all that apply)	<ol style="list-style-type: none"> <li>1. Bank deposits</li> <li>2. LIC policy</li> <li>3. Post office deposits</li> <li>4. Mutual fund</li> <li>5. PF</li> <li>6. NPS</li> <li>7. Don't know</li> </ol>

No	Questions	Options
16	Have you ever experienced any attempt of financial fraud?	1. Yes 2. No 3. Don't know
17	If yes, through which of the following channels did you experience such fraud attempts?	i. Online ii. Offline iii. Both iv. None
18	How confident are you about your financial future?	1. Not at all confident 2. Somewhat confident 3. Very confident 4. Other, specify 5. Don't know 6. Don't want to answer



### Theme 5: Household cashflows

This quantifies income levels, sources, and predictability for volatility analysis.

No	Questions	Options
1	What was the monthly income of the whole household in the last year on an average?	[Numerical entry]
2	What are the primary source(s) of income for you and/or your household?	I. Salary II. Business III. Farming IV. Remittance V. Pension VI. Daily wage/freelance VII. None
3	In any given month per year, are you and your household certain about your expected income?	1. Yes 2. No 3. Don't know
4	In any given month per year, are you certain about your expected expenses?	1. Yes 2. No 3. Don't know

### Theme 6: Physical assets

This inventories tangible wealth, housing, gold, cash, and connectivity as buffers.

No	Questions	Options
<b>How many units do you or your household own of each of the following:</b>		
1	Plot of land for non-agri purpose	[Numerical entry]
2	Independent house/residential apartment	[Numerical entry]



No	Questions	Options
<b>How many units do you or your household own of each of the following:</b>		
3	Office space or shop	[Numerical entry]
4	Plot of land for agriculture	[Numerical entry]
5	Bicycle	[Numerical entry]
6	Motorbike/scooter	[Numerical entry]
7	Car	[Numerical entry]
8	Tractor	[Numerical entry]
9	Livestock like cow/buffalo/goat/rooster	[Numerical entry]
10	Regular mobile phone	[Numerical entry]
11	Smartphone	[Numerical entry]
12	Do you or your household have network connectivity on your mobile phone, that is, can you make or receive phone calls?	1. Yes 2. No 3. Don't know
13	Do you have access to internet connection (mobile network, Wi-Fi, or portable internet devices)	1. Yes 2. No 3. Don't know
14	If you have a smartphone, do you have access to the internet through mobile data, Wi-Fi or portable internet devices?	1. Yes 2. No 3. Don't know
15	Which of these describes your living arrangement?	1. Own the house you live in 2. Pay rent for the house you live in 3. Don't know
16	Do you or anyone in your household own gold (bars, jewellery, coins)	1. Yes 2. No 3. Don't know 4. Don't want to answer

No	Questions	Options
<b>How many units do you or your household own of each of the following:</b>		
17	Do you have savings in cash?	1. Yes 2. No 3. Don't know 4. Don't want to answer
18	How much do you have saved in cash?	1. 0–5,000 2. 5,001–10,000 3. 10,001–30,000 4. 30,001–50,000 5. 50,001–1,00,000 6. >1,00,000 7. Don't know 8. Don't want to answer
19	At this time, how much money do other people owe to you?	1. 0–5,000 2. 5,001–10,000 3. 10,001–30,000 4. 30,001–50,000 5. 50,001–1,00,000 6. >1,00,000 7. Don't know 8. Don't want to answer

## 2. Limitation and caveats

The Financial Health Survey is a first-of-its-kind baseline assessment designed to surface patterns and generate hypotheses about the financial health of India's underserved populations. Like any survey of this nature, it operates within methodological boundaries that readers should bear in mind when interpreting findings and making decisions based on them. We present these transparently—not as weaknesses, but as parameters that define the scope of what the data can reliably tell us and what requires further investigation.

### 1. Sampling: Purposive, not nationally representative

**What this means:** The FHS sample of 4,000 households was deliberately drawn from underserved populations through partnerships with specific institutions—Haqdarshak (North and West), AMFI West Bengal (East), and RSB Insight/Keshava Prabha Microfin (South). This purposive approach was essential to reach populations that are systematically excluded from mainstream surveys and financial datasets. However, it means that:

- **The findings cannot be extrapolated to state or national populations.** When we say ‘40% of Northern respondents lack physical access’, this describes 40% of our surveyed households in select districts of Uttar Pradesh and Madhya Pradesh—not 40% of North India’s population.
- **Regional comparisons should be interpreted as indicative, not definitive.** Differences between regions may partly reflect differences in sampling partners, partner networks, and district selection rather than purely structural regional variation.
- **Certain sub-populations may be over- or under-represented.** For instance, households connected to MFIs, SHGs, and JLGs are more likely to appear in the sample than equally low-income households with no institutional affiliation. The ‘truly excluded’—those with no connection to any formal or semi-formal financial institution—may be underrepresented.

#### What we recommend readers do:

Treat regional and segment-level patterns as directional signals and working hypotheses rather than precise prevalence estimates. Where the FHS identifies a pattern (e.g. renters are more vulnerable than homeowners), the direction is likely robust even if the exact percentages would shift in a larger, probability-based sample. FSPs should validate FHS patterns against their own customer data before making major resource allocation decisions.

#### What we plan to do in future waves:

Expand the sample size, diversify sampling partners, introduce probability-based sampling within selected districts, and include control groups of households with no institutional affiliation to test for selection bias.

## 2. Partner-linked selection bias, particularly in the South

**What this means:** The 1,000 Southern respondents (Tamil Nadu and Kerala) were drawn from Keshava Prabha Microfin’s existing client base. This means:

- **All Southern respondents have some prior relationship with formal microfinance.** They have been through at least one credit cycle, have interacted with loan officers, and have experience with structured repayment. These likely biases Southern input, output, and outcome scores upward relative to what a general population sample would show.
- The South’s relatively smooth access-to-usage-to-outcome progression may partly reflect the maturity of these specific customer relationships rather than a purely regional characteristic.
- Comparisons between the South and other regions should account for this difference. When we observe that the South shows higher output scores and smoother customer vintage trajectories, part of this signal is genuine regional strength and part is sample composition.

**What we recommend readers do:** When benchmarking against Southern findings, consider whether your own customer base more closely resembles the South’s MFI-linked sample or the other regions’ more diverse samples. Southern patterns are most directly applicable to FSPs with established customer relationships in similar geographies.

#### What we plan to do in future waves:

Diversify Southern sampling to include non-MFI-linked households, SHG-only members, and unaffiliated populations. This will allow us to isolate the MFI effect from the regional effect.

## 3. Self-reported data: Recall bias, social desirability, and comprehension

**What this means:** All FHS data is self-reported by household respondents. This is standard practice for financial inclusion surveys but introduces known biases:

- **Income and savings figures may be inaccurate.** Low-income households with irregular earnings often struggle to estimate average monthly income precisely. Savings balances may be over- or under-reported depending on social context and trust in the enumerator. The FHS uses income and savings bands (e.g. ₹0–5,000, ₹5,001–10,000) rather than exact figures to mitigate this, but band-level reporting still involves estimation.
- **Social desirability bias may inflate positive responses.** Respondents may over-report formal product ownership, savings frequency, or insurance awareness if they perceive these as ‘correct’ answers. Conversely, they may under-report informal borrowing, debt stress, or inability to meet basic needs.
- **‘Don’t know’ responses carry ambiguous meaning.** Throughout the FHS, significant proportions of respondents answer ‘don’t know’ to questions about insurance premiums, investment products, physical access, and credit denial. In some cases, this genuinely reflects lack of information. In others, it may signal discomfort, question miscomprehension, or disengagement from the survey. We have generally interpreted high ‘don’t know’ rates as awareness gaps, but acknowledge that alternative explanations exist.
- **The ₹30,000 emergency fund question is a subjective scenario.** Responses to ‘How long would it take you to mobilise ₹30,000?’ reflect perceived ability, which may differ from actual ability. Some respondents may underestimate their resources (pessimism bias); others may overestimate them (optimism bias or social desirability).

#### What we recommend readers do:

Treat absolute values (e.g. average income of ₹18,000) as approximate and focus on **relative comparisons** (e.g. Region A’s respondents report higher incomes than Region B’s) and directional patterns (e.g. savings frequency increases with affordability in the South but not in the East). Where ‘don’t know’ rates are high, interpret this as a signal warranting further investigation rather than dismissing the data.

#### What we plan to do in future waves:

Introduce validation questions to cross-check key self-reported data points (e.g. asking about savings in two different ways at different points in the survey). Test question comprehension through cognitive pre-testing in each language. Where possible, triangulate self-reported data with administrative data from partner institutions (with appropriate consent).





#### 4. Survey instrument limitations

**What this means:** Several specific design choices in the current survey instrument limit the depth or precision of certain analyses:

Limitation	Impact on analysis	Planned fix for future waves
<b>Insurance questions do not distinguish between government-provided and voluntary contributory schemes</b>	Cannot determine whether 'do not need to pay premium' reflects genuine government coverage or misunderstanding. The 'premium invisibility' finding in the East may overstate or understate the awareness gap depending on actual scheme enrolment.	Add a screening question: 'Is your insurance provided by a government scheme (e.g. PMJAY, PMJJBY, PMSBY) or did you/your household purchase it separately?'
<b>No direct question on loan purpose</b>	Cannot analyse whether formal or informal borrowing is used for productive investment, consumption smoothing, emergency response, or asset acquisition. This limits the ability to assess credit quality and impact.	Add: 'What was the primary purpose of your most recent loan?' with options including business investment, agriculture inputs, education, health emergency, household consumption, asset purchase, debt repayment, and other.
<b>Limited debt burden analysis</b>	The survey captures outstanding formal and informal loan amounts and asks whether repayment is difficult, but does not systematically compute debt-to-income ratios or capture all concurrent obligations.	Add questions on total monthly repayment obligations across all formal and informal sources. Compute debt service ratios and cross-tabulate with income and outcome scores.
<b>No question on financial fraud details or resolution</b>	The survey asks whether respondents experienced fraud attempts and through which channel, but does not capture amounts lost, resolution outcomes, or behavioural changes post-fraud.	Add amount lost (if any), whether reported, resolution outcome, and whether the experience changed financial behaviour (e.g. stopped using digital channels).

- **Telephonic vs in-person administration** may produce different response patterns. Questions about sensitive topics (debt, inability to meet basic needs, informal borrowing) may elicit different answers depending on the mode of administration and the perceived privacy of the interaction.
- **Partner-specific training and quality assurance processes** varied across the three data collection organisations. While a common survey instrument and training protocol were used, on ground implementation quality may have differed.

**What we recommend readers do:** Be cautious about interpreting small differences between regions (e.g. a 2–3% point gap) as being substantively meaningful. Focus on large, consistent patterns that are unlikely to be artefacts of administration differences.

**What we plan to do in future waves:** Standardise enumerator training through a centralised certification process. Introduce inter-rater reliability checks. Record a random sample of interviews (with consent) for quality auditing. Analyse response patterns by administration mode to identify and adjust for systematic mode effects.

#### 5. Enumerator and administration effects

**What this means:** The FHS was administered by community-based enumerators recruited through partner organisations. While this approach has significant advantages (local context knowledge, language fluency, pre-existing trust), it also introduces potential variability:

- **Enumerator interpretation of open-ended or ambiguous responses** may vary across regions and partners. For example, the classification of a household's primary occupation into survey categories involves judgement that may differ between enumerators.



# Dvara Research

Dvara Research is an independent, non-partisan, not-for-profit policy research institution based in India. Its mission is to ensure that every low-income household and every small enterprise has complete access to suitable financial services and social security through a range of channels that enable them to use these services securely and confidently. Since 2008, Dvara Research has deeply analysed, and carefully written about, financial inclusion and social protection in India from policy, regulatory, and practitioner perspectives that are anchored to its mission. Its work has gained the admiration and respect of policymakers and regulators, and since its inception, Dvara Research has been a research-partner of choice for such key policy-making bodies as the Reserve Bank of India, Securities and Exchange Board of India, Pension Fund Regulatory and Development Authority etc.

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