NABARD All India Rural Financial Inclusion Survey 2021-22

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Released by- **National Bank for Agriculture and Rural Development (NABARD)**

About the report-

The **NABARD All India Financial Inclusion Survey 2021-22** is a comprehensive survey conducted by the **National Bank for Agriculture and Rural Development (NABARD)**, aimed at assessing the extent of financial inclusion across rural and urban areas in India. The report provides critical insights into the financial inclusion landscape, including access to and usage of financial services such as banking, insurance, pensions, and credit.

Here are the main objectives and purposes of the **NABARD All India Financial Inclusion Survey 2021-22**:

1. Assessing Financial Inclusion:

- The survey helps measure how effectively financial services are reaching underserved and unbanked populations in both rural and urban areas. This includes assessing access to formal financial institutions, including banks, microfinance institutions, and mobile banking.

2. Tracking Progress in Financial Literacy:

- One of the key focuses is to assess the financial literacy levels among different segments of the population. This includes understanding people's knowledge about savings, investments, loans, insurance, and other financial products and services.

3. Evaluating Digital Financial Inclusion:

- With the rise of digital banking, the survey evaluates the usage of digital platforms for financial services. It looks into mobile banking, internet banking, and other forms of digital financial transactions, which are key to promoting financial inclusion in a digital economy.

4. Analysing Access to Credit:

- The survey tracks how accessible credit is to various sections of society, particularly to small farmers, low-income groups, and women. It assesses whether these groups have access to affordable loans, and how formal credit systems are penetrating rural areas.

5. Understanding the Role of Financial Products:

- The survey gathers information on the types of financial products being used by individuals, including savings accounts, insurance policies, pensions, and credit. It looks at whether people are aware of and using products such as health and life insurance, or old-age pension schemes.

6. Policy Formulation and Targeting:

- The insights generated from the survey help policymakers, financial institutions, and other stakeholders design better-targeted financial products and services. It helps in crafting policies that promote greater financial inclusion, particularly for underserved populations like women, farmers, rural populations, and urban poor.

7. Identifying Barriers to Financial Inclusion:

- The survey identifies key barriers preventing people from accessing financial services, whether it's due to lack of awareness, inadequate infrastructure, high costs, or other social or economic factors.

8. Guiding Future Initiatives:

- The results of the survey guide NABARD, as well as other government bodies and institutions, in planning future financial inclusion initiatives. These initiatives could be aimed at expanding financial literacy programs, improving banking infrastructure in rural areas, or introducing new financial products tailored to the needs of marginalized groups.

9. Monitoring Trends Over Time:

- Since the survey is conducted periodically, it allows for the monitoring of trends in financial inclusion over time. It helps assess whether the efforts made by the government and financial institutions to promote inclusion are yielding positive results.

10. Benchmark for National and International Comparison:

- The data collected serves as a benchmark for comparing India's financial inclusion progress against global standards. It helps in understanding how India stands in terms of financial inclusion compared to other developing nations.

Key Areas Covered in the Survey:

- **Banking Penetration**: Access to bank accounts, ATMs, mobile banking, and rural banking services.
- **Credit Access**: Access to loans from formal financial institutions, including agriculture credit and microfinance.
- **Insurance and Pension**: The reach of insurance and pension schemes, especially in rural areas.
- **Financial Literacy**: The awareness and knowledge of financial products and services.
- **Digital Finance**: The adoption of mobile and internet banking, and the usage of digital payment systems.
- **Usage of Financial Products**: Information on the use of financial products such as savings accounts, loans, insurance, etc.

The **2021-22 survey** would provide a snapshot of how financial inclusion has evolved in India, particularly post-pandemic, and help inform future strategies to bring more people into the formal financial system.

Chapter I - Income & Expenditure

Table 4.3 Average Monthly Household Income by Source of Income (₹)			
Source of Income	Agricultural Households	Non-agricultural Households	All Households
1	2	3	4
Cultivation	4,476 (33)	-39 (0)[5a]	2,521 (20)
Livestock Rearing	1,677 (12)	-8 (0)	947 (7)
Other Enterprises	2,010 (15)	1,809 (16)	1,923 (15)
Wage Labour	2,238 (16)	2,927 (26)	2,536 (20)
Govt./Pvt. Service	3,150 (23)	6,599 (57)	4,643 (37)
Other Sources	110 (1)	150 (1)	127 (1)
All Sources Combined	13,661 (100)	11,438 (100)	12,698 (100)

Inference from the table above:

Agricultural Households (Total Income: ₹13,661)

1. **Cultivation**: ₹4,476 (33% of total income)
    - Cultivation is the largest income source for agricultural households, contributing one-third of their total income.
2. **Livestock Rearing**: ₹1,677 (12% of total income)
    - Livestock rearing contributes a smaller but notable share to agricultural income, making up 12% of total income.
3. **Other Enterprises**: ₹2,010 (15% of total income)
    - Income from other enterprises (such as small businesses or non-farm activities) is a significant contributor, at 15%.
4. **Wage Labour**: ₹2,238 (16% of total income)
    - Wage labor contributes 16%, showing that a portion of income comes from labour outside of agricultural activities, which is common in rural areas.
5. **Government/Private Service**: ₹3,150 (23% of total income)
    - Government and private sector services represent a substantial share (23%) of agricultural households' income, indicating that some agricultural households may have family members working in government/private sectors.
6. **Other Sources**: ₹110 (1% of total income)
    - Other sources contribute a very small fraction of income, only 1%.

Non-Agricultural Households (Total Income: ₹11,438)

1. **Cultivation**: ₹-39 (0% of total income)
    - Cultivation contributes very little (0%), as non-agricultural households are primarily involved in non-farming activities.
2. **Livestock Rearing**: ₹-8 (0% of total income)
    - Like cultivation, livestock rearing contributes negligibly (0%), which is typical for non-agricultural households.
3. **Other Enterprises**: ₹1,809 (16% of total income)
    - Other enterprises (such as small businesses or non-farm activities) contribute 16% to non-agricultural household income.
4. **Wage Labour**: ₹2,927 (26% of total income)
    - Wage labour contributes significantly (26%), showing a heavy reliance on labour-based income in non-agricultural households.
5. **Government/Private Service**: ₹6,599 (57% of total income)

- This is the largest contributor (57%), highlighting the importance of government and private sector employment in non-agricultural households.

6. **Other Sources**: ₹150 (1% of total income)
   - Other sources contribute only 1%, similar to agricultural households.

All Households Combined (Total Income: ₹12,698)

1. **Cultivation**: ₹4,476 (33% of total income)
   - Cultivation remains the largest income source across all households, contributing 33% of total income.
2. **Livestock Rearing**: ₹1,677 (12% of total income)
   - Livestock rearing makes up 12% of total income.
3. **Other Enterprises**: ₹2,010 (15% of total income)
   - Other enterprises account for 15% of total income, showing a diverse source of income in rural areas.
4. **Wage Labour**: ₹2,238 (16% of total income)
   - Wage labour contributes 16% of income across all households.
5. **Government/Private Service**: ₹3,150 (23% of total income)
   - This category contributes 23%, representing the importance of salaried employment.
6. **Other Sources**: ₹110 (1% of total income)
   - Other sources contribute a very small 1% to total household income.

Negative/Concerning Data:

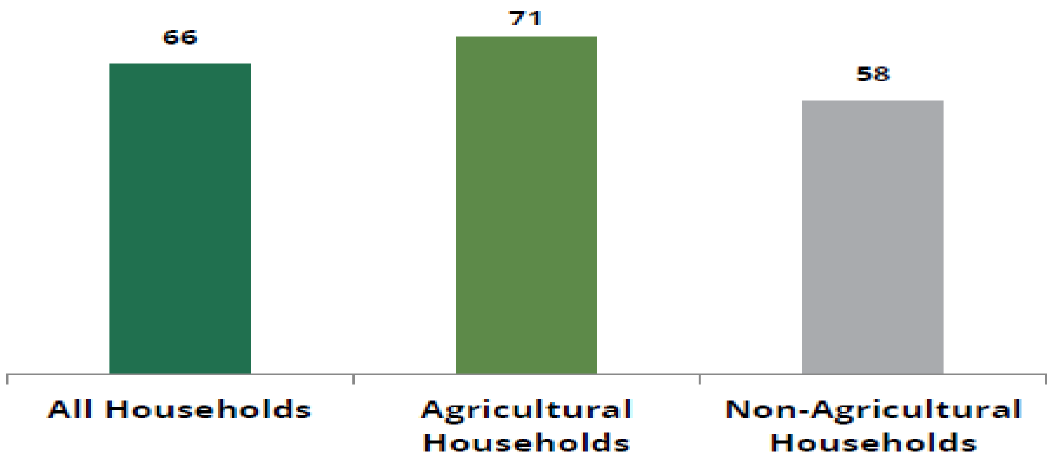
- **Low Contribution of Cultivation in Non-Agricultural Households**:
  - **Cultivation** contributes **0%** to non-agricultural households. This reinforces the idea that non-agricultural households are not reliant on farming, highlighting a clear difference in income sources.
- **Livestock Rearing in Non-Agricultural Households**:
  - **Livestock rearing** also contributes **0%** to non-agricultural households, which is expected since they are not engaged in farming.
- **Small Share of Other Sources**:
  - **Other sources** contribute a very small amount to both agricultural (1%) and non-agricultural (1%) households. This reflects the limited diversification of income beyond major categories like farming or services.
- **Income Disparities**:
  - Non-agricultural households have **lower total income (₹11,438)** compared to agricultural households (₹13,661), indicating that agricultural households might have diversified income sources through farming, wage labour, and government services.

Overall Insights:

- **Agricultural Households** are heavily reliant on **cultivation** as their primary income source (33%), supplemented by **government/private services** (23%) and **wage labour** (16%).
- **Non-Agricultural Households** primarily rely on **government/private services** (57%) and **wage labour** (26%) for income, with very little income from **cultivation** or **livestock rearing** (both near 0%).
- **Income disparities** are evident as agricultural households tend to have a higher overall income, with non-agricultural households relying heavily on services and labour-based income.

Chapter II - Savings & Financial Behaviour

Figure 6.1 Proportion of Households Reporting Savings by any member in the Agricultural year 2021-22 by Type of Household (%)



Inference from the report:

1. **All Households**: **66%**
   - **66% of all households** reported saving money in the agricultural year 2021-22. This is a significant increase from **50.6% in 2016-17**.
2. **Agricultural Households**: **71%**
   - **71% of agricultural households** reported savings, indicating a higher tendency to save in these households compared to the overall household average.
3. **Non-Agricultural Households**: **58%**
   - **58% of non-agricultural households** reported savings, which is lower than agricultural households but still a positive figure compared to all households.

Key Insights:

- **Increased Savings Across the Board**: There has been a notable increase in the proportion of households saving, from **50.6% in 2016-17** to **66% in 2021-22**.
- **Agricultural Households Lead**: Agricultural households have the highest savings rate (**71%**), likely due to the diversified income sources and support from agricultural policies.
- **Regional Variation in Savings**: In **11 states**, over **70% of households** saved money, with **Uttarakhand (93%)**, **Uttar Pradesh (84%)**, and **Jharkhand (83%)** leading in terms of savings rates.

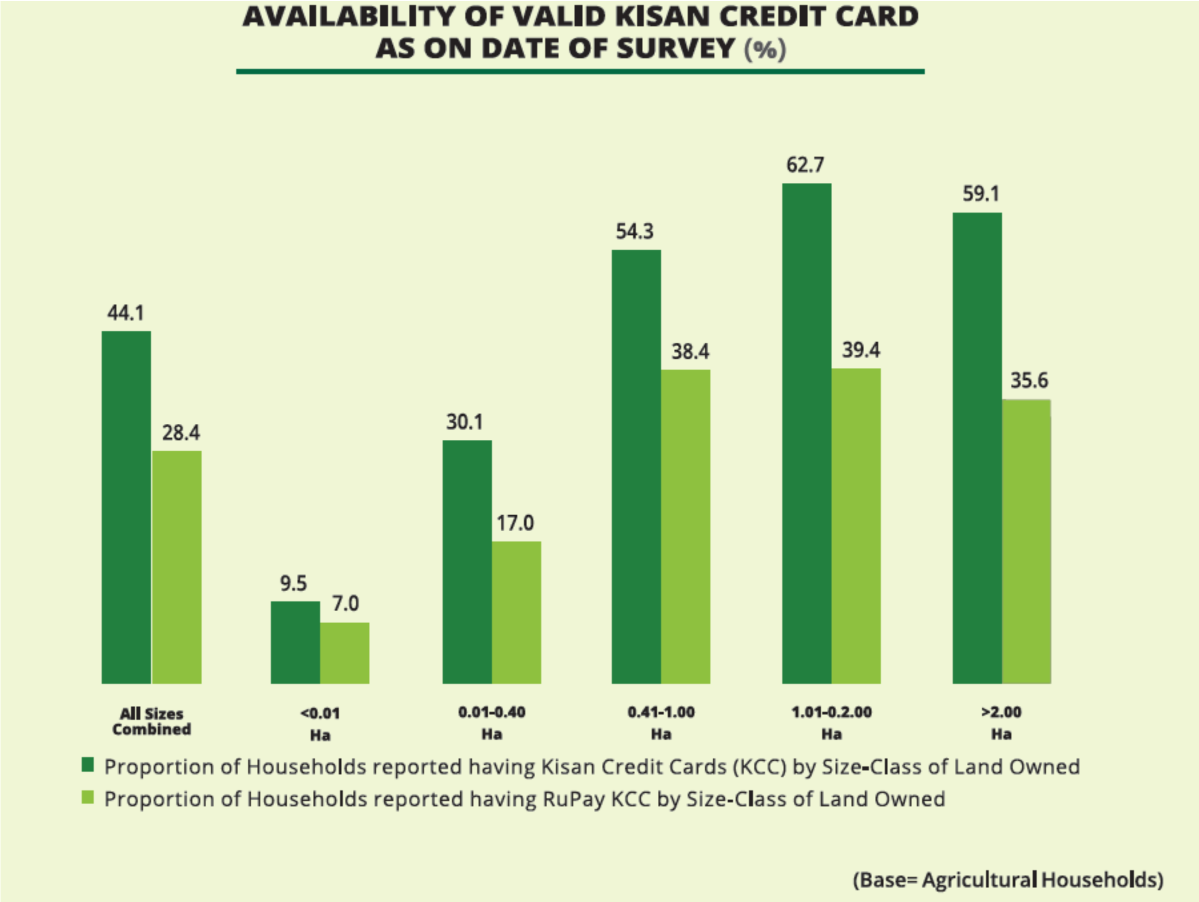
Key Takeaways:

- The rise in savings demonstrates improved financial inclusion and financial behaviour in rural areas.
- Agricultural households are more likely to save, which may reflect better access to savings instruments or more consistent income sources.
- Regional differences in savings behaviour suggest that localized factors (like access to financial institutions, state policies, etc.) play a role in savings rates.

Interpretation of Disparity:

- The gap of **13 percentage points** between agricultural (71%) and non-agricultural (58%) households underscores a disparity in financial behavior and inclusion. Agricultural households appear more financially secure or inclined toward saving, which might also reflect the impact of targeted rural and agri-financial interventions.

Chapter III - Kisan Credit Card (KCC) Access



Key Insights from the Graph:

1. **Overall Availability of KCC (All Sizes Combined):**
   - **44.1%** of agricultural households across all land sizes have a valid Kisan Credit Card (KCC).
2. **Availability by Size of Land Owned:**

Land Size Category	KCC Availability (%)	RuPay KCC Availability (%)
All Sizes Combined	**44.1**	28.4
<0.01 Ha	**9.5**	7.0
0.01–0.40 Ha	**30.1**	17.0
0.41–1.00 Ha	**54.3**	38.4
1.01–2.00 Ha	**62.7**	39.4
>2.00 Ha	**59.1**	35.6

3. Detailed Table: RuPay KCC Ownership by Landholding Class:

S. No.	Size-Class of Land Owned	Landholding Category	Proportion of Households Having RuPay KCC (%)	Remarks
1	< 0.01 Ha	Marginal (Landless or Near-Landless)	**7.0**	Lowest access; highlights severe financial exclusion.

2	0.01 – 0.40 Ha	Marginal	**17.0**	Below national average; indicates weak penetration of RuPay cards.
3	0.41 – 1.00 Ha	Small	**38.4**	Significant improvement; surpasses national average.
4	1.01 – 2.00 Ha	Semi-Medium	**39.4**	Highest RuPay KCC ownership among all categories.
5	> 2.00 Ha	Medium to Large	**35.6**	Slightly below peak; reflects strong but not universal adoption.
6	All Sizes Combined	National Average	**28.4**	Benchmark level; highlights disparity across different landholding classes.

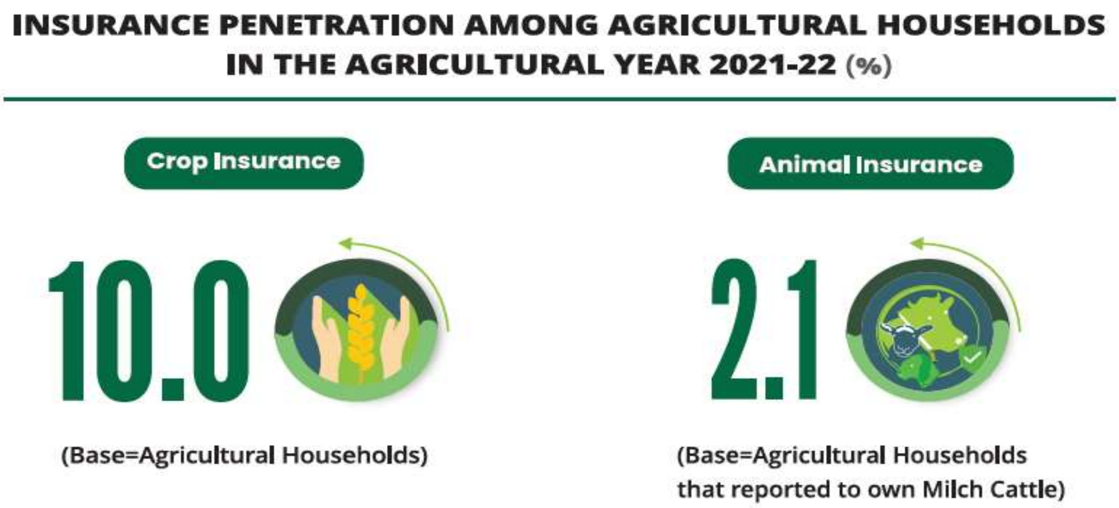
Key Takeaways:

- **Larger Landholdings Lead to Higher KCC Ownership**: There is a clear trend that as the size of land owned by agricultural households increases, the proportion of households with a valid Kisan Credit Card (KCC) also increases.
- **Lower Ownership in Smaller Landholdings**: Households with smaller landholdings (<0.01 Ha and 0.01-0.40 Ha) have significantly lower ownership of KCCs, indicating that smaller landholders may have limited access to formal credit mechanisms.
- **RuPay KCC Growth**: The availability of **RuPay KCCs** follows a similar pattern, with higher ownership rates in larger landholdings (1.01-2.00 Ha and >2.00 Ha).

Implications:

- The data suggests that while KCC penetration is stronger in larger landholdings, there remains a need for better access to credit for smallholder farmers. Addressing this gap could improve financial inclusion in rural areas.

Chapter IV - Insurance Coverage



Key take aways:

Insurance Penetration Among Agricultural Households

1. **Crop Insurance**:
    - **10.0%** of agricultural households have crop insurance.
- This percentage indicates that a small proportion of agricultural households have insurance coverage for their crops, which could reflect limited awareness, accessibility, or affordability of crop insurance.
2. **Animal Insurance**:
    - **2.1%** of agricultural households with milch cattle have animal insurance.
- This is a very low penetration rate, pointing to the need for more awareness and availability of animal insurance products among farmers, especially those involved in livestock farming

Chapter V - Pension Coverage

Pension Access Type	Agricultural Households (%)	Non-Agricultural Households (%)	All Households (%)
Households having access to Pension of any type	**25.0**	**21.5**	**23.5**
Households with a Member over 60 years receiving an Old-Age Pension	**55.6**	**50.3**	**53.6**
Households with at least One Member having access to Widow Pension	**4.0**	**5.2**	**4.5**
Households with at least One Member having access to Retirement Pension	**1.1**	**1.4**	**1.3**
Households with at least One Member having access to Disability Pension	**0.8**	**0.9**	**0.9**
Households with at least One Member having access to Optional Pension (NPS, APY, etc.)	**0.3**	**0.2**	**0.2**

Inference from the above figure:

1. General Pension Access:

- **25.0% of agricultural households** had access to some form of pension, higher than non-agricultural households (21.5%).
- The **national average** across all households stood at **23.5%**.

2. Old-Age Pension (most accessed scheme):

- Access is **highest among agricultural households (55.6%)**, compared to 50.3% for non-agricultural households.
- Indicates higher coverage or eligibility due to rural schemes like **NSAP** and **PMMVY**.

3. Widow Pension:

- Interestingly, **non-agricultural households (5.2%)** reported higher access compared to agricultural households (4.0%).
- Overall access is **low at 4.5%**, reflecting limited scheme penetration.

4. Retirement Pension:

- Access is minimal: only **1.1% (agricultural)** and **1.4% (non-agricultural)** households have a member with retirement pension coverage.
- Suggests a **lack of formal employment** with pension benefits in rural/agricultural sectors.

5. Disability Pension:

- Overall, **only 0.9%** of households reported access.
- The proportion is almost identical between agricultural and non-agricultural groups, showing **low universal coverage**.

6. Optional Pension (NPS, APY, etc.):

- Extremely low uptake, with only **0.3% of agricultural** and **0.2% of non-agricultural households** availing.
- Indicates **poor awareness or affordability** of contributory pension options.

Key Takeaways:

- **Crop and Animal Insurance**: While crop insurance is somewhat more widespread, animal insurance is notably underpenetrated. This could indicate gaps in insurance schemes tailored for livestock or insufficient awareness among farmers.
- **Pension Coverage**: There's a clear increase in pension coverage, especially for elderly members in households. However, the access to pensions, especially government-backed schemes like NPS or APY, remains limited, reflecting a need for greater expansion of such programs.

Chapter VI - Credit Access and Debt Patterns:

Detailed Table of Loan Availment and Source-Wise Distribution:

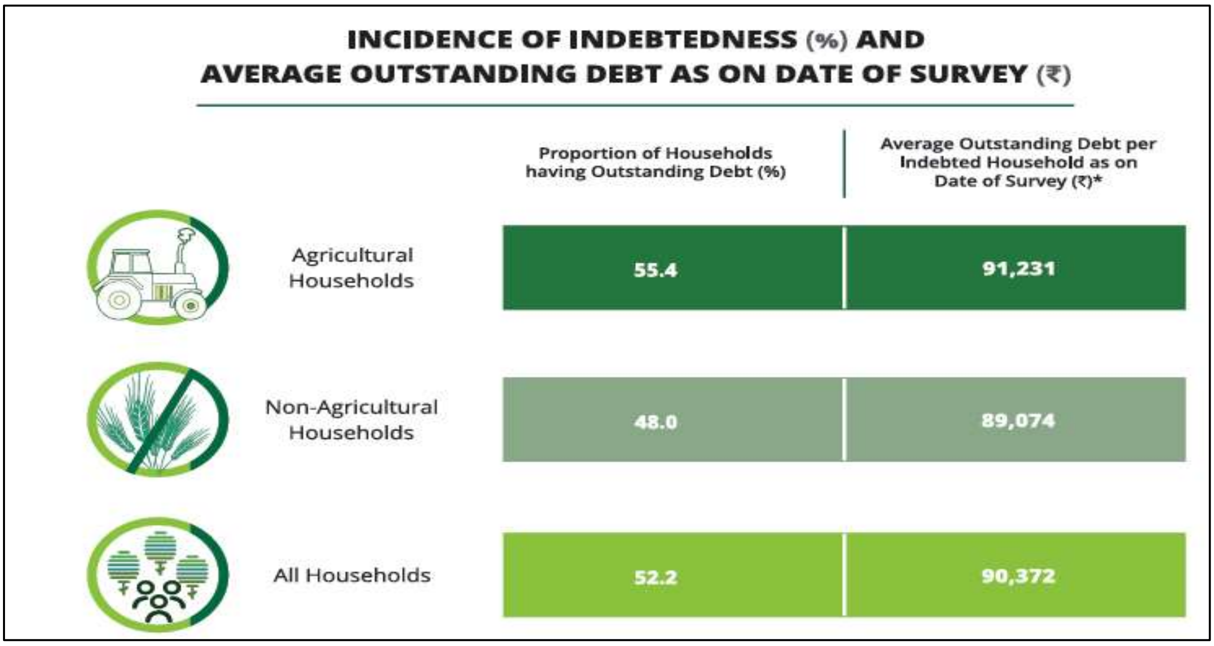
Category	Households that took any loan (%)	Institutional Sources (%)	Non-Institutional Sources (%)	Both Sources (%)
Agricultural Households	44.9	75.5	23.4	1.1
Non-Agricultural Households	38.7	72.7	26.4	0.9
All Households	42.2	74.4	24.6	1.0

Key Insights from the Table:

1. **Agricultural Households:**
    - **44.9%** of agricultural households took any loan in the agricultural year 2021-22.
        - **75.5%** of these loans were from **institutional sources** (such as banks, financial institutions, etc.).
        - **23.4%** of loans were from **non-institutional sources** (such as moneylenders, relatives, etc.).
        - **1.1%** of agricultural households used **both institutional and non-institutional sources** for their loans.
2. **Non-Agricultural Households:**
    - **38.7%** of non-agricultural households took any loan in the same period.
        - **72.7%** of these loans were from **institutional sources**.
        - **26.4%** of loans were from **non-institutional sources**.
        - **0.9%** used **both sources**.
3. **All Households Combined:**
    - **42.2%** of all households took any loan in the agricultural year 2021-22.
        - **74.6%** of loans were from **institutional sources**.
        - **24.6%** were from **non-institutional sources**.
        - **1.0%** used both sources.

Key Takeaways:

- **Institutional sources** (like banks and government financial institutions) are the predominant source of loans across all household types, especially in agricultural households, where **75.5%** of loans were institutional.
- **Non-institutional sources** (like moneylenders or relatives) still make up a significant portion of loans in both agricultural (23.4%) and non-agricultural households (26.4%).
- **Both sources** are used by a very small percentage of households, indicating that most households rely on either institutional or non-institutional loans exclusively.
- **Agricultural households** tend to borrow more, with **44.9%** of them taking loans, compared to **38.7%** of non-agricultural households.
- There is a **strong reliance on institutional lending**, but the role of **non-institutional lending** remains substantial, especially in rural areas where access to formal financial institutions may be limited.



Indebtedness and Average Debt (2021–22)

- **Agricultural households** show the highest indebtedness at **55.4%**, with an average debt of **₹91,231**—reflecting high reliance on credit for farming needs.
- **Non-agricultural households** have a lower debt incidence (**48%**) and slightly lower average debt (**₹89,074**).
- **Overall**, **52.2%** of rural households are indebted, with an average debt of **₹90,372**.
- The data highlights **greater credit dependence among farming households** and underscores the need for accessible, affordable credit systems.

Additional Insights from the report:

1. **Shrinking Landholdings**:
    - The **average landholding size** among farmers has decreased from **1.08 hectares in 2016-17 to 0.74 hectares in 2021-22**, representing a **31% reduction**. This reflects the ongoing issue of land fragmentation in rural areas.
2. **Shift in Spending Patterns**:
    - The share of **food** in total spending has decreased from **51% to 47%**, indicating that households are spending more on **non-food items**, which could have implications for food security and the overall cost of living.

Implications:

- **Access to Institutional Credit**: While there is significant reliance on institutional sources, the continued use of non-institutional sources highlights gaps in financial inclusion that need to be addressed, especially in rural areas.

- **Landholdings and Economic Impact**: Shrinking landholdings could exacerbate financial difficulties for agricultural households, affecting their ability to borrow and repay loans.
- **Spending Shifts**: The decreasing share of food spending suggests a shift in priorities, possibly due to rising costs of living or a move towards a more diversified expenditure pattern.

Chapter VII- Financial Literacy

Key Metrics:

- 51.3% of rural respondents demonstrated good financial literacy, which refers to understanding basic financial concepts such as interest rates, inflation, and risk diversification.
- 72.8% of households showed sound financial behavior, including practices like budgeting, tracking expenses, saving regularly, and making informed financial decisions.

Interpretation:

- The increase in financial literacy reflects the impact of government schemes, banking outreach programs, and digital financial services.
- However, nearly half the population still lacks sufficient financial knowledge, indicating a continued need for structured financial education at the grassroots level.

Chapter VIII - Microfinance Institutions (MFIs) and Self-Help Groups (SHGs)

While the NAFIS 2021–22 does not provide an exhaustive breakdown of all MFI-related metrics, it includes indicative data regarding credit from non-institutional and semi-formal sources, including SHGs and MFIs.

Access to Credit:

Of the total households that borrowed money:

- Non-institutional sources (which include MFIs, SHGs, moneylenders, relatives, etc.) accounted for:
- 23.4% of loans in agricultural households
- 26.4% of loans in non-agricultural households
- 24.6% of loans across all households

- **Agricultural households** had higher participation (**31%**) than non-agricultural (**26%**).
- High MFI penetration: **Telangana (63%)**, **Andhra Pradesh (60%)**, **Odisha (48%)**, **Kerala (41%)**.
- In **15 states**, **≤20%** of households were associated with MFIs.

This reflects a significant share of credit still coming from outside the formal banking system, despite a rise in institutional lending.

Role of SHGs:

Though SHGs are grouped under semi-formal credit mechanisms in NAFIS, their exact contribution isn't disaggregated.

In practice, SHGs have remained a critical channel for:

- Women's financial empowerment
- Access to small loans for enterprise, consumption, or emergencies
- Promoting saving habits and community lending practices

Comparison of NAFIS 2016-17 and NAFIS 2021-22:

Parameters NAFIS	NAFIS 2016-17	NAFIS 2021-22	Remarks (Comparison)
Average Size of Land Possessed (in Hectare)	1.08	0.74	Decreased, indicating smaller land holdings
Average Monthly Income (in ₹)	8,059	12,698	Increased significantly, showing higher income
Average Monthly Consumption Expenditure (in ₹)	6,646	11,262	Increased, reflecting higher expenditure
Expenditure on food items as % of total consumption	51%	47%	Decreased share, possibly due to higher income and diversification
Average Annual Savings (in ₹)	9,104	13,209	Increased, indicating improved savings
Average Annual Investment (in ₹)	5,775	12,904	More than doubled, suggesting higher investment activity
Average Annual Investment in Financial Assets (in ₹)	1,586	1,642	Slight increase, showing steady financial asset investment
Average Annual Investment in Physical Assets (in ₹)	4,189	11,262	Nearly tripled, indicating increased physical asset purchase
Average Indebtedness (in ₹)	46,574	47,158	Slight increase, almost stable indebtedness
Average Borrowings in AY 2021-22 (in ₹)	36,911	37,243	Marginal increase in borrowings
Average Borrowings from Institutional Sources (in ₹)	25,576	32,484	Increased, indicating better access to formal credit
Average Borrowings from Non-Institutional Sources (in ₹)	11,335	4,759	Significantly decreased, showing reduced reliance on informal credit
Availability of valid KCC (% of Agri Households)	10.5	44.1	Substantial improvement in Kisan Credit Card penetration
Households with any member associated with	22.7	28.4	Moderate increase
Insurance Penetration (% of all households)	25.5	80.3	Dramatic increase, indicating higher insurance coverage
Pension Coverage (% of all households)	18.9	23.5	Moderate increase in pension coverage
Financial Knowledge (% of all Households)	48.2	58.3	Improved financial knowledge among households
Financial Attitude (% of all Households)	42.5	59	Significant positive shift in financial attitude
Financial Behaviour (% of all Households)	56.4	72.8	Improved financial behaviour, showing better money management
Financial Literacy Score 12 or above (% of all Households)	33.9	51.3	Marked increase, indicating better financial literacy

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