Swaminathan J: Inclusion is innovation's highest purpose - lessons from India

Address by Mr Swaminathan J, Deputy Governor of the Reserve Bank of India, at the World Savings and Retail Banking Institute (WSBI) study visit to State Bank of India (SBI) under the theme "Advancing financial inclusion through digital innovation", Mumbai, 6 October 2025.

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Shri C S Setty, Chairman, State Bank of India,

Mr Peter Simon, CEO and distinguished delegates of the WSBI,

Shri Vinay Tonse, Managing Director, SBI and WSBI Asia Regional President,

Friends, colleagues, ladies and gentlemen, good evening, everyone!

At the outset, congratulations to WSBI for completion of a century, in bringing together savings and retail banks, from over 70 countries, representing the interests of customers of approximately 6,400 banks across all continents. As a global organisation, WSBI promotes a sustainable, inclusive and balanced growth and job creation around the world, with a clear focus on individual consumers, households and MSMEs. The members are main street players that are rooted strongly within the communities they serve, and support the local economies, with the shared values of being Retail, Regional and Responsible. I fondly recall my own association with WSBI during my time in SBI and I am thankful to SBI and WSBI for this kind invitation.

It is indeed a pleasure to welcome the WSBI delegation to India. During this study visit, I hope you will see how financial inclusion and digital innovation have evolved here through the interplay of public policy, regulatory oversight, and institutional initiatives. Along with recognising the challenges in India's journey, I trust this visit will also provide space to reflect on how different approaches to inclusion and innovation can inform and enrich one another.

The idea I wish to underline today is that *inclusion is innovation's highest purpose*. In India, financial inclusion has been pursued not as a single policy objective but as an ongoing national mission. Over the past decade, the Government, the Reserve Bank, and the banking sector have worked together to expand access to millions of households. The real task, however, lies in deepening usage, improving quality, and building lasting trust.

To capture progress along this journey, the Reserve Bank has developed a Financial Inclusion Index that tracks three dimensions-access, usage, and quality.[1] Over the years, there has been considerable progress made under the index. Five iterations of FI Index have been published till date, with March 2025 value standing perceptibly improved at 67.0 vis-à-vis 43.4 for the period ending March 2017.[2] Having said that, it is also an observation that, while access to financial services has improved significantly in recent years, the challenge now lies in promoting active usage and strengthening service quality.

Achieving this requires more than technology; it calls for products tailored to diverse needs and limitations, supported by human interfaces that build trust and confidence. '*Embedding empathy into service delivery*' is a crucial step in ensuring that financial inclusion is meaningful and effective.

Equally important are transparent grievance redressal systems and clear consumer protection measures. Defined turnaround times, limited liability protections, and visible compensation frameworks reassure customers that they are safe in using digital services. Together, these measures foster confidence and encourage meaningful engagement with the financial system.

Digital Public Infrastructure and India Stack

India's strong digital public infrastructure underpins its financial inclusion efforts. At the centre of this architecture lies the *India Stack*-a set of interoperable, open, and scalable digital layers built as public goods. These include Aadhaar for digital identity, DigiLocker for secure digital storage and sharing of documents, and the Account Aggregator framework for consent-based data sharing. Together, they provide the rails on which a wide range of services can be delivered securely, at scale, and at an affordable cost.

Among these layers, the Unified Payments Interface (UPI) has emerged as the flagship success story. By integrating multiple accounts into a single mobile platform, UPI has revolutionised retail payments.

While UPI has rightly captured global attention, it represents only the most visible part of a much wider transformation. Behind it stands a comprehensive digital payments ecosystem that includes NEFT and RTGS for retail and high-value transfers, the Bharat Bill Payment System for interoperable bill payments, the Aadhaar Enabled Payment System for last-mile inclusion through micro-ATMs, and BharatQR for merchant acceptance. Together, these systems form a layered, resilient, and inclusive architecture. They ensure that digital transactions are not only fast and convenient but also secure, accessible, and trusted-cornerstones of India's transition from a predominantly cash economy to a thriving digital one.

Building on this success, India is now developing the Unified Lending Interface (ULI), which seeks to bring the same principles of openness and interoperability to credit markets. Just as UPI made payments universal, ULI has the potential to mark a turning point in how affordable credit is accessed and delivered at scale.

Digital innovation is also extending inclusion beyond payments. Micro-insurance and pension products are increasingly being delivered through digital platforms, helping low-income households strengthen financial resilience. Cross-border UPI linkages are making remittances faster, cheaper, and more seamless, reinforcing trust in formal channels.

RBI's Role in Responsible Innovation

At the Reserve Bank, we seek to foster an environment where innovation can flourish responsibly. Through initiatives such as regulatory sandboxes, the Innovation Hub, and enabling frameworks for digital financial services, we encourage the development of new solutions that are secure, sustainable, and customer-centric. At the same time, we place due emphasis on governance, risk management, and customer protection, so that technological progress is always matched by resilience and trust in the financial system.

The rapid rise of fintechs, digital platforms, and embedded finance models has expanded the boundaries of the financial system and created new types of risks. These are not simply traditional risks in digital form, but new frontiers arising from algorithmic decision-making, heavy dependence on data, concentration of services in a few platforms, and deep technological interconnections. Left unmanaged, such risks can quickly migrate from individual institutions to the broader system.

This is why we encourage financial institutions to move to a proactive resilience mindset, embedding digital risk awareness and safeguards into their governance frameworks. Innovation and safety are not opposing goals; when balanced well, they reinforce each other and build lasting trust.

Closing Reflections

As we look ahead, there is growing recognition worldwide that digital innovation is the most powerful driver of financial inclusion. India's journey shows that access is only the first step-the true test lies in meaningful usage, in the quality of services, and in the trust that people place in the system. Innovations that do not embed responsibility can erode this trust, but when innovation and inclusion move together, they reinforce each other and create lasting transformation.

Allow me to return to the thought with which I began: *inclusion is innovation's highest purpose*. As you reflect on India's experience during this study visit, I hope you will see how collaboration between policy, regulation, and institutions can continue to widen the frontiers of inclusion. India's journey shows that *when innovation meets inclusion, transformation becomes inevitable*. I hope this exchange inspires fresh ideas, new partnerships, and renewed resolve to make finance truly universal.

Thank you.

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[1] The FI-Index has been conceptualised as a comprehensive index incorporating details of banking, investments, insurance, postal as well as the pension sector in consultation with Government and respective sectoral regulators. The index captures information on various aspects of financial inclusion in a single value ranging between 0 and 100, where 0 represents complete financial exclusion and 100 indicates full financial inclusion. The FI-Index comprises of three broad parameters (weights indicated in brackets) viz., Access (35%), Usage (45%), and Quality (20%) with each of these consisting of various dimensions, which are computed based on a number of indicators. It has been constructed without any 'base year' and as such it reflects cumulative efforts of all stakeholders over the years towards financial inclusion.

[2] Reserve Bank of India introduces the Financial Inclusion Index