

A Study on Government Programs in Supporting Fintech Based Financial Inclusion in India

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Abstract: Financial inclusion has become an essential driver of equitable and sustainable development, and Fintech has emerged as a transformative tool in this regard. This paper explores the critical role of government initiatives in supporting Fintech-based financial inclusion in India. By drawing on secondary data, government reports, and policy analyses covering the period 2015–2025, the study evaluates initiatives such as the “Pradhan Mantri Jan Dhan Yojana” (PMJDY), Digital India, India Stack, and the “Unified Payments Interface” (UPI). These programs have created a robust digital financial ecosystem that promotes interoperability, transparency, and affordability. The paper also examines the regulatory support provided by the “Reserve Bank of India” (RBI) and policy innovations that have encouraged Fintech growth. The findings indicate that the combination of public digital infrastructure, Aadhaar-enabled identification, and real-time payment systems has substantially expanded access to formal financial services. Despite these achievements, challenges persist—particularly in rural inclusion, digital literacy, and cybersecurity. The paper concludes that a well-coordinated government–Fintech partnership is crucial for bridging these gaps. Comparative evidence from other emerging economies suggests that India’s public digital infrastructure model provides a replicable framework for inclusive Fintech growth globally.

Keywords: Fintech, Financial Inclusion, Digital India, UPI, India Stack, RBI, PMJDY.

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I. INTRODUCTION

Financial inclusion, the provision of affordable and accessible financial services to every segment of society, is central to achieving inclusive and sustainable development. Over the past decade, Fintech innovations have revolutionized financial services globally. However, the success of Fintech adoption depends heavily on enabling government policies and infrastructure.

In India, financial inclusion was once constrained by the lack of banking outreach, literacy, and formal identification. The introduction of digital identity systems, mobile connectivity, and public financial infrastructure transformed this landscape. Government initiatives such as the “Pradhan Mantri Jan Dhan Yojana” (PMJDY) in 2014, “Digital India” (2015), “India Stack”, and “Unified Payments Interface” (UPI) have collectively created the foundation for Fintech-led inclusion.

The government’s active involvement has not only expanded banking access but also improved affordability and trust in financial services. According to the RBI’s National Strategy for Financial Inclusion (2019–2024), digital public

infrastructure (DPI) is now the backbone of financial service delivery. By 2025, India had achieved over 56 crore PMJDY accounts, and UPI processed nearly 185 billion transactions in one year (NPCI, 2025).

This study examines how these initiatives—backed by digital innovation and regulatory support—have facilitated Fintech-driven inclusion. It also compares India’s experience with other emerging economies such as China, Kenya, and Indonesia to assess the scalability of India’s model.

II. REVIEW OF LITERATURE

Theoretical and empirical literature identifies multiple drivers of financial inclusion: institutional policy, technology diffusion, and regulatory environment.

➤ Government Policy and Inclusion

Government-led interventions are critical to overcoming market failures in financial access (Beck et al., 2018). In India, schemes such as PMJDY reduced barriers to entry by enabling zero-balance bank accounts and direct benefit transfers. According to Demirgüç-Kunt et al. (2021), government programs can significantly increase account

ownership when combined with digital identification systems.

➤ *Fintech as a Catalyst*

Fintech's role in democratizing finance is well-documented. According to the IMF (2021), India's Fintech ecosystem—supported by open APIs and Aadhaar authentication—has lowered transaction costs and increased transparency. The India Stack framework enabled interoperability and scalability, allowing startups to innovate within a trusted environment (MeitY, 2023).

➤ *Digital Infrastructure and Financial Deepening*

Digital public infrastructure (DPI) is a unique policy innovation that integrates identity, payments, and data-sharing layers. The BIS (2024) recognized UPI as the world's most interoperable retail payment system. Comparative studies show similar success in Kenya's M-Pesa and China's WeChat Pay, though India's state-led approach differs by ensuring open, non-proprietary access.

➤ *Empirical Evidence*

Empirical studies reveal strong correlations between digital penetration and financial inclusion. The World Bank's Global Findex (2021) reported that 78% of Indian adults had a formal account, up from 35% in 2011. Scholars like Ghosh (2022) and Sharma (2023) argue that "UPI and PMJDY collectively contributed to a more inclusive and transparent financial ecosystem".

In summary, literature converges on the view that India's state-supported digital model represents a new paradigm in inclusive finance. However, researchers emphasize the need to address inequality in access to digital devices and ensure secure data governance.

III. OBJECTIVES OF THE STUDY

➤ *The Specific Objectives of this Study are:*

- To analyze the role of key government Programs in supporting Fintech-based financial inclusion in India.

- To examine the trends in Fintech adoption and their contribution to inclusive financial growth between 2015 and 2025.
- To identify major challenges and policy gaps in Fintech-led inclusion.
- To provide comparative insights from other emerging economies and suggest future policy directions.

IV. RESEARCH METHODOLOGY

This research employs a qualitative-quantitative mixed-method approach using secondary data from reliable institutional sources. The period under review is 2015–2025, corresponding with major Fintech and policy reforms.

➤ *Data Sources:*

Data has been collected from official repositories such as:

- "Reserve Bank of India" (RBI)
- "National Payments Corporation of India" (NPCI)
- "World Bank Global Findex Database" (2021)
- "Bank for International Settlements" (BIS, 2024)

➤ *Variables:*

Two primary indicators were used to measure financial inclusion and Fintech adoption:

- Growth in UPI transactions (in billions)
- Increase in PMJDY accounts (in crores)

➤ *Analytical Framework:*

The study uses descriptive trend analysis and policy evaluation. The Fintech Inclusion Framework (FIF)—an integration of access, usage, and quality dimensions—is adopted to evaluate government and technological synergies.

➤ *Limitations:*

The study relies on secondary data, and certain qualitative aspects—such as behavioral adoption and digital literacy—require further primary research.

V. DATA ANALYSIS AND FINDINGS

Table 1 UPI Annual Transaction Volumes (2016–2025)

Year	2016	2018	2019	2020	2021	2022	2023	2024	2025
UPI Transactions (Billions)	0.00265	3.74632	10.78754	18.88089	38.74455	74.04448	117.67597	131.10	185.80

Source: NPCI, RBI, BIS (2016–2025)

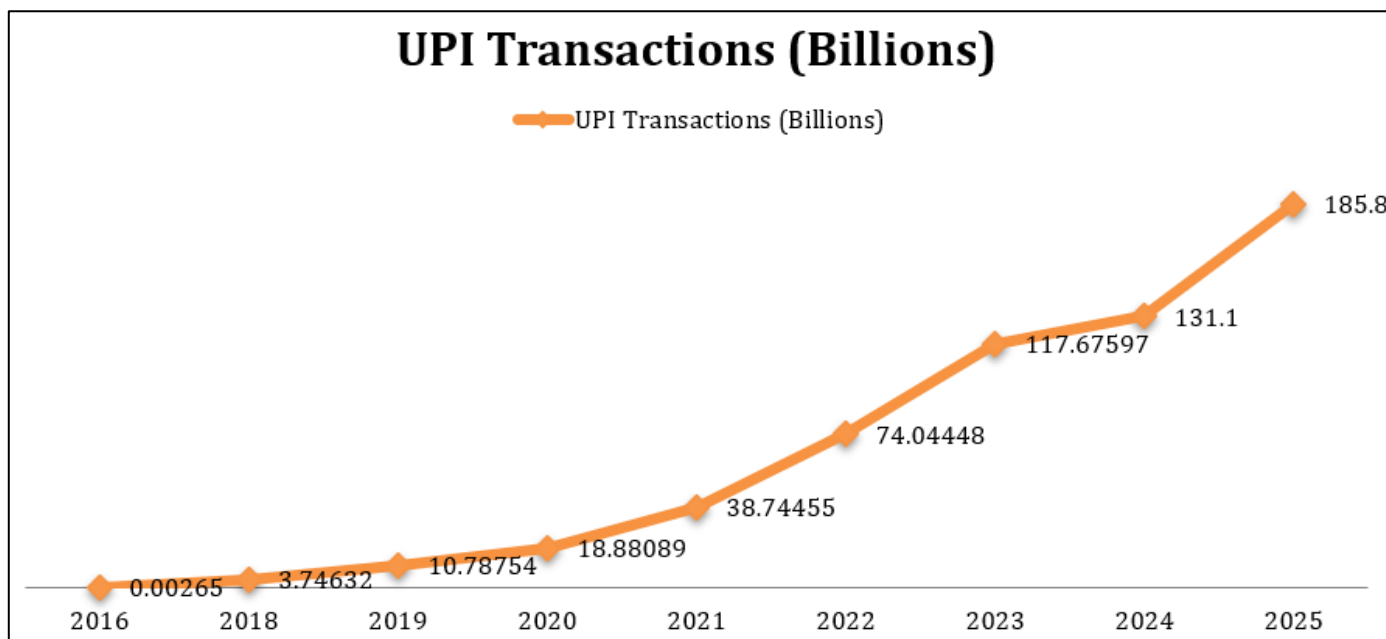


Fig 1 UPI Annual Transaction Volumes

Table 2 PMJDY Accounts (2015 & 2025)

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
PMJDY Accounts (Crore)	14.72	21.43	28.17	31.40	35.27	38.33	42.20	45.06	48.65	51.95	56.16

Source: PIB, PMJDY Portal (2015–2025)

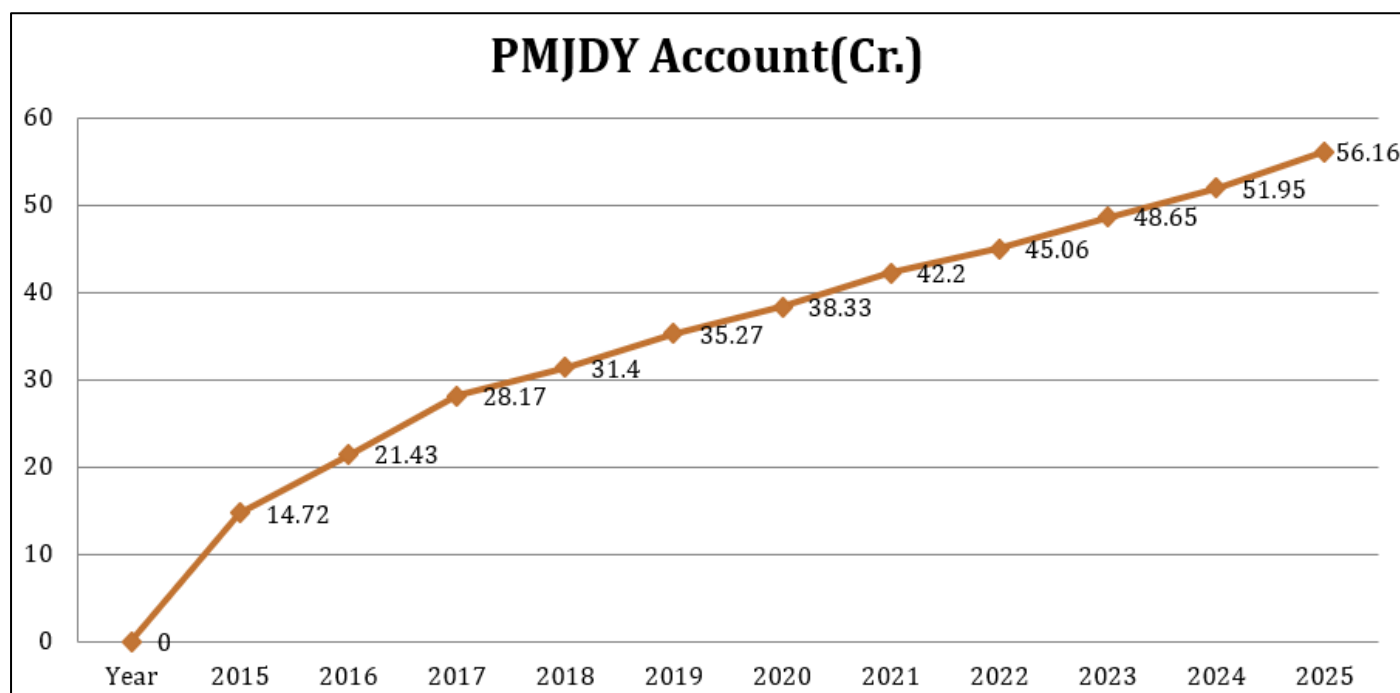


Fig 2 PMJDY Accounts 2015-2025

➤ Interpretation:

The data indicates exponential growth in digital transactions. Between 2016 and 2025, UPI volume increased by more than 70,000 times, demonstrating Fintech's integration into daily life. Similarly, PMJDY account ownership nearly quadrupled, reflecting a structural shift toward inclusion.

VI. DISCUSSION

The results validate the success of India's public-private Fintech model. The government's early investment in digital infrastructure has yielded high social returns. The Digital India initiative enhanced connectivity, while India Stack created a foundation for innovation through open APIs. UPI's

success—achieving universal interoperability without monopolistic control—is considered a global benchmark.

➤ *Comparative Global Perspective:*

Unlike China's privately dominated payment ecosystem (WeChat Pay, Alipay), India's Fintech ecosystem emphasizes public control and open access. Kenya's M-Pesa achieved early financial inclusion through telecom-driven microfinance, but lacked full interoperability. India's model combines government regulation, open data infrastructure, and private innovation—striking a balance between inclusion and innovation.

➤ *Socioeconomic Impacts:*

Fintech inclusion has directly influenced poverty alleviation and gender empowerment. Women's participation in digital banking under PMJDY increased financial independence. MSMEs have benefited from digital payments, improving credit visibility and business scaling. Moreover, government-to-person (G2P) transfers via digital channels have minimized leakages and improved welfare efficiency.

➤ *Challenges Identified:*

Despite success, issues persist:

- Digital Divide: Rural regions still lag in internet and smartphone penetration.
- Financial Literacy: Many account holders remain inactive or unaware of digital products.
- Cybersecurity Risks: Increased digital transactions have led to data fraud and privacy concerns.
- Interoperability Gaps: Some micro-Fintechs struggle with API integration and compliance costs.

Addressing these challenges requires continuous collaboration between regulators, Fintech startups, and social organizations.

VII. POLICY IMPLICATIONS

- **Strengthening Digital Literacy:** Large-scale training programs are essential to ensure rural populations can use Fintech safely and effectively.
- **Enhancing Data Governance:** Implementation of India's Digital Personal Data Protection Act (2023) must ensure secure, consent-based financial data sharing.
- **Supporting Innovation Sandboxes:** Regulators should expand innovation sandboxes for inclusion-focused startups in rural credit, insurance, and Agri-Fintech.
- **Public-Private Partnerships (PPPs):** Collaboration between banks, Fintechs, and telecom companies can extend last-mile connectivity.
- **Gender and MSME Focus:** Customized Fintech products for women entrepreneurs and small businesses will enhance inclusivity.

VIII. CONCLUSION

India's Fintech revolution represents one of the most remarkable transformations in the global financial landscape.

Through deliberate policy design, infrastructure creation, and regulatory flexibility, the government has built an enabling ecosystem for Fintech to thrive. The synergy between PMJDY, UPI, Aadhaar, and Digital India has expanded financial access at an unprecedented scale.

However, sustaining this progress requires attention to inclusivity, digital security, and consumer protection. India's experience demonstrates that when technology innovation aligns with public policy, large-scale financial inclusion becomes achievable. The Indian model offers valuable lessons for other emerging economies seeking to build inclusive, resilient, and innovation-driven financial systems.

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