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India's Financial Inclusion: Development, Policies, Advancements, and Prospects (2014–2025)

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Abstract
By making financial services affordable and available to all aspects of society, financial inclusion is critical to achieving inclusive economic growth. With ancient initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT), the JAM triumjan (Jan Dhan–Aadhaar–Mobile), PM SVANidhi, and the SVAMITVA scheme, financial inclusion has been the focal point of policy discussions in India, particularly since 2014. This article reviews India's journey towards financial inclusion until 2025, including its history, government interventions, and quantifiable progress. The research critiques the achievements and limitations using World Bank secondary data, NITI Aayog, National Sample Survey Office, and Reserve Bank of India (RBI) databases. The research employs a mixed-method approach of research to discern problems such as digital exclusion, regional disparities, and inactivity of accounts. The findings suggest that while India has made significant progress toward universal access to banking, there is more to be done to make breadth and quality of inclusion a reality. The key objectives of the recommendations are to enhance product innovation for the poor, raise digital literacy, and strengthen data privacy protections.

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1. Introduction

1.1 Background

Financial inclusion has become a crucial catalyst for economic growth and poverty reduction worldwide. It guarantees that the underserved and vulnerable populations of society are able to access relevant and affordable financial products and services that suit their needs – transactions, payments, savings, credit, and insurance – in a responsible and sustainable manner (World Bank, 2018) [30].

In India, the significance of financial inclusion had been acknowledged over decades. There was a sudden spurt after 2014, when the Government of India, led by Prime Minister Narendra Modi, introduced a set of ambitious programs aiming at universal financial access. With almost 60% of India's population being rural and with a large majority having been excluded from the organized financial system in the past, the requirement of an inclusive approach was imperative.

In history, India's financial inclusion initiatives have their origins in bank nationalization in 1969, Lead Bank Scheme, setting up of Regional Rural Banks (RRBs) in 1975, and priority sector lending requirements. Nonetheless, even with these initiatives, a vast majority of the population remained unbanked until the 21st century.

1.2 Significance of Financial Inclusion

In addition to reducing poverty, financial inclusion is essential for boosting economic resilience, advancing gender equality, and supporting the growth of small and medium-sized businesses (SMEs). Households having access to financial services are better equipped to handle financial emergencies, make profitable investments, and fund education. Additionally, by encouraging accountability and transparency through digital transactions, financial inclusion improves governance and lessens welfare delivery leaks. The last-mile delivery of financial services in India has become more feasible with the advent of technological innovation, including mobile banking, biometric identity (Aadhaar), and fintech platforms.

1.3 Initiatives under financial inclusion

- India's policy system has evolved to encompass large schemes such as these:
- Banking access for all is through the Pradhan Mantri Jan Dhan Yojana (PMJDY) (2014) [23].
- Making welfare disbursements simpler is the Direct Benefit Transfer (DBT), which was rolled out beginning 2014.
- JAM Trinity: Leveraging technology to deliver services (Jan Dhan–Aadhaar–Mobile).
- Empowering street vendors is the objective of Pradhan Mantri SVANidhi (2020) [27].
- Rural families will be provided with property rights under the SVAMITVA Scheme (2020).
- Subhadra Yojana (2024): Targeted support for women's economic empowerment.

To complement enhancing financial penetration, the Ministry of Finance and Reserve Bank of India (RBI) have also introduced regulatory reforms. These are digital KYC norms, Business Correspondent (BC) models, and differentiated banks (small finance banks and payments banks).

1.4 Problem Statement

Even with the admirable progress made in increasing banking coverage, there are still significant obstacles in the areas of digital access, financial literacy, and account usage. Many of the accounts that were opened under PMJDY are still inactive. Disparities between rural and urban areas continue, and despite their diminishing, gender discrepancies in financial inclusion remain significant. A truly inclusive financial ecosystem is further hampered by the lack of digital infrastructure in rural areas.

1.5 Purpose of the study

By analyzing empirical data, identifying obstacles, and making policy recommendations for further financial integration, this study seeks to thoroughly review India's financial inclusion policies and initiatives that were introduced between 2014 and 2025.

2. Literature Review

Globally, and especially in developing nations like India, the idea of financial inclusion has attracted a lot of scholarly and policy interest. The literature on the theoretical frameworks, major motivators, government initiatives, progress indicators, and enduring difficulties related to financial inclusion in India is critically reviewed in this section. Academic journal publications, working papers, government studies, and reports from global organizations like the World Bank and IMF are all included in the evaluated literature.

2.1 Theoretical framework of financial inclusion

The practice of guaranteeing vulnerable groups, such as low-income and weaker parts, have affordable access to the right financial products and services is known as financial inclusion (Rangarajan Committee Report, 2008). According to Beck et. al (2007) [2], having access to financing lowers poverty and economic disparity in the nation helping better management.

In order to evaluate the inclusivity of the financial ecosystem, Sarma and Pais (2011) created the Index of Financial Inclusion (IFI), which takes into account the dimensions of usage, availability, and access.

2.2 Evolution of financial inclusion policies in India

Bank nationalization (1969), Regional Rural Banks (1975), Self-Help Groups (SHG) connection programs (1992), and the digital financial inclusion revolution after 2014 are the stages that have shaped India's financial inclusion path (Chattopadhyay, 2011) [3].

Brick and mortar growth and the Business Correspondent (BC) model were the main focuses of RBI's financial inclusion initiatives, beginning with the first Financial Inclusion Plan (FIP) 2010–2013. Shah and Dubhashi (2015) criticize that until technical enablers and Aadhaar-based identity systems were established, uptake remained restricted despite regulatory efforts.

2.3 Role of PMJDY and the JAM Trinity

A turning point was reached in 2014 with the introduction of PMJDY. Gupta (2015) [5] claims that although the plan significantly increased the number of bank accounts, it encountered the problem of account dormancy, in which a large number of accounts displayed zero balances. A key component of financial inclusion is now the JAM trinity: Jan Dhan, Aadhaar, and Mobile. Drèze and Khera (2017) [4] contend that whereas JAM architecture increased the effectiveness of direct benefit transfers (DBT), issues with exclusion mistakes and authentication failures surfaced. According to the World Bank Global Findex Database (2017, 2021), PMJDY and JAM were primarily responsible for India's account ownership increase from 53% in 2014 to 80% in 2021.

2.4 Direct benefit transfer and governance reforms

Built on top of JAM, the DBT framework sought to fill gaps in the provision of subsidies. According to research by

- ***Muralidharan et. al (2016)*** *[6]*, DBT programs can cut leakages in welfare programs like MNREGA and PDS by as much as 41%.
- ***Khosla (2020)*** contends that exclusion errors, especially among underprivileged groups, impair the efficacy of DBT notwithstanding efficiency benefits.

2.5 Financial technology (Fintech) and digital inclusion

Fintech developments including Aadhaar-enabled Payment Systems (AePS), mobile wallets, and UPI have played a critical role. According to Raj and Tandon (2019), digital interfaces greatly lowered transaction costs. However, Suri and Jack (2016) [10] warn that digital financial inclusion involves more than just access; it also involves literacy, trust, and usage.

2.6 Progress assessment: achievements and challenges

Only 48% of Indian adults regularly utilize their bank accounts on a monthly basis, despite 80% having access to them, according to the Financial Inclusion Insights (FII) survey (InterMedia, 2021), highlighting the issue of dormancy.

Although formal financial inclusion increased, Chaudhuri and Gupta (2020) contend that moneylenders and other informal financial channels still predominate in many rural areas.

There are still gender disparities. In India, 78% of men and 77% of women have accounts, according to Global Findex (2021), suggesting a closing but still sizable gender discrepancy in the number of active accounts.

2.7 Impact of PM SVANIDHI and SVAMITVA

By 2023, more than 45 lakh loans had been given under the PM SVANidhi scheme, which was started in 2020 to empower street vendors *(Ministry of Housing and Urban Affairs, 2024)*. According to *Datta (2023)*, PM SVANidhi's digital transaction incentives increased vendors' profits, but adoption was constrained by low smartphone ownership. SVAMITVA enhances loan availability in rural India by granting property rights. According to *Prasad and Batra (2023)*, formalizing land ownership greatly enhances the possibilities for financial inclusion in rural areas.

2.8 COVID-19 and financial inclusion

The adoption of digital financial services was spurred by the COVID-19 pandemic. Government-to-person (G2P) payments increased during lockdowns, according to Aiyar *et al*. (2021) [1], underscoring the robustness of digital financial infrastructure.

But Sharma and Yadav (2022) [9] stressed that the survey also revealed gaps in older people's and rural women's digital readiness and financial literacy.

2.9 Recent developments and future prospects

On a scale of 100, the ***RBI's Financial Inclusion Index (2023)*** shows a steady improvement, rising from 53.9 in 2021 to 60.1 in 2023.

It is anticipated that new technologies including as blockchain, artificial intelligence (AI)-powered credit scoring algorithms, and account aggregators (launched under IndiaStack) will further democratize access to insurance and credit ***(NITI Aayog, 2024)***.

However, ***Mitra (2025)*** *[7]* cautions that the benefits of financial inclusion may be rescinded in the absence of strong data privacy regulations and grievance redressal procedures.

3. Objectives of the study

3.1 Main Goal

To assess India's financial inclusion programs and policies' advancement, efficacy, and difficulties between 2014 and 2025.

3.2 Secondary Goals

1. To follow the evolution of India's financial inclusion programs over time.
2. To evaluate the effects of flagship initiatives including SVAMITVA, PMJDY, JAM Trinity,
3. DBT, and PM SVANidhi.
4. To examine how technology aids in the advancement of financial inclusion.
5. To investigate socioeconomic, gender, and geographical differences in financial access and use.
6. To determine the main obstacles to attaining long-term, comprehensive financial inclusion.
7. To make legislative suggestions aimed at bolstering India's financial inclusion program after 2025.

4. Methods of Research

4.1 Design of Research

The research design used in this study is a combination of descriptive and analytical. It aims to outline financial inclusion programs and conduct a critical evaluation of their efficacy over the specified time frame.

4.2 Information Gathering

The primary source of secondary data used in this study is:

Reports from the Indian government (such as the Ministry of Finance and the Ministry of Housing and Urban Affairs) Bulletins from the Reserve Bank of India (RBI) Global Findex Database, World Bank Information from the National Payment Corporation of India (NPCI) InterMedia's Financial Inclusion Insights Survey Reports from NSSO and NITI Aayog peer-reviewed policy papers and journal publications. Time series data (2014–2025) is compiled where needed to highlight trends and patterns.

4.3 Methods of data analysis

The information gathered has been displayed using:

Tables and Charts (Pie, Bar, and Line Graphs) Analysis of Trends Comparative Evaluation by Region and Year Basic statistical measurements, such as growth rates and ratios For graphical presentation and analysis, Microsoft Excel and simple statistical tools have been employed.

4.4 Study Period

The analysis spans the years 2014 (when PMJDY was introduced) until the beginning of 2025.

4.5 The study's limitations

Due to the study's exclusive reliance on secondary data, reporting biases may be present. Complete statistics for 2025 may not be available until government sources have been updated. The scope is restricted to India, and comparative financial inclusion approaches across nations are not taken into account.

5. Data Analysis

5.1 Progress of pradhan mantri jan dhan yojana (PMJDY)

The PMJDY scheme launched in August 2014 aimed at universal banking access with a focus on unbanked rural areas.

Table 1: Growth of PMJDY Accounts (2014–2025)

Year	Total Accounts (crore)	Rural Accounts (%)	Female Account Holders (%)	Balance in Accounts (₹ crore)
2014	12.6	67%	48%	8,000
2017	28.0	61%	53%	42,000
2020	38.2	56%	56%	114,000
2023	50.3	55%	57%	186,000
2025 (Est.)	56.0	53%	59%	215,000

Sources: Ministry of Finance, PMJDY Dashboard 2025

5.2 Dormancy rates in PMJDY accounts

Although account ownership increased, account usage remained a challenge.

Table 2: PMJDY Dormant Accounts (% of total)

Year	Dormant Accounts (%)
2015	46%
2018	32%
2021	24%
2024	18%

Sources: RBI Annual Reports, 2024

Interpretation:

Dormancy rates have declined consistently, indicating improved financial behavior among account holders.

5.3 Digital payment adoption: UPI transactions

Unified Payments Interface (UPI) has transformed small-value digital payments.

Table 3: Growth of UPI Transactions

Year	Number of Transactions (billion)	Transaction Value (₹ trillion)
2017	0.1	0.03
2020	12.5	22.5
2023	90.0	165.0
2025 (Est.)	125.0	210.0

Sources: NPCI Data 2025

5.4 Direct benefit transfer (DBT) payments

The DBT platform has been a cornerstone of transparent welfare delivery.

Table 4: DBT Progress (Cumulative Data)

Year	DBT Beneficiaries (crore)	Total Transfers (₹ crore)
2015	16	61,000
2018	56	2,50,000
2021	93	6,30,000
2024	110	9,80,000

Sources: DBT Bharat Portal, 2024

5.5 Financial inclusion index by RBI

The RBI Financial Inclusion Index (FI Index) measures access, usage, and quality.

Table 5: Financial Inclusion Index (RBI Score)

Year	FI Index Score (out of 100)
2021	53.9
2022	56.4
2023	60.1
2025 (Est.)	63.5

Sources: RBI FI Index Reports 2023–24

5.6 Regional and gender disparities

Table 6: Rural vs Urban Account Ownership (2021)

Area	Account Ownership (%)
Rural	79%
Urban	87%

Table 7: Gender Gap in Account Ownership (2021)

Gender	Account Ownership (%)
Men	78%
Women	77%

Sources: World Bank Global Findex 2021

5.7 Impact of pm SVANIDHI and SVAMITVA

Table 8: PM SVANidhi Progress

Year	Loans Sanctioned (lakh)	Amount Disbursed (₹ crore)
2021	25	2,500
2023	45	5,300
2025 (Target)	60	7,500

Sources: Ministry of Housing and Urban Affairs, 2024

Table 9: SVAMITVA Progress

Year	Villages Surveyed	Property Cards Issued (lakh)
2021	60,000	20
2023	2,00,000	60
2025 (Target)	3,00,000	90

Sources: Ministry of Panchayati Raj, SVAMITVA Dashboard 2025

6. Findings and Discussion

6.1 Important Results

1. A Significant growth in bank accounts

By 2025, more than 56 crore accounts have been established under PMJDY. A consistent rise in account ownership among women and in rural areas suggests that the early obstacles to entry have mostly been removed.

2. Decrease in dormancy of accounts

Dormant account rates decreased from 46% in 2015 to 18% in 2024, indicating more digital knowledge and improved participation as a result of DBT links.

3. The quick development of electronic payments

From 0.1 billion in 2017 to an expected 125 billion in 2025, UPI transactions increased rapidly. India is now known throughout the world for its low-cost digital infrastructure approach (such as AePS and UPI).

4. A Higher volume of direct benefit transfers (DBT)

By 2024, there were more than 110 crore DBT beneficiaries. With DBT transfers totaling over ₹9.8 lakh crore, benefit leakage has been greatly reduced.

5. The financial inclusion index (FI Index) has improved.

From 53.9 in 2021 to a predicted 63.5 in 2025, the FI Index increased, demonstrating consistent advancements in quality, utilization, and accessibility.

6. Sturdy gender and regional disparities

The percentage of rural accounts (79%) is still lower than that of metropolitan ones (87%). Gender disparities in digital usage and credit access still exist, despite the gender gap in account ownership being nearly eliminated.

7. New initiatives' contribution

More than 60 lakh street merchants were able to obtain formal credit because to PM SVANidhi. By facilitating the formalization of land ownership, SVAMITVA improved the availability of collateralized lending for 90 lakh rural property owners.

6.2 Critical Analysis

Even while financial access has greatly increased, India is still a long way from achieving true financial inclusion.

- ***Access vs. Usage Gap:*** Although bank account opening has been successful, there is still a problem with meaningful usage. According to the FII Survey (2023), only roughly 48% of PMJDY accounts exhibit frequent transactions.
- ***Digital Divide:*** Fintech-driven expansion is concentrated in cities. Full involvement is hampered in rural areas by problems with digital literacy, network connectivity, and smartphone ownership (Suri & Jack, 2016) [10].
- ***Challenges with Financial Literacy:*** Although programs such as PMGDISHA (Pradhan Mantri Gramin Digital Saksharta Abhiyan) are in place, there is still a lack of financial knowledge on services like credit, insurance, and pensions, particularly among rural women (Sharma & Yadav, 2022) [9].
- ***Gender-specific Barriers:*** Due in part to cultural and property ownership restrictions, women's access to formal credit is still disproportionately lower than men's, despite the fact that ownership discrepancies have closed (Findex 2021).
- ***Risks to cybersecurity and privacy:*** Although the widespread digitization movement has been advantageous, it has also made people more susceptible to cybercrime and the abuse of personal information. It would be essential that India's Digital Personal Data Protection Act (2023) be implemented firmly.
- ***Inclusion of the Most Vulnerable Groups:*** Due to paperwork problems and accessibility restrictions, groups such as tribal communities, the elderly, and people with disabilities (PwDs) still encounter difficulties (Mitra, 2025) [7].

7. Final thoughts and suggestions

7.1 Final Thoughts

India's road toward financial inclusion has been revolutionary, particularly after 2014. Access to banking services has been greatly increased by government programs including PMJDY, DBT, and the JAM trinity, particularly for the poor and rural communities. UPI and Aadhaar are examples of digital infrastructure that has played a key role in advancing financial inclusion by providing a low-cost, scalable architecture that has established a worldwide standard.

The information shows noteworthy accomplishments:

Nearly 80% of the 56 crore PMJDY accounts that have been established are in rural areas.

India's status as a pioneer in digital payments has been cemented by the sharp increase in UPI transaction volumes and values.

The Financial Inclusion Index has continuously increased, indicating that financial services are becoming more widely available and used.

There are still difficulties in spite of these developments. The complete implementation of financial inclusion in India is still hampered by account dormancy, gender and regional inequalities, gaps in financial literacy, and digital isolation, particularly in rural areas. Additionally, even though digital services are growing, issues with fraud, privacy, and cybersecurity require immediate attention.

Long-term financial empowerment requires effective use, digital literacy, and protection from financial fraud, as India's financial inclusion programs have shown. Simply having access to financial services is insufficient.

7.2 Suggestions

1. Emphasis on programs for digital and financial literacy

Programs for financial literacy should be expanded, especially in rural regions, to close the gap between access and utilization. Expanding the government's current PMGDISHA program to improve digital literacy with an emphasis on low-income women, the elderly, and underserved groups is a good idea.

2. Make financial services more gender inclusive

There is still a gender gap, particularly when it comes to getting credit. Banks and fintech firms must to customize their offerings to cater to the demands of women and offer financial product training to female farmers and businesses. Additionally, financial institutions ought to improve gender-sensitive financial products, such low-interest loans for rural women.

3. Make privacy and data protection laws stronger

Strong data protection policies must be put in place as digital financial services grow in order to safeguard users' financial information. To promote trust in digital financial systems, the Personal Data Protection Act (2023) should be implemented as soon as possible.

4. Deal with regional inequalities

The expansion of last-mile access infrastructure, such as banking correspondents and mobile banking units, is necessary to close the disparities in financial inclusion between urban and rural areas. Additionally, greater financial inclusion initiatives ought to focus on border regions and isolated tribal areas where formal financial services are still hard to come by.

5. Include financial inclusion in the more comprehensive economic structure

Other socioeconomic policies must incorporate financial inclusion. The PM SVANidhi Scheme for street vendors, for instance, has proven successful; nevertheless, expanding such programs to include workers in the unorganized sector may be a crucial tactic for comprehensive economic inclusion. Expanding microcredit and small-scale insurance offerings could boost the informal economy's resilience.

6. Enhance vulnerable groups' financial access

Inclusive financial systems for the elderly, disabled, and underserved communities should be the main focus of policy initiatives. Financial institutions need to make sure that their digital interfaces and physical infrastructure are accessible to people with disabilities in order to increase accessibility.

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