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Financial Inclusion in India: Progress, Policy Initiatives, and Emerging Outcomes

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Abstract:

Financial inclusion has become a key driver of inclusive and sustainable economic growth in India. Over the past decade, the country has implemented a comprehensive set of policies to integrate underserved populations into the formal financial system. This paper examines the progress, scope, and emerging outcomes of major financial inclusion initiatives in India. Using the appropriate data, the study highlights significant growth in bank account ownership, deposits, digital payment adoption, and access to institutional credit. The findings indicate that India has achieved significant access to basic banking services. It has been accompanied by a rapid expansion of digital payment infrastructure and increased participation of women and rural households. The upward trend in the Financial Inclusion Index reflects improvements not only in access but also in usage. The paper also identifies persistent challenges related to digital literacy, infrastructure gaps, and uneven regional penetration. The study concludes that while India's financial inclusion journey has achieved remarkable scale, sustained policy support and targeted interventions are essential to deepen inclusion and translate access into meaningful economic empowerment.

Key Words: Financial inclusion, Sustainable Economic Growth, Digital Financial Services

Introduction

Financial inclusion has emerged as a central pillar of India's development strategy. It reflects the country's commitment to inclusive and sustainable economic growth. Indian economy has a socio-economic diversity and accessing to affordable financial services such as savings, credit, insurance, and digital payments, is critical for empowering households. It not only supports small enterprises but also reduces structural inequalities in the society. Over the past decade, India has made notable progress in expanding financial inclusion through a combination of policy interventions, institutional reforms, and rapid adoption of digital technologies.

Initiatives taken by the government such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Mudra Yojna, Atal Pension Yojna (APY), Mahila Sammriddhi Yojana (MSY), Kisan Credit Card (KCC), Aadhaar-based identification, Direct Benefit Transfer (DBT), and the Unified Payments Interface (UPI) have significantly strengthened the foundation of the formal financial system. These initiatives have improved account ownership, reduced transaction costs, and enhanced transparency in welfare delivery. The growing role of FinTech firms, mobile

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banking, and digital payment platforms has further accelerated access to financial services, particularly among rural populations, informal workers, women, and micro-entrepreneurs.

The present phase of India's economic transformation, shaped by the vision of *Digital Bharat* and *Viksit Bharat 2047*, places financial inclusion at the intersection of technology, governance, and economic resilience. As India positions itself as a major global economy, inclusive finance has become essential for broad-based participation in growth, strengthening domestic demand, and supporting entrepreneurship. However, challenges such as regional disparities, digital literacy gaps, connectivity issues, and uneven usage of financial products persist, raising concerns about the quality and depth of inclusion. The present paper examines the current status of financial inclusion in India and evaluates key policy initiatives, and analyses emerging outcomes in terms of access, usage, and economic participation.

Policy Framework for Financial Inclusion in India

India's policy system for financial inclusion is multi-institutional and technology-driven approach. It aim at ensuring universal access to formal financial services. The Government of India and the Reserve Bank of India (RBI) jointly shape this framework through coordinated policy design, regulation, and implementation. The objective is to provide affordable banking, credit, and insurance, pension, and payment services to the excluded sections of society. The Pradhan Mantri Jan Dhan Yojana (PMJDY) serves as the foundational pillar by enabling universal bank account ownership, supported by simplified KYC norms. Aadhaar-based identification strengthens the framework by enabling secure authentication and facilitating seamless delivery of benefits through the Direct Benefit Transfer (DBT) mechanism, thereby improving transparency and reducing leakages. Digital public infrastructure, particularly the Unified Payments Interface (UPI), has further enhanced access and usability of financial services.

The RBI complements these initiatives through priority sector lending norms, differentiated banking models such as small finance banks and payments banks, expansion of the Business Correspondent (BC) network, and structured financial literacy programmes. Consumer protection and grievance redress mechanisms form integral components of the framework to ensure trust and sustainability. India's financial inclusion policy framework reflects a shift from mere access to meaningful usage, emphasizing digital integration, and inclusive economic participation.

Major Financial Inclusion Initiatives in India

- **Pradhan Mantri Jan Dhan Yojana (PMJDY): It a**ims to provide universal access to banking services by offering basic savings bank accounts, RuPay debit cards, overdraft facilities, and insurance coverage, particularly targeting low-income and unbanked populations.

- **Aadhaar-Based Identification System:** It provides a unique digital identity that enables simplified KYC procedures, biometric authentication, and secure access to financial services, forming the backbone of digital financial inclusion.

- **Direct Benefit Transfer (DBT):** It facilitates the direct transfer of government subsidies and welfare benefits into beneficiaries' bank accounts, improving transparency, reducing leakages, and ensuring timely payments.

- **Unified Payments Interface (UPI):** It enables instant, low-cost, and interoperable digital payments through mobile devices, significantly enhancing financial access and transaction convenience across urban and rural India.

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- **Business Correspondent (BC) Model:** This model extends banking services to remote and underserved areas through local agents, supporting last-mile delivery of financial services.

- **Pradhan Mantri Mudra Yojana (PMMY): It** provides collateral-free loans to micro and small enterprises, promoting entrepreneurship and self-employment.

- **Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY):** These schemes offer affordable life and accident insurance to low-income households.

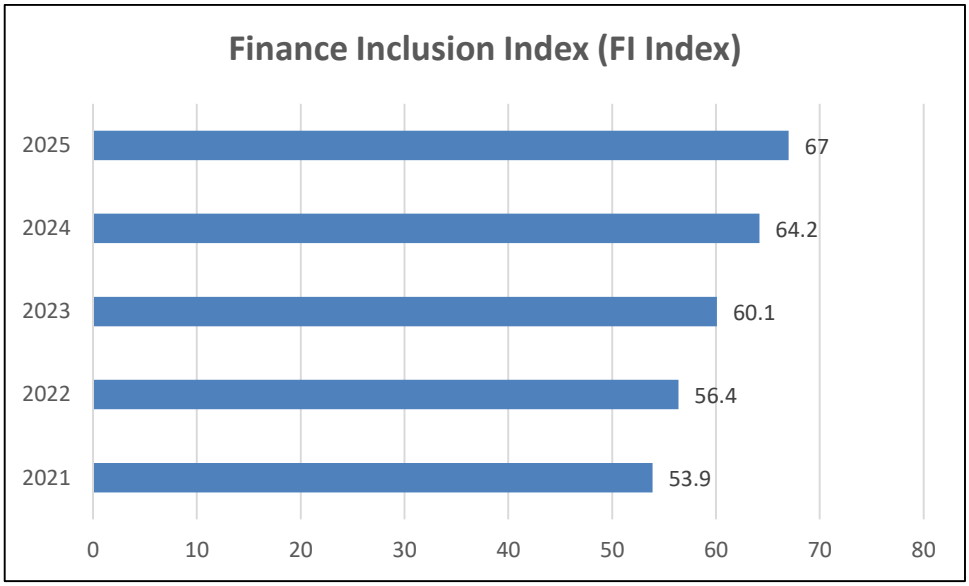
- **Atal Pension Yojana (APY):** It encourages retirement savings among informal sector workers through contributory pension accounts.

Current Status and Trends of Financial Inclusion in India:

India's financial inclusion strategy has been implemented through a series of targeted policy initiatives. The aim of these initiatives was expanding access, improving usage, and ensuring the affordability of financial services. These initiatives address multiple dimensions of inclusion, including banking penetration, digital payments, credit availability, insurance coverage, and pension security. It is important to examine empirical evidence reflecting their scale, growth, and operational outcomes to assess the usefulness and outreach of these programmes. The following section presents the progress of financial inclusion in India.

RBI Financial Inclusion Index (FI Index) reflects the overall progress of financial inclusion in India. It captures key dimensions such as access, usage, and quality of financial services. The FI Index has recorded a steady and consistent improvement over the period 2021–2025. The index increased from 53.9 in 2021 **to** 56.4 in 2022**,** indicating early gains from policy initiatives and digital expansion. This upward trend strengthened further with the index rising to 60.1 in 2023 and 64.2 in 2024**,** highlighting deeper penetration of banking, digital payments, and welfare-linked financial services. By 2025, the FI Index reached 67**,** demonstrating significant progress toward inclusive finance. This improvement figures are supported by the government's sustained focus on schemes such as PMJDY, DBT, UPI, and financial literacy programs. The growing FI Index underscores India's transition from basic access to more meaningful and effective financial inclusion.

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Source: Reserve Bank of India

The latest data on payment infrastructure in India highlights the extensive physical and digital support to the financial inclusion and also to digital payments ecosystem. The country has a wide ATM and Cash Recycler Machine (CRM) network, comprising 1,31,323 on-site and 83,518 off-site ATMs**,** ensuring continued access to cash, especially in semi-urban and rural areas. At the same time, digital acceptance infrastructure has expanded rapidly, with over 11.09 million PoS terminals and 1.48 million Micro-ATMs**,** strengthening merchant payments and last-mile banking through Business Correspondents. The widespread availability of Bharat QR codes (6.72 million) and an exceptionally large base of UPI QR codes (657.93 million) reflects the dominance of low-cost, interoperable digital payments. On the user side, the presence of 109.88 million credit cards and 990.81 million debit cards indicates deep penetration of formal payment instruments. Overall, this robust infrastructure demonstrates India's balanced approach toward maintaining cash access while aggressively promoting digital and inclusive payment systems.

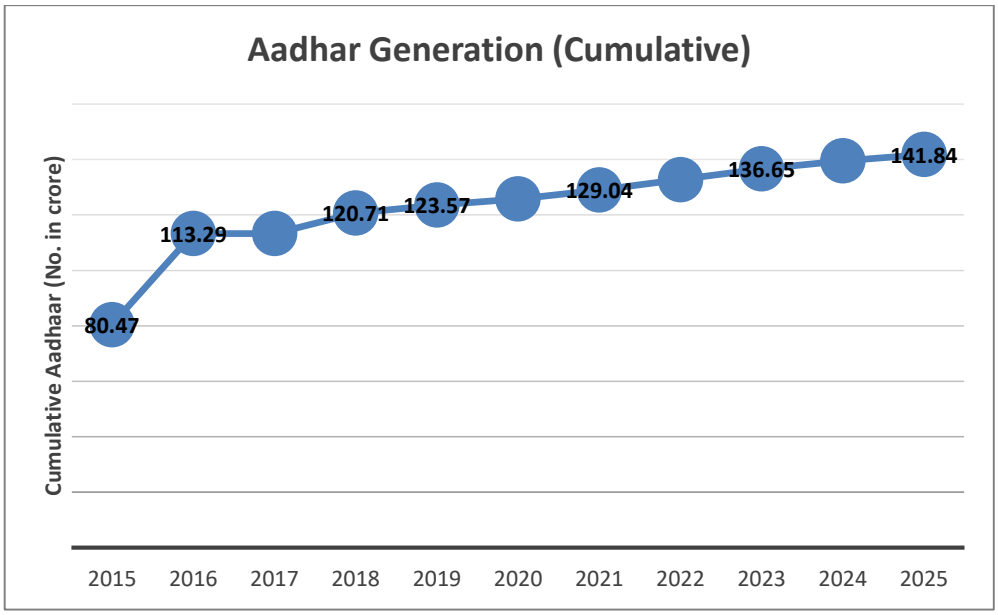
Payment Infrastructure (in No. / 2025)							
ATMs & CRMs		**PoS**	**Micro ATMs**	**Bharat QR Codes**	**UPI QR Codes**	**Credit Cards**	**Debit Cards**
On-site	**Off-site**						
131323	83518	11098051	1481883	6718039	657929517	109884686	990812421

Source: Reserve Bank of India

The Aadhaar generation data reflects the steady expansion of India's digital identity infrastructure, which forms a critical foundation for financial inclusion and digital service delivery. Cumulative Aadhaar enrolments increased significantly from 80.47 crore in 2015 **to** 141.84 crore in 2025**,** **i**ndicating rapid growth. In the last year (2024-25) also, the cumulative Aadhaar generation

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reached to 141.84 crore from 139.56 crore, covering nearly the entire eligible population. This coverage has enabled simplified KYC, Aadhaar-based authentication, and seamless integration with bank accounts. It has also strengthened the Direct Benefit Transfers (DBT) and overall financial inclusion in India.



Source: https://uidai.gov.in

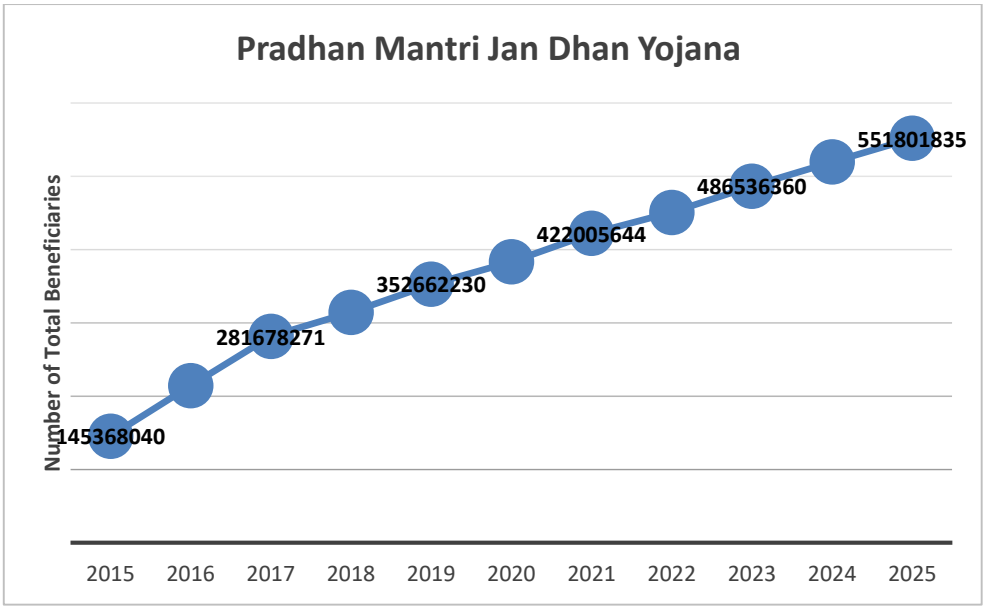
The Pradhan Mantri Jan Dhan Yojana (PMJDY) highlights the dominant role of public institutions in advancing financial inclusion in India, with a strong rural and gender-focused outreach. PMJDY has reached 57.49 crore beneficiaries and enabled access to 39.76 crore RuPay debit cards. The data underline the programme's strong rural orientation, high female participation, and the central role of public banking institutions in deepening financial inclusion in India. Public Sector Banks account for the largest share, covering 44.50 crore beneficiaries. Significant number of female participation has been recorded. The detailed statistics are given in the table below-

Pradhan Mantri Jan Dhan Yojana Status (21-01-2026)/(All figures in Crore)						
Bank Name / Type	**Number of Beneficiaries at rural/semiurban centre bank branches**	**Number of Beneficiaries at urban metro centre bank branches**	**No Of Rural-Urban Female Beneficiaries**	**Number of Total Beneficiaries**	**Deposits in Accounts(In Crore)**	**Number of Rupay Debit Cards issued to beneficiaries**
Public Sector Banks	34.57	9.92	24.54	44.5	225825.18	34.24
Regional Rural Banks	9.36	1.48	6.32	10.84	53360.77	3.95
Private Sector Banks	0.84	1.12	1.1	1.96	8392.34	1.57
Rural Cooperative Banks	0.19	0	0.1	0.19	0.01	0
Grand Total	**44.96**	**12.52**	**32.06**	**57.49**	**287578.31**	**39.76**

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Source: Data retrieved & compiled from https://pmjdy.gov.in/

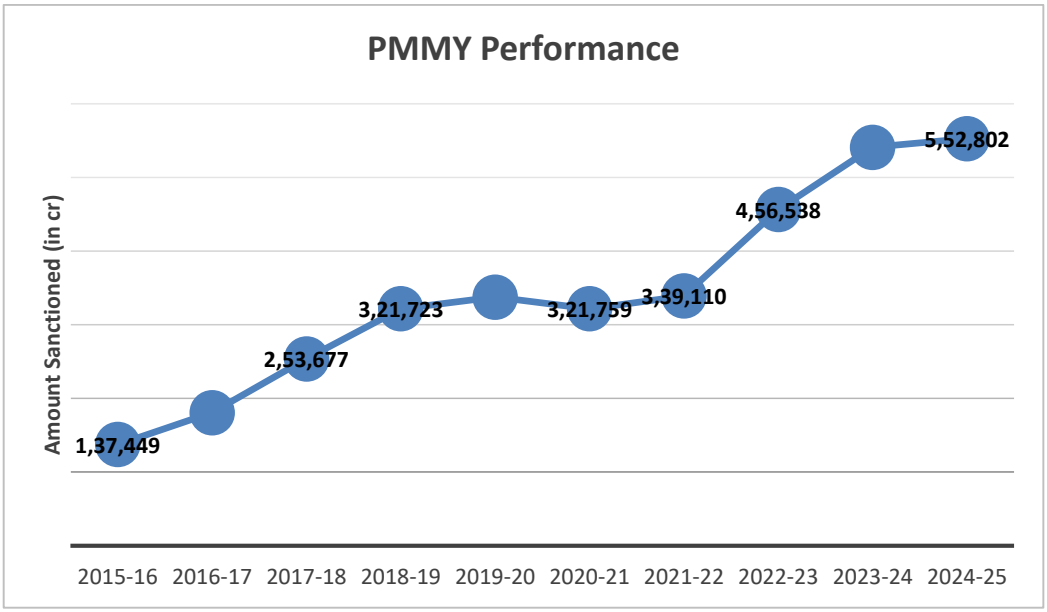
The progress of the Pradhan Mantri Jan Dhan Yojana (PMJDY) over the period 2015–2025 highlights its pivotal role in expanding formal financial access in India. The number of total beneficiaries increased sharply from 145.37 million in 2015 to 551.80 million in 2025. The deposits under PMJDY grew at an even faster pace, signalling improved usage and trust in the formal financial system. Deposits increased from ₹14.64 lakh crore in 2015 to ₹260.39 lakh crore in 2025. This sustained growth in both accounts and deposits indicates a shift from mere account ownership to active financial participation, reinforcing PMJDY's contribution to financial inclusion, income security, and economic resilience in India.



Source: Data retrieved & compiled from https://pmjdy.gov.in/

The performance of the Pradhan Mantri Mudra Yojana (PMMY) over the period 2015–16 to 2024–25 demonstrates its significant contribution to financial inclusion and micro-enterprise development in India. Since its inception, PMMY has enabled access to institutional credit for a large number of micro and small entrepreneurs, particularly in the informal sector. The number of loan accounts sanctioned increased from 3.49 crore in 2015–16 to 5.47 crore, with an amount sanctioned of ₹5.53 lakh crore in 2024-25. This sustained expansion highlights PMMY's role in promoting entrepreneurship, self-employment, and income generation, especially among women, youth, and first-time borrowers, thereby strengthening the broader framework of financial inclusion in India.

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Source: Data retrieved & compiled from https://www.mudra.org.in/

Pradhan Mantri Suraksha Bima Yojana is providing accidental death and disability coverage especially for poor and unprivileged. As of March 19, 2025**,** the scheme has achieved a cumulative enrolment of 50.54 crore individuals**,** showcasing its extensive reach. UPI has revolutionized the nation's payment ecosystem by integrating multiple bank accounts into a single mobile application. In June 2025 alone, it handled over ₹24.03 lakh crore in payments. This was spread across 18.39 billion transactions. UPI accounts for 85 per cent of all digital transactions in India.

Conclusion:

The analysis of India's financial inclusion initiatives reveals substantial progress in expanding access, improving usage, and strengthening the depth of formal financial services. Programs such as the Pradhan Mantri Jan Dhan Yojana, Aadhaar-based identification, Direct Benefit Transfer, Unified Payments Interface, and Pradhan Mantri Mudra Yojana have collectively transformed the financial system by integrating large segments of the population into the formal system. The steady rise in bank account ownership, deposits, digital transactions, credit access, and insurance coverage reflects a shift to an effective and active financial participation. The consistent improvement in the Financial Inclusion Index further indicates that India's approach has moved beyond basic access toward enhancing service quality and usability. Strong digital public infrastructure, supported by policy coordination between the government, the Reserve Bank of India, and financial institutions, has played a critical role in this transformation. However, challenges such as regional disparities, digital literacy gaps, infrastructure constraints, and uneven usage across population groups continue to limit the full potential of inclusion.

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