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Financial Inclusion in India (2015–2025): Digital Transformation, Inclusive Growth and Emerging Challenges

Dr. D. Padma*,
Associate Professor, Department of B.Com (Professional Accounting)
NGM College (Autonomous), Pollachi – 642 001, Tamil Nadu, India
**Corresponding Author Email: drpadma@ngmc.org*
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Abstract

Financial inclusion has emerged as a critical component of inclusive economic development because access to affordable and appropriate financial services enables individuals, households, and businesses to participate more effectively in the formal economy. During the period 2015–2025, financial inclusion witnessed remarkable progress globally, supported by technological advancement, mobile connectivity, digital payments, and innovative financial service delivery models (World Bank, *Global Findex Database 2025*). India has been at the forefront of this transformation. The combination of the Pradhan Mantri Jan Dhan Yojana (PMJDY), Aadhaar, mobile connectivity, Direct Benefit Transfer (DBT), and the Unified Payments Interface (UPI) has created a powerful digital financial ecosystem that has expanded access to banking and payments, particularly among low-income, rural, and previously underserved populations.

This article examines the global development of financial inclusion and analyses India's progress during 2015–2025. It discusses the role of PMJDY, digital payments, UPI, Aadhaar-enabled services, DBT, women's financial inclusion, and rural banking. From a commerce perspective, the article further examines how financial inclusion contributes to savings mobilization, entrepreneurship, MSME development, formalization of economic activity, and the expansion of digital commerce. While India has achieved substantial progress, challenges such as digital literacy, cyber security, financial fraud, unequal internet access, and the effective use of financial accounts continue to require policy attention. The article argues that the next phase of financial inclusion should focus not merely on access to accounts but also on meaningful, safe, affordable, and productive use of financial services.

Keywords: Financial Inclusion, PMJDY, UPI, Digital Finance, Financial Technology, Rural Banking, Women's Financial Inclusion, Inclusive Growth

1. Introduction

Financial inclusion refers to the availability and effective use of affordable, accessible, and appropriate financial services by individuals and businesses, particularly those who have traditionally remained outside the formal financial system. Such services include savings accounts, credit, insurance, payments, remittances, and other financial products. Access to formal finance is increasingly recognised as an important foundation for poverty reduction, economic resilience, and inclusive growth. A financially included household can save securely, receive government benefits directly, make payments efficiently, access credit, and respond more effectively to economic emergencies. Similarly, businesses with access to formal

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financial services can invest, expand operations, manage working capital, and participate in increasingly digital markets.

Over the last decade, the nature of financial inclusion has changed significantly. Traditionally, financial inclusion was primarily associated with establishing bank branches and opening savings accounts. Today, it increasingly involves digital identity, mobile connectivity, digital payments, FinTech platforms, and interoperable payment infrastructure. The period from 2015 to 2025 has therefore been particularly significant. Globally, account ownership has increased substantially, while digital financial services have expanded rapidly (World Bank, *Global Findex Database 2025*). India has been one of the most important examples of this transformation, combining public policy, banking infrastructure, and digital technology to create a large-scale financial inclusion ecosystem. India's experience demonstrates that financial inclusion is not simply a banking-sector objective; it has important implications for commerce, entrepreneurship, employment, consumer markets, government welfare delivery, and the broader digital economy.

2. Global Scenario of Financial Inclusion

Financial inclusion has become an important policy priority for governments, international organisations, and development institutions. The objective is not merely to increase the number of people with bank accounts but to ensure that individuals can use financial services safely and productively.

According to the World Bank's Global Findex Database 2025, approximately 80% of adults worldwide now own a financial account, compared with around 50% in 2011. Despite this progress, approximately 1.3 billion adults remain without access to an account (World Bank, *Global Findex Database 2025*). The figures demonstrate both the scale of global progress and the continuing challenge of reaching financially excluded populations, as illustrated in table 1 and figure 1 below.

Table 1. Growth in Global Financial Account Ownership

Year	2011	2014	2017	2021	2025
Adults with a Financial Account (%)	50	62	69	74	80

Source: World Bank, Global Findex Database 2025.

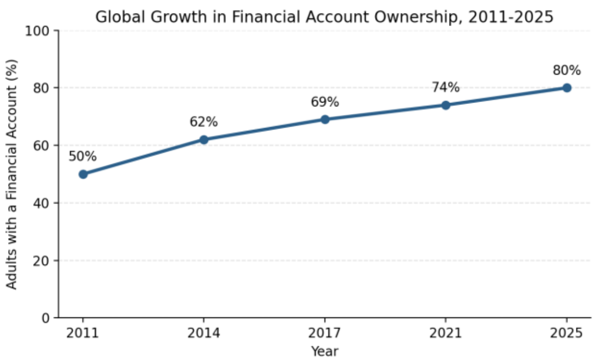

Fig. 1. Global growth in financial account ownership, 2011–2025. Data from World Bank, Global Findex Database 2025.

The increase in account ownership reflects several factors, including expansion of banking infrastructure, government financial inclusion programmes, mobile-phone adoption, FinTech innovation, and digital payment systems (World Bank, *Mobile-Phone Technology Powers Saving Surge*). In developing economies in particular, digital technology has reduced some of the geographical and cost barriers traditionally associated with conventional banking. The expansion of financial inclusion is significant because formal financial accounts provide a foundation for a wide range of economic activities. Individuals can receive wages and government transfers, save money securely, make payments, access credit, and purchase insurance. Small businesses can receive digital payments, maintain transaction records, and increasingly connect with formal financial institutions.

However, account ownership alone does not guarantee financial inclusion. An account that is rarely used, difficult to access, or unsupported by financial literacy may provide limited economic benefit. The quality, affordability, reliability, and regular use of financial services are therefore increasingly important indicators of meaningful financial inclusion (World Bank, *Global Findex Database*).

3. Digital Finance as a Driver of Financial Inclusion

Technological development has fundamentally transformed the delivery of financial services. Mobile phones, affordable internet access, digital identity systems, fintech applications, and instant payment platforms have made financial transactions faster and more accessible.

Digital finance provides several advantages:

- Lower transaction costs;
- Faster and more convenient payments;
- Reduced dependence on physical cash;
- Greater transparency and traceability;
- Improved access to financial services in rural and remote areas;
- Easier receipt of government benefits;
- Opportunities for small businesses to participate in digital commerce; and
- Improved integration between consumers, banks, businesses, and government.

One of the most important developments has been the emergence of instant payment systems. India's Unified Payments Interface (UPI) and Brazil's PIX are prominent examples of digital payment infrastructure that has transformed everyday transactions (National Payments Corporation of India). Digital payments are particularly important for people who may face difficulties accessing traditional bank branches. A mobile phone and a digital payment application can enable an individual to transfer money, pay a merchant, or receive funds without travelling long distances to a bank.

At the same time, digital finance introduces new challenges. Cyber security risks, online fraud, data privacy concerns, digital exclusion, and lack of digital literacy can prevent some sections of society from fully benefiting from digital financial services. Therefore, technological access must be accompanied by consumer protection, awareness, and appropriate regulatory safeguards (Reserve Bank of India).

4. Financial Inclusion and Poverty Reduction

Financial inclusion contributes to poverty reduction through several interconnected channels. Formal savings accounts provide households with a safer mechanism for managing

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income and accumulating savings. Access to affordable credit can help individuals finance education, healthcare, housing, and productive activities.

Financial services can also strengthen household resilience. Families facing temporary income shocks, medical expenses, or other emergencies may be better positioned to manage such situations when they have access to savings, insurance, or formal credit.

Financial inclusion can support poverty reduction through:

1. **Formal savings:** Secure savings facilities encourage households to build financial reserves.
2. **Affordable credit:** Access to institutional credit can reduce dependence on informal lenders.
3. **Insurance:** Insurance products can protect households against health, agricultural, and other economic risks.
4. **Digital remittances:** Digital channels can make domestic and international transfers faster and more efficient.
5. **Entrepreneurship:** Access to finance can support the creation and expansion of small enterprises.
6. **Women's empowerment:** Individual financial accounts can increase women's control over income and savings.
7. **Government transfers:** Direct transfers can improve the efficiency and transparency of welfare delivery.

Thus, financial inclusion should be understood as an instrument of economic empowerment rather than simply an increase in the number of bank accounts.

5. Financial Inclusion in India

India has emerged as one of the world's leading examples of technology-enabled financial inclusion. The country's approach combines government programmes, banking-sector participation, and digital infrastructure (Government of India, *Digital India Programme*). Major initiatives include:

- Pradhan Mantri Jan Dhan Yojana (PMJDY); Aadhaar digital identity;
- Unified Payments Interface (UPI); Direct Benefit Transfer (DBT);
- Digital India; India Stack; Aadhaar Enabled Payment System (AePS);
- Banking Correspondent networks; PM Mudra Yojana; and
- Stand-Up India.

Together, these initiatives have contributed to the development of a broad financial ecosystem connecting citizens, banks, government agencies, and businesses. The **JAM Trinity — Jan Dhan, Aadhaar, and Mobile** — has been particularly important. Jan Dhan provides access to bank accounts, Aadhaar provides a widely used digital identity infrastructure, and mobile connectivity enables communication and digital financial transactions. This combination has significantly reduced some of the traditional barriers to financial inclusion (Government of India, Ministry of Finance).

6. Pradhan Mantri Jan Dhan Yojana

Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched in August 2014 with the objective of expanding access to basic banking services for households across India. It became

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a major pillar of the country's financial inclusion strategy. PMJDY seeks to provide access to formal banking services, particularly for individuals and households that had previously remained outside the formal banking system. The programme is associated with basic savings accounts, RuPay debit cards, insurance-related benefits, and access to other financial services (Government of India, Ministry of Finance).

Table 2. Growth of PMJDY Accounts

Year	2015	2017	2019	2021	2023	2025
Approximate PMJDY Accounts (Crore)	17.9	28.2	36.8	43.0	50.0	55+

Source: Government of India, Ministry of Finance, PMJDY Progress Reports.

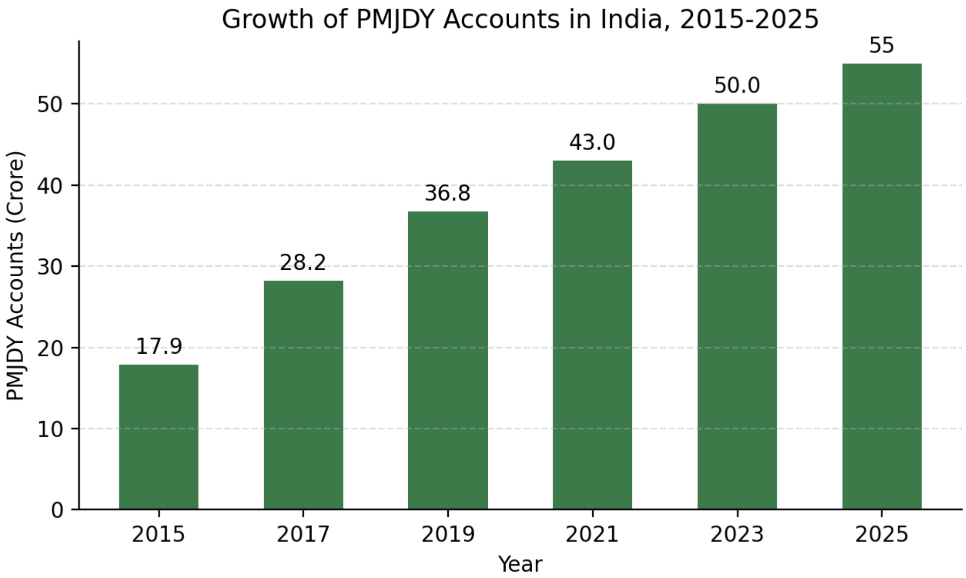

Fig. 2. Growth of PMJDY accounts in India, 2015–2025. Data from Government of India, Ministry of Finance.

The substantial increase in PMJDY accounts demonstrates the expansion of formal banking access during the decade. The programme has been particularly significant for low-income households, women, and rural communities. The importance of PMJDY became especially visible during periods when governments needed to transfer financial assistance directly to citizens. Bank accounts connected with digital identity and mobile infrastructure created channels through which welfare payments could reach beneficiaries more efficiently (Government of India, *Direct Benefit Transfer Programme*).

However, the long-term success of financial inclusion depends on active account usage. Moving from account ownership to regular savings, responsible borrowing, insurance coverage, and digital transactions is therefore an important next step.

7. Digital Payments and the UPI Revolution

India has experienced a remarkable transformation in its digital payment ecosystem. The growth of smartphones, affordable mobile connectivity, QR-code payments, and interoperable payment systems has changed the way consumers and businesses conduct transactions. The Unified Payments Interface (UPI) has become one of the most significant developments in India's digital financial system. It allows users to make instant bank-to-bank

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payments through participating applications and has become widely used for person-to-person and person-to-merchant transactions (National Payments Corporation of India). Other important payment mechanisms include:

- BHIM; Aadhaar Enabled Payment System (AePS);
- Immediate Payment Service (IMPS); National Electronic Funds Transfer (NEFT);
- Real Time Gross Settlement (RTGS); and mobile wallets (Reserve Bank of India).

Table 3. Major Digital Payment Platforms

Platform	UPI	BHIM	AePS	IMPS	NEFT	RTGS	Mobile Wallets
Primary Purpose	Instant retail bank payments	UPI-based digital payments	Aadhaar-enabled banking transactions	Immediate interbank transfers	Electronic fund transfers	High-value real-time transfers	Digital retail payments

Source: National Payments Corporation of India; Reserve Bank of India.

The growth of digital payments has important commercial implications. Small retailers can accept payments without investing in expensive payment infrastructure. Consumers can make transactions conveniently, while businesses can maintain digital records of sales and receipts. Digital transactions can also support the formalisation of economic activity. As businesses increasingly use formal payment channels, their transaction histories may improve their ability to demonstrate business activity and potentially access formal financial services.

8. Women's Financial Inclusion

Women's financial inclusion represents an important dimension of inclusive development. Historically, women in many developing economies have faced barriers related to income, mobility, property ownership, financial literacy, and access to formal institutions. India has made considerable progress through initiatives such as PMJDY, Self-Help Groups (SHGs), microfinance programmes, digital payments, and Direct Benefit Transfer (Government of India, Ministry of Finance). Bank accounts in women's own names can strengthen financial autonomy and improve their ability to save and manage money. SHGs have also played an important role by connecting women with savings, credit, and entrepreneurship opportunities. Digital finance can further reduce geographical and social barriers. Women who may face difficulties travelling to a bank branch can increasingly conduct basic transactions through digital channels or banking correspondents.

Nevertheless, important challenges remain. Differences in digital literacy, smartphone ownership, internet access, and confidence in using digital financial services can limit women's effective participation. Financial inclusion policies therefore need to move beyond account opening and focus on digital skills, financial awareness, and safe usage.

9. Rural Financial Inclusion

Rural financial inclusion is particularly important because geographical distance, limited banking infrastructure, and lower financial literacy have historically constrained access to formal financial services. The expansion of Banking Correspondents, Common Service

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Centres, mobile banking, Aadhaar-enabled services, and digital payment infrastructure has improved the accessibility of financial services in rural areas. Important contributors include Banking Correspondents, Common Service Centres, Aadhaar authentication, mobile banking, UPI QR-code payments, rural internet connectivity, and digital financial literacy programmes (Government of India, *Digital India Programme*).

These developments can reduce the time and travel costs associated with banking. A rural consumer or small trader may be able to make or receive payments locally rather than travelling to a distant bank branch. Digital financial services can also benefit rural entrepreneurs. Small shops, farmers, service providers, and micro-enterprises can increasingly receive payments electronically and participate in broader markets. However, rural digital inclusion remains dependent on reliable internet connectivity, electricity, affordable devices, local-language services, and user awareness. Infrastructure development must therefore continue alongside financial inclusion programmes.

10. Government Initiatives Supporting Financial Inclusion

Table 4. Major Government Initiatives Supporting Financial Inclusion

Initiative	Major Objective
PMJDY	Universal access to basic banking
Digital India	Expansion of digital infrastructure and services
Aadhaar	Digital identity and authentication
UPI	Instant digital payments
DBT	Direct transfer of government benefits
PM Mudra Yojana	Financing for micro and small enterprises
Stand-Up India	Entrepreneurship support
SHGs	Savings, credit, and women’s empowerment
AePS	Aadhaar-enabled banking access

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Source: Government of India, Ministry of Finance; Government of India, Digital India Programme; Government of India, Pradhan Mantri Mudra Yojana; Government of India, Stand-Up India Programme.

The strength of India's model lies partly in the interaction among these initiatives. Rather than functioning as isolated programmes, banking accounts, identity systems, mobile connectivity, payment infrastructure, and government transfers reinforce one another (Government of India, *Pradhan Mantri Mudra Yojana*; Government of India, *Stand-Up India Programme*). The result is a financial ecosystem in which an individual can potentially open a bank account, receive government benefits, make digital payments, and access additional financial services through interconnected platforms.

11. Financial Inclusion from a Commerce Perspective

Financial inclusion has significant implications for commerce and business activity. A financially included population represents not only a social development objective but also a larger and more integrated economic market. First, financial inclusion can expand consumer markets. When households have access to formal accounts and digital payment methods, they can participate more easily in retail and online commerce.

Second, it supports savings mobilisation. Formal savings increase the resources available to the financial system for lending and investment. Third, financial inclusion can improve access to business finance. Small enterprises that operate through formal financial channels may develop transaction records that can support future interactions with financial institutions. Fourth, digital payments can reduce transaction costs. Businesses can receive payments quickly without depending entirely on cash handling.

Fifth, financial inclusion can support entrepreneurship. Programmes such as PM Mudra Yojana and Stand-Up India aim to facilitate access to finance for entrepreneurs and small businesses (Government of India, *Pradhan Mantri Mudra Yojana*). Sixth, formal digital transactions can contribute to the formalisation of economic activity. Greater use of formal payment systems can improve transaction transparency and support the integration of businesses into the formal economy. Finally, financial inclusion strengthens the foundations of the digital economy. E-commerce, online services, digital marketplaces, and platform-based businesses all depend on convenient and reliable payment mechanisms. Thus, financial inclusion should be viewed as an important component of India's broader economic transformation.

12. Challenges to Financial Inclusion

Despite impressive progress, financial inclusion in India and globally continues to face several challenges.

12.1 Lack of Digital Literacy

Access to a smartphone or bank account does not necessarily mean that an individual can confidently use digital financial services. Lack of awareness can increase dependence on intermediaries and expose users to fraud.

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12.2 Cyber Security and Financial Fraud

The rapid growth of digital payments has increased the importance of cyber security. Phishing, fraudulent calls, fake applications, and unauthorised transactions can undermine consumer confidence (Reserve Bank of India).

12.3 Digital Divide

Differences in internet connectivity, device ownership, income, and digital skills can create new forms of exclusion. Rural populations, elderly users, and economically vulnerable groups may require additional support.

12.4 Account Usage

Opening accounts is an important first step, but meaningful inclusion requires regular and productive use. Dormant or inactive accounts provide limited economic benefits.

12.5 Access to Credit

Banking access does not automatically guarantee affordable credit. Small businesses, informal workers, and low-income households may still face difficulties obtaining suitable loans.

12.6 Financial Literacy

Individuals need to understand interest rates, savings, insurance, credit, digital security, and responsible borrowing. Financial literacy is therefore essential for converting access into meaningful participation.

12.7 Consumer Protection

As financial services become increasingly digital, effective grievance redressal, privacy protection, and consumer safeguards become more important (Reserve Bank of India).

These challenges indicate that the next phase of financial inclusion must focus on quality, usage, safety, and outcomes, rather than simply the number of accounts opened.

13. Conclusion

The period 2015–2025 represents a transformative decade for financial inclusion. Globally, financial account ownership has reached historically high levels, supported by technological innovation, mobile connectivity, and digital financial services (World Bank, *Global Findex Database 2025*). Yet, the continued existence of a large unbanked population demonstrates that financial inclusion remains an unfinished global development objective. India has made particularly significant progress by combining public policy with digital infrastructure. PMJDY has expanded access to bank accounts, Aadhaar has strengthened digital identity infrastructure, mobile connectivity has improved accessibility, DBT has enhanced welfare transfer mechanisms, and UPI has transformed retail payments (Government of India, Ministry of Finance; National Payments Corporation of India).

The significance of India's experience extends beyond banking. Financial inclusion contributes to poverty reduction, women's empowerment, rural development, entrepreneurship, MSME growth, and the formalisation of economic activity. From a

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commerce perspective, it creates new markets, reduces transaction costs, supports digital commerce, and strengthens the integration of consumers and businesses into the formal economy.

At the same time, the next stage of financial inclusion requires a shift from access to effective usage. Opening a bank account is only the beginning. Individuals must be able to use financial services confidently, affordably, and safely. Digital literacy, cyber security, consumer protection, rural connectivity, and access to appropriate credit will therefore remain important policy priorities. India's financial inclusion journey demonstrates how public policy, banking, and technology can work together to expand economic participation on a large scale. If the remaining challenges are addressed effectively, the next decade can move beyond universal access towards universal and meaningful participation in the formal financial and digital economy.

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