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FINANCIAL INCLUSION IN INDIA

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what is financial inclusion?

Financial inclusion refers to the process of ensuring access to affordable financial products and services such as savings, credit, insurance, pensions, and remittances to all sections of society particularly the vulnerable groups like weaker sections and low-income households in a fair, transparent, and affordable manner.

Importance of Financial Inclusion in India

1. Promotes Inclusive Economic Growth

- Financial inclusion integrates marginalized groups (poor, SC/ST, women, migrants) into the formal economy.
- Ensures equitable access to credit, savings, insurance, and pensions.
- *Example: Pradhan Mantri Jan Dhan Yojana (PMJDY)* has opened **51 crore accounts (as of 2025)**, with deposits crossing ₹2.1 lakh crore.

2. Reduces Poverty & Inequality

- Poor households gain access to affordable credit, reducing dependency on moneylenders who charge exorbitant interest.
- Helps bridge rural-urban and gender divides.
- *Example: Self Help Groups (SHGs)* linked with banks under **DAY-NRLM** have mobilized women's savings and reduced rural indebtedness.

3. Encourages Savings & Capital Formation

- Banking access encourages small savings → larger pool for investment and infrastructure.
- *Example: Sukanya Samriddhi Yojana* encourages parents to save for girls' education and marriage, boosting household savings rates.

4. Facilitates Direct Benefit Transfers (DBT)

- Subsidies (LPG, fertilizers, pensions, scholarships) are sent directly to beneficiaries, eliminating leakages and corruption.
- *Example: In 2024, over ₹7.2 lakh crore was transferred through DBT*, benefiting 55 crore people, ensuring transparency and reducing ghost beneficiaries.

5. Strengthens Digital & Cashless Economy

- Wider access to digital platforms (UPI, RuPay, Aadhaar-enabled Payment Systems) reduces cash dependency.
- *Example: UPI transactions crossed 15 billion per month in 2025*, making India the global leader in digital payments.

6. Women Empowerment

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- Bank accounts in women's names improve financial independence and participation in household decision-making.
- *Example:* Over 55% of Jan Dhan accounts are held by women, supporting schemes like **PM Matrvandana Yojana** and **Women SHG financing**.

7. Rural & Agricultural Development

- Farmers gain access to institutional credit ? reduces reliance on informal lenders.
- *Example:* **Kisan Credit Card (KCC)** has issued **7 crore cards by 2024**, providing timely credit for seeds, fertilizers, and irrigation.

8. Risk Mitigation through Insurance & Pensions

- Provides social security to vulnerable sections against health shocks, accidents, and old-age poverty.

Example: **PM Suraksha Bima Yojana** (accident insurance for ₹12/year) and **Atal Pension Yojana (APY)**, over 5.5 crore subscribers by 2025) provide safety nets.



Government initiatives to enhance Financial Inclusion in India

1. Pradhan Mantri Jan Dhan Yojana (PMJDY, 2014)

- Flagship program ensuring universal banking access with zero-balance accounts, RuPay cards, and overdraft facilities.
- As of 2025, **51 crore accounts opened**, deposits above ₹2.1 lakh crore; 67% accounts in rural/semi-urban areas.

2. Direct Benefit Transfer (DBT, 2013 onwards)

- Subsidies (LPG, fertilizers, pensions, scholarships) transferred directly to beneficiaries' bank accounts.
- In 2024–25, over ₹7.2 lakh crore transferred digitally, reducing leakages and ghost beneficiaries.

3. Digital Payments Revolution (UPI, RuPay, AEPS)

- UPI, Aadhaar Enabled Payment Systems (AEPS), and RuPay cards promote low-cost, accessible digital transactions.
- **UPI processed 15 billion monthly transactions in 2025**, with growing rural penetration via AEPS.

4. Kisan Credit Card

- Provides timely, affordable credit to farmers for cultivation, allied activities, and consumption.
- By 2024, **7 crore KCCs issued**, linking farmers directly with formal credit.

5. Pradhan Mantri MUDRA Yojana (

- Provides collateral-free loans up to ₹10 lakh to small and micro enterprises.
- By 2025, **43 crore loans sanctioned worth ₹24.5 lakh crore**, with women entrepreneurs >68% of beneficiaries.

6. Stand Up India Scheme (2016)

- Provides loans between ₹10 lakh – ₹1 crore for SC/ST and women entrepreneurs to promote inclusive entrepreneurship.
- Over **1.8 lakh accounts sanctioned by 2024**, aiding disadvantaged sections.

7. Pradhan Mantri Suraksha Bima Yojana (PMSBY, 2015) & Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY, 2015)

- Low-cost accident (₹12 premium) and life insurance (₹330 premium).
- By 2024, **42 crore enrolments under PMSBY and 16 crore under PMJJBY**.

8. Financial Literacy & Education Initiatives (RBI & SEBI)

- RBI's **Financial Literacy Week** and 1,200+ **Financial Literacy Centres (FLCs)** educate citizens about banking, credit, and digital transactions.
- 2024 theme focused on **“Good Financial Behaviour – Your Saviour”** promoting responsible borrowing and saving.

Hurdles in Financial inclusion

1. Lack of Financial Literacy

- Many people, especially in rural areas, are unaware of banking services, digital payments, insurance, and investment options.
- Low adoption of banking products; people remain outside the formal financial system.
- **Example:** Even after Jan Dhan Yojana accounts, many remain inactive due to lack of understanding of usage.

2. Limited Physical Access to Banks

- Rural and remote areas often lack bank branches and ATMs.
- People face difficulties in depositing, withdrawing, or accessing credit.
- **Example:** North-East India and hilly terrains have sparse banking infrastructure.

3. High Transaction Costs

- Small transactions or remote banking often involve high costs for banks and customers.
- Banks hesitate to serve low-income clients; people avoid formal channels.

- **Example:** Micro-loans may have higher processing costs than profits from small borrowers.

4. Digital Divide

- Many people do not have smartphones, internet access, or digital literacy.
- Limits adoption of digital banking, mobile wallets, UPI, and online insurance.
- **Example:** Rural women or elderly often cannot use online banking platforms.

5. Documentation Barriers

- Many low-income people lack formal identification, income proofs, or address proofs.
- Difficulty in opening bank accounts or availing loans.
- **Example:** Migrant workers often face account opening issues despite PMJDY schemes.

6. Cultural and Social Barriers

- Social norms, distrust of banks, or preference for cash-based transactions.
- Hesitation in adopting formal financial services.
- **Example:** Many communities prefer local moneylenders over banks due to familiarity.

7. Inadequate Financial Products

- Products are often not tailored for the poor, women, or informal sector workers.
- Lack of suitable loans, insurance, or savings options for low-income groups.
- **Example:** Micro-insurance schemes have low coverage and complex claims processes

Conclusion:

Financial inclusion is crucial for achieving inclusive economic growth, poverty reduction, and social empowerment. While India has made significant progress through initiatives like Pradhan Mantri Jan Dhan Yojana, digital payments, and microfinance schemes, challenges such as financial illiteracy, limited access, and digital divide remain. To ensure meaningful inclusion, there must be a focus on awareness, accessibility, affordable financial products, and trust-building, alongside leveraging technology. Ultimately, financial inclusion is not just about opening bank accounts—it is about empowering every citizen to actively participate in the formal economy, thereby fostering equity, resilience, and sustainable development.