Pradhan Mantri Jan Dhan Yojana at 12 Years: Deepening Financial Inclusion through Digital Access, Social Security and Formal Credit

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Recent Developments:

- The **Pradhan Mantri Jan-Dhan Yojana (PMJDY)**, launched on **28 August 2014** as the National Mission for Financial Inclusion, has completed **12 years of implementation** in 2026.
- As of **19 August 2026**, PMJDY had **59.09 crore accounts**, deposits of about **?3.17 lakh crore**, and **41.29 crore RuPay debit cards**. Women held **32.92 crore accounts**, while **45.95 crore accounts** were located in rural and semi-urban centres.
- The next phase of financial inclusion requires a shift from **account ownership to active financial usage**, with greater emphasis on savings, insurance, pensions, formal credit, digital payments and financial literacy.

PMJDY: Objectives and Evolution:

Core Objectives:

- PMJDY seeks to provide affordable access to **basic savings and deposit accounts, remittances, credit, insurance and pension** for financially excluded sections of society.
- A **Basic Savings Bank Deposit Account (BSBD)** can be opened through a bank branch or a **Business Correspondent (Bank Mitra)** outlet without a minimum-balance requirement.
- The scheme was initially designed around universal banking access for households, but its strategic focus was subsequently shifted from **"every household" to "every unbanked adult"**, thereby broadening individual-level coverage.

Major Benefits:

- PMJDY account holders receive a **RuPay debit card** with an accident insurance cover of **?2 lakh** for eligible accounts opened after 28 August 2018.
- Eligible account holders can access an **overdraft facility up to ?10,000**, subject to prescribed conditions.
- PMJDY accounts provide an important platform for **Direct Benefit Transfer (DBT)** and access to social-security schemes such as **PMJJBY, PMSBY and APY**, along with the **MUDRA** ecosystem.

Achievements and Significance:

Expansion of Financial Inclusion:

- PMJDY has created one of the world's largest formal banking networks for previously underserved populations, with **59.09 crore accounts** recorded by August 2026.

- Deposits of approximately **?3.17 lakh crore** indicate that financial inclusion has progressed beyond mere account opening towards greater participation in the formal financial system.
- The presence of **45.95 crore rural and semi-urban accounts** demonstrates the scheme's importance in addressing the geographical dimension of financial exclusion.

Women and Inclusive Development:

- Women account holders constitute approximately **56%** of total PMJDY beneficiaries, strengthening women's direct access to formal financial services.
- Individual ownership of bank accounts can improve women's control over income, facilitate access to government transfers and strengthen participation in household financial decisions.

JAM Architecture and DBT:

- PMJDY forms the **bank-account pillar of the Jan Dhan-Aadhaar-Mobile (JAM) architecture**, which has enabled large-scale digital delivery of government benefits.
- The combination of bank accounts, identity authentication and mobile connectivity can reduce intermediary dependence, improve targeting and strengthen transparency in welfare delivery.
- Consequently, PMJDY has evolved from a banking-access programme into an important component of **digital governance and welfare-state architecture**.

PMJDY and Broader Economic Transformation:

Formalisation and Credit Access:

- Formal bank accounts create transaction histories that can gradually improve access to **institutional credit**, reducing dependence on informal lenders.
- Greater formalisation can support integration with schemes such as **MUDRA**, micro-insurance and pension products, thereby connecting financial inclusion with livelihood security.

Financial Inclusion and Poverty Reduction:

- Financial inclusion can improve household resilience by facilitating savings, insurance, credit and timely receipt of welfare transfers.
- However, account ownership alone does not automatically translate into economic empowerment; the quality, frequency and diversity of financial usage remain equally important.

Major Challenges:

Dormancy and Limited Financial Usage:

- A major challenge is ensuring that accounts remain **active and economically meaningful** rather than functioning primarily as channels for receiving and withdrawing DBT.
- Cash-heavy usage limits opportunities for building savings, credit histories and investment habits.

Digital and Infrastructure Divide:

- Weak connectivity, inadequate digital literacy and fear of cyber fraud can restrict the adoption of **UPI, mobile banking and Aadhaar-enabled payment services** in rural and remote areas.
- Biometric authentication failures and network disruptions can particularly affect last-mile transactions where beneficiaries depend heavily on Bank Mitras.

Limited Credit and Insurance Deepening:

- The **overdraft facility** has not achieved its full potential because eligibility requirements, irregular incomes and repayment concerns can constrain access.
- Similarly, greater awareness and sustained engagement are required to convert basic bank-account ownership into wider participation in **micro-insurance and pension schemes**.

Institutional and Behavioural Constraints:

- Financial inclusion requires continued investment in **Bank Mitra networks, financial literacy and consumer protection**, especially among first-generation banking users.
- Cyber fraud, mis-selling, inadequate grievance redressal and low awareness can undermine trust in digital financial services.

Way Forward:

From Financial Access to Financial Deepening:

- Policy should move from **"banking the unbanked" to "empowering the banked"** by encouraging regular savings, responsible credit, insurance and pension participation.
- Small-value savings products, flexible micro-credit and suitable insurance products can make formal finance more relevant to irregular-income households.

Strengthening Last-Mile Infrastructure:

- Bank Mitra networks should be strengthened through better remuneration, reliable connectivity, interoperable devices and effective grievance-redressal mechanisms.
- **Offline and low-connectivity digital payment solutions** can improve financial access in remote regions.

Improving Financial Literacy:

- Financial literacy programmes should focus not only on account opening but also on **cybersecurity, digital payments, insurance, pensions, responsible borrowing and savings behaviour**.
- Behavioural nudges can encourage beneficiaries to retain a small portion of DBT receipts as savings rather than withdrawing the entire amount immediately.

Expanding Women's Financial Empowerment:

- Women-led banking models such as **Bank Sakhis** can strengthen trust, accessibility and financial literacy among rural women.
- Greater integration of PMJDY with **Self-Help Groups, livelihood programmes and micro-enterprises** can convert financial access into productive economic participation.

Value Addition for UPSC:

- **Key Concept:** Financial inclusion should be assessed through four dimensions — **Access, Usage, Quality and Impact —** rather than merely through the number of bank accounts opened.
- **JAM Framework: Jan Dhan + Aadhaar + Mobile** represents the technological foundation for targeted and scalable welfare delivery.
- **Way Forward Formula: Universal Access ? Active Usage ? Financial Deepening ? Economic Empowerment**.
- **Mains Insight:** The success of PMJDY should ultimately be measured not by how many accounts exist, but by whether financially excluded households can **save securely, access affordable credit, manage risks and participate productively in the formal economy**.

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