

Financial Inclusion in India in the Digital Era: Progress, Performance, and Persistent Challenges (2014–2025)

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Abstract: Financial inclusion has evolved into a central pillar of India's development strategy during the past decade. Moving beyond conventional branch-led banking expansion, India has adopted a digitally integrated model combining identity infrastructure, payment systems, and data-sharing platforms. This paper evaluates the trajectory of financial inclusion in India between 2014 and December 2025, with special reference to the Jan Dhan–Aadhaar–Mobile (JAM) Trinity, Digital Public Infrastructure (DPI), and major social security schemes. Using secondary data from the Reserve Bank of India (RBI), Ministry of Finance, National Payments Corporation of India (NPCI), and international databases such as the World Bank Global Findex, the study assesses progress across access, usage, and quality dimensions. The findings indicate that while access to formal accounts has reached near-universal levels, challenges persist in ensuring active usage, gender parity, digital security, and consumer capability. The paper concludes that the next phase of financial inclusion must prioritize depth, resilience, and user protection alongside technological expansion.

Keywords: Financial Inclusion, JAM Trinity, Digital Public Infrastructure, UPI, PMJDY, Digital Payments, Social Security, India.

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I. INTRODUCTION

Financial inclusion in India has undergone a structural transformation since 2014. Historically, access to formal financial services was constrained by high transaction costs, limited branch penetration in rural areas, rigid documentation requirements, and low levels of financial literacy. As a result, a substantial segment of India's rural and informal population relied on informal credit markets and cash-based transactions.

The launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in August 2014 marked a watershed moment in India's financial inclusion journey. Unlike earlier inclusion efforts centered primarily on branch expansion, the post-2014 approach leveraged the JAM Trinity—Jan Dhan accounts, Aadhaar-based digital identity, and mobile connectivity—to create an interoperable and scalable financial ecosystem.

The integration of digital identity through Aadhaar and mobile penetration enabled direct benefit transfers (DBT), minimized leakages in welfare delivery, and facilitated digital transactions through platforms such as the Unified Payments Interface (UPI). By 2025, India's Digital Public Infrastructure

has emerged as a globally recognized model for inclusive digital finance.

This paper evaluates the progress of financial inclusion in India during 2014–2025 and critically examines persistent structural and behavioral challenges.

II. REVIEW OF LITERATURE

The literature on financial inclusion in India may be categorized into three phases: Access Expansion (pre-2014), Usage Concerns (2014–2020), and Quality and Digital Inclusion (2020–2025).

➤ Access-Centric Phase

Early scholarship emphasized supply-side constraints. Thorat (2007) highlighted structural exclusion in rural credit markets. The Rangarajan Committee (2008) conceptualized financial inclusion as access to banking, credit, insurance, and remittances. Burgess and Pande (2005) demonstrated that rural branch expansion significantly reduced poverty in India.

➤ *Post-PMJDY Account Expansion*

Following PMJDY, studies documented unprecedented growth in bank account penetration. Suri and Jack (2016), though based on Kenya’s M-Pesa model, influenced Indian debates on digital payments and poverty reduction. Indian studies (2016–2018) noted high zero-balance accounts and limited transactional activity during the early years.

The World Bank Global Findex Database (2017; 2021) showed a dramatic increase in account ownership in India—from 53% (2014) to over 78% (2017), reaching above 80% by 2021. However, gender and rural-urban usage gaps persisted.

➤ *Digital Infrastructure and FinTech-Led Inclusion*

Recent scholarship (2019–2025) focuses on digital ecosystems. Research on UPI (RBI Occasional Papers, 2022–2024) shows that real-time payments significantly reduce transaction costs for small merchants and informal workers. Studies on the Account Aggregator framework highlight the emergence of “information collateral,” enabling cash-flow-based lending.

Ozili (2021) argues that digital financial inclusion enhances resilience during crises, a finding reinforced during the COVID-19 pandemic when DBT transfers reached millions swiftly. However, emerging literature warns of “Digital Exclusion 2.0,” where individuals lacking smartphones, digital literacy, or cybersecurity awareness face new vulnerabilities.

Collectively, the literature indicates that while access barriers have largely diminished, quality of inclusion—measured by sustained usage, consumer protection, and financial capability—remains uneven.

➤ *Objectives of the Study*

- To document the expansion of the JAM Trinity (2014–2025).
- To analyze the role of Digital Public Infrastructure in payments, credit, and welfare delivery.
- To assess the performance of major social security schemes.
- To identify structural, behavioral, and technological challenges.
- To derive policy implications for deepening inclusive finance.

III. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical design based on secondary data. Data sources include:

- Reserve Bank of India (RBI) Annual Reports and Financial Stability Reports
- Ministry of Finance statistics
- NPCI transaction data
- Global Findex Database
- Government scheme dashboards

Trend analysis and comparative evaluation are used to interpret progress across indicators.

IV. PROGRESS AND PERFORMANCE METRICS (2014–2025)

Table 1: Growth of Key Financial Inclusion Indicators

Indicator	Dec 2014	Dec 2020	Dec 2025*
PMJDY Accounts (crore)	12.5	41.6	54.2
% Active Accounts	~70%	~78%	~82%
Deposits in PMJDY (₹ lakh crore)	0.10	1.30	2.35
Aadhaar Seeding (%)	~50%	~85%	>95%
UPI Monthly Transactions (billion)	0	2.2	~16
UPI Monthly Value (₹ lakh crore)	0	4.2	>22

Figures Compiled from RBI, NPCI and Government Releases up to December 2025.

Table 1 captures the structural expansion and qualitative deepening of India’s financial inclusion ecosystem over the eleven-year period from 2014 to 2025. The number of accounts opened under the Pradhan Mantri Jan Dhan Yojana increased from 12.5 crore in December 2014 to 54.2 crore by December 2025. This represents more than a fourfold expansion in account ownership within a decade. The initial surge (2014–2016) was policy-driven, focusing on universal household coverage. The subsequent increase reflects inclusion of uncovered adults, migrant workers, and beneficiaries of welfare schemes. This growth indicates near-saturation in basic banking access, positioning India among countries with the highest account ownership globally. While early concerns focused on zero-balance accounts, the proportion of active accounts improved from approximately 70% in 2014 to around 82% by 2025. This improvement

suggests that accounts are increasingly used for transactions, savings, and DBT receipts rather than remaining dormant.

The rise in activity correlates strongly with:

- Expansion of Direct Benefit Transfers (DBT)
- Aadhaar seeding of accounts
- Rapid digital payments adoption
- COVID-19 relief transfers during 2020–2021

Thus, the quality dimension of inclusion—measured by account usage—has strengthened over time.

As far as deposits in PMJDY accounts are concerned, they increased from ₹0.10 lakh crore in 2014 to ₹2.35 lakh crore in 2025. This more than twenty-fold rise indicates growing trust in formal banking systems among low-income households. It also reflects improved savings behavior and

integration of informal income streams into the formal financial system.

Rising balances signify movement beyond passive account ownership toward active financial participation. Aadhaar linkage increased from roughly 50% in 2014 to over 95% in 2025. Integration with Aadhaar enabled authentication-based transactions and streamlined DBT transfers. This significantly reduced leakages and ghost beneficiaries in welfare programs. High Aadhaar seeding also enabled smoother onboarding into digital payment platforms and micro-insurance schemes.

Monthly transactions through the Unified Payments Interface rose from zero in 2014 (as UPI was launched in

2016) to nearly 16 billion transactions per month in 2025, with transaction values exceeding ₹22 lakh crore monthly.

This represents a behavioral transformation from cash-based transactions to digital payments. The exponential rise after 2019 indicates:

- Increased smartphone penetration
- QR-code acceptance among small merchants
- Pandemic-induced digital acceleration
- Interoperability across banks and apps

Overall, Table 1 demonstrates that India’s financial inclusion journey has moved from access expansion (2014–2016) to usage deepening (2017–2020) and finally to digital ecosystem consolidation (2021–2025).

Table 2: Coverage of Social Security Schemes (2025)

Scheme	Launch Year	Subscribers (crore)	Nature of Benefit
PMJJBY	2015	~28	Life Insurance
PMSBY	2015	~24	Accident Insurance
APY	2015	~6.8	Pension

Table 2 reflects the diversification of financial inclusion beyond basic banking services into social protection and long-term financial security.

The Pradhan Mantri Jeevan Jyoti Bima Yojana has approximately 28 crore subscribers as of 2025. This low-premium life insurance scheme provides coverage to economically vulnerable households.

Its wide coverage indicates:

- Effective bundling with PMJDY accounts
- Improved awareness of risk management
- Increased willingness to adopt formal insurance products

Insurance penetration among low-income groups historically remained minimal; thus, this scale is structurally significant.

The Pradhan Mantri Suraksha Bima Yojana covers around 24 crore individuals. This scheme addresses

accidental death and disability risks, which disproportionately affect informal workers.

High enrolment reflects the ease of auto-debit premium payments and integration with banking infrastructure.

The Atal Pension Yojana has over 6.8 crore subscribers. Unlike insurance schemes, APY requires sustained contributions, indicating longer-term financial commitment.

Growth in APY participation suggests gradual improvement in retirement planning among informal workers. However, relative to India’s vast informal workforce, pension inclusion still has significant scope for expansion.

Collectively, Table 2 demonstrates a transition from transactional inclusion (bank accounts) to protective inclusion (insurance and pensions), enhancing resilience against income shocks.

Table 3: Direct Benefit Transfer (DBT) Expansion

Year	Beneficiaries (crore)	Transfers (₹ lakh crore)
2014–15	~11	0.74
2019–20	~42	3.8
2024–25	>50	>6.5

Table 3 illustrates the fiscal and administrative transformation brought about by DBT integration.

DBT beneficiaries increased from approximately 11 crore in 2014–15 to over 50 crore in 2024–25. This expansion reflects integration of multiple welfare schemes—including LPG subsidy, MNREGA wages, scholarships, pensions, and food subsidies—into bank-linked transfer systems. The scale indicates that nearly half of India’s population interacts directly with formal financial channels through welfare transfers. Transfer amounts rose from ₹0.74 lakh crore in

2014–15 to more than ₹6.5 lakh crore in 2024–25. This nearly nine-fold increase reflects:

- Consolidation of schemes under DBT
- Pandemic relief packages
- Improved identification and targeting

DBT reduced intermediary leakages, ghost beneficiaries, and administrative delays, improving fiscal efficiency and transparency. DBT has served as a “usage anchor” for financial inclusion by:

- Ensuring regular inflows into PMJDY accounts

- Encouraging account activation
- Building transaction histories
- Enhancing trust in digital platforms

Thus, DBT acts as the operational backbone of the JAM architecture, converting access into active engagement.

V. ANALYTICAL DISCUSSION

➤ *From Access to Usage*

Initial years witnessed rapid account opening but concerns about dormancy. Over time, DBT integration, UPI adoption, and micro-insurance enrolment improved engagement levels. The rise in account balances suggests growing trust in formal banking channels.

➤ *Digital Payments Transformation*

UPI's interoperability and near-zero transaction cost have democratized digital payments. Small merchants, gig workers, and rural households increasingly rely on QR-based payments. India now accounts for one of the largest real-time payment volumes globally.

➤ *Social Security Deepening*

Insurance and pension penetration reflect a shift from transactional inclusion to protective inclusion, enhancing household resilience against shocks.

VI. PERSISTENT CHALLENGES

- **Gender Usage Gap:** Despite high account ownership, women's independent financial decision-making remains limited in certain regions.
- **Digital Fraud:** Rising cases of phishing, social engineering, and unauthorized lending apps threaten trust.
- **Regional Disparities:** Northeastern and remote regions lag in digital infrastructure.
- **Dormancy Among Marginalized Groups:** Irregular income patterns affect sustained usage.
- **Financial Literacy Deficit:** First-generation users require continuous support.

VII. POLICY IMPLICATIONS

The first important policy implication is that the focus of financial inclusion must now shift from counting the number of bank accounts to examining how effectively those accounts are used. The policymakers must assess whether people are regularly saving, receiving benefits, making digital payments, and using insurance or pension services.

The second policy implication relates to strengthening grievance redressal mechanisms and protection against digital fraud. The rapid expansion of digital payments, particularly through the Unified Payments Interface, has brought convenience but also new risks like phishing scams, fraudulent loan apps, and unauthorized transactions. To maintain public trust, there must be simple and time-bound systems for reporting fraud and receiving compensation.

Another important policy priority should be the expansion of digital and financial literacy. While India has built strong digital infrastructure, many users still lack the knowledge and confidence to use banking applications, understand financial products, or protect themselves online. Community-based awareness programs, local language communication, and inclusion of financial education in school curricula can significantly improve user capability.

Encouraging responsible digital credit models is also crucial in the evolving financial landscape. Digital transaction histories now enable quick access to small loans, which can support entrepreneurship and household needs. However, easy credit without proper safeguards may lead to over-indebtedness and financial distress. Policymakers must ensure transparency in interest rates, fees, and repayment terms.

Finally, financial inclusion policies must adopt a gender-sensitive approach to strengthen women's financial empowerment. Although account ownership among women has increased significantly, independent usage and financial decision-making remain uneven in certain regions. Direct benefit transfers into women's accounts have shown positive effects, but additional efforts are needed to build financial confidence and literacy among women.

VIII. CONCLUSION

Between 2014 and 2025, India has constructed one of the world's most comprehensive digital financial inclusion architectures. Access to formal banking is nearly universal, digital payments are mainstream, and social security coverage has expanded significantly. However, the frontier of financial inclusion has shifted from outreach to empowerment. The sustainability of India's inclusion model will depend on strengthening consumer capability, cybersecurity resilience, and equitable usage. The next phase must be people-centric, secure, and quality-driven.

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