



Impact of Government Schemes on Financial Inclusion in India

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Abstract:

Financial inclusion is a key element of balanced economic development and social progress in India. It focuses on providing individuals and businesses—particularly those from low-income groups, rural areas, and marginalized communities—with access to affordable financial services such as banking, credit, insurance, and pension facilities. Recognizing its importance, the Government of India has introduced various initiatives to integrate the unbanked population into the formal financial system. Prominent programs including Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Mudra Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, and Atal Pension Yojana have played a significant role in expanding financial services across the country. The purpose of this study is to evaluate the role and effectiveness of government schemes in strengthening financial inclusion in India. The research relies on secondary data collected from government reports, publications of the Reserve Bank of India, academic journals, and other credible sources. The study examines how these initiatives have enhanced access to banking facilities, increased the number of bank accounts, encouraged digital transactions, and widened insurance and pension coverage. The findings suggest that government initiatives have substantially improved the financial inclusion ecosystem in India. Nevertheless, issues such as insufficient financial literacy, weak digital infrastructure in rural regions, and limited awareness about schemes remain significant challenges. The study concludes that continuous policy initiatives, greater awareness efforts, and improved digital financial systems are necessary for achieving long-term and inclusive financial development in the country.

Keywords: Financial Inclusion, Government Schemes, Banking Access, Digital Finance, Inclusive Growth.



1. Introduction:

Financial inclusion has become an important policy objective for many developing countries, particularly India, where a large segment of the population traditionally remained outside the formal financial system. Financial inclusion refers to the process of ensuring access to appropriate, affordable, and timely financial products and services such as savings accounts, credit facilities, insurance, pension, and payment services to all sections of society, especially the economically weaker and vulnerable groups. Access to financial services plays a vital role in reducing poverty, promoting economic growth, and improving the overall standard of living of individuals. In India, a significant proportion of the population, particularly in rural and remote areas, had limited access to formal banking services for many years. Lack of financial literacy, inadequate banking infrastructure, low income levels, and geographical barriers were some of the major reasons behind financial exclusion. To address these issues and bring the unbanked population into the formal financial system, the Government of India and financial institutions have taken several initiatives over the past few decades. These efforts aim to promote inclusive growth by ensuring that every citizen has access to basic financial services. In recent years, the Government of India has launched several important schemes to strengthen financial inclusion. Programs such as Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Mudra Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, and Atal Pension Yojana have significantly expanded access to banking, insurance, credit, and pension facilities for millions of people across the country. These schemes have not only increased the number of bank accounts but have also encouraged people to participate actively in the formal financial system.

Financial inclusion has also been strengthened by the rapid growth of digital financial services, mobile banking, and government initiatives such as Direct Benefit Transfer (DBT), which ensures that government subsidies and benefits are directly credited to beneficiaries' bank accounts. These developments have improved transparency, reduced leakages, and enhanced the efficiency of financial service delivery. Despite considerable progress, several challenges still exist in achieving universal financial inclusion in India. Limited financial awareness, inactive bank accounts, inadequate digital infrastructure in rural areas, and difficulties in accessing credit remain key issues that need to be addressed. In this context, it becomes important to examine the effectiveness of government schemes in promoting financial inclusion. Therefore, this study aims

to analyze the impact of various government initiatives on financial inclusion in India and to understand their role in improving access to financial services for the population

2. Objectives of the Study:

1. To study the concept and importance of financial inclusion in India.
2. To examine the role of government initiatives in promoting financial inclusion in the country.
3. To analyze the impact of major government schemes such as Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Mudra Yojana, and Atal Pension Yojana on financial inclusion.
4. To evaluate how government schemes have improved access to banking, credit, insurance, and pension services among the population.
5. To identify the challenges faced in the effective implementation of financial inclusion schemes in India.
6. To suggest suitable measures for strengthening financial inclusion through government policies and programs.

3. Research Methodology:

This research is based on **secondary data** obtained from various sources including government publications, research journals, official scheme reports, and online databases. The collected information has been analyzed to understand the impact of government schemes on financial inclusion.

4. Government Schemes Promoting Financial Inclusion in India

I. Pradhan Mantri Jan Dhan Yojana (PMJDY)

The primary aim of this scheme is to provide universal banking access to all households. It allows individuals to open zero-balance bank accounts and obtain financial services such as savings, insurance, and credit facilities. Account holders receive RuPay debit cards, accident insurance coverage, and an overdraft facility. Since its launch in 2014, the scheme has resulted in the opening of more than 50 crore bank accounts, making it one of the largest financial inclusion initiatives in the world.

II. Pradhan Mantri Mudra Yojana (PMMY)

This scheme provides financial assistance to micro and small enterprises that face difficulty accessing formal credit. Loans are provided under three categories—Shishu, Kishore, and Tarun—

depending on the stage of business development. The program has supported entrepreneurs such as shopkeepers, artisans, and small manufacturers and has encouraged self-employment and economic growth.

III. Atal Pension Yojana (APY)

This pension program focuses on workers in the unorganized sector. Individuals contribute a fixed monthly amount and receive a guaranteed pension after the age of 60. The scheme encourages long-term savings and provides financial security during old age.

IV. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

This life insurance scheme offers coverage of Rs. 2 lakh at a minimal annual premium. It provides financial support to families in case of the death of the insured person and encourages participation in the formal financial system.

V. Pradhan Mantri Suraksha Bima Yojana (PMSBY)

This scheme provides affordable accident insurance coverage with benefits of Rs. 2 lakh for accidental death or total disability and Rs. 1 lakh for partial disability. It aims to provide financial protection to low-income individuals.

VI. Stand Up India Scheme

This program promotes entrepreneurship among Scheduled Castes, Scheduled Tribes, and women by providing loans ranging from Rs.10 lakh to Rs.1 crore to establish new enterprises.

5. Impact of Government Schemes on Financial Inclusion

Increase in Bank Accounts

The implementation of Pradhan Mantri Jan Dhan Yojana has significantly increased the number of bank accounts in India and enabled millions of people to join the formal financial system.

Growth in Digital Transactions

The expansion of digital banking services, debit cards, and mobile payments has increased the use of digital financial transactions and reduced reliance on cash.

Expansion of Insurance and Pension Coverage



Schemes such as Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, and Atal Pension Yojana have extended social security benefits to millions of citizens.

Access to Credit for Entrepreneurs

Credit support through Pradhan Mantri Mudra Yojana and Stand Up India Scheme has improved access to finance for small businesses and entrepreneurs.

Improvement in Rural Financial Access

Banking correspondents, rural banking services, and digital platforms have expanded financial access to underserved rural populations.

6. Challenges in Financial Inclusion

Despite significant progress through various government initiatives, several challenges still hinder the effective implementation of financial inclusion in India. These challenges affect the accessibility, usage, and sustainability of financial services among the population, especially in rural and economically weaker sections. The major challenges are discussed below.

1. Lack of Financial Literacy

One of the major barriers to financial inclusion is the lack of financial literacy among people, particularly in rural and remote areas. Many individuals are not aware of basic banking services such as savings accounts, digital payments, insurance, and pension schemes. Due to limited knowledge, people often hesitate to use banking facilities or fail to understand the benefits of government schemes like Pradhan Mantri Jan Dhan Yojana and Atal Pension Yojana. As a result, many individuals remain outside the formal financial system.

2. Limited Digital Infrastructure in Rural Areas

Digital financial services play an important role in promoting financial inclusion. However, many rural and remote areas still face problems such as poor internet connectivity, lack of digital infrastructure, and limited access to smartphones or digital devices. These challenges restrict the use of digital banking services and online financial transactions. Although initiatives such as RuPay debit cards and mobile banking have been introduced under schemes like Pradhan Mantri Jan Dhan Yojana, their full benefits cannot be realized without strong digital infrastructure.

3. Dormant Bank Accounts

A large number of bank accounts opened under financial inclusion programs remain inactive or dormant. Many beneficiaries open accounts to receive government benefits but do not regularly use

them for savings or transactions. This reduces the effectiveness of financial inclusion efforts and limits the development of a strong banking habit among account holders.

4. Low Awareness of Government Schemes

Another major challenge is the lack of awareness about government financial schemes among the public. Many eligible individuals are not aware of the benefits of schemes such as Pradhan Mantri Mudra Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, and Pradhan Mantri Suraksha Bima Yojana. Without proper awareness and guidance, people are unable to take advantage of these schemes, which reduces their overall impact on financial inclusion.

7. Suggestions and Policy Recommendations

To enhance the effectiveness of financial inclusion initiatives in India, several policy measures and strategic actions are required. Although various government schemes have significantly improved access to financial services, further efforts are necessary to ensure that these services are widely used and accessible to all sections of society. The following suggestions and policy recommendations can help strengthen financial inclusion in the country.

1. Improve Financial Literacy Programs

Financial literacy is essential for encouraging people to use banking and financial services effectively. Government agencies, banks, and financial institutions should conduct regular awareness campaigns, training programs, and workshops in rural and semi-urban areas. These programs should educate people about savings, digital payments, insurance, pension schemes, and credit facilities. Increased awareness will help individuals better understand and utilize schemes such as Pradhan Mantri Jan Dhan Yojana and Atal Pension Yojana.

2. Strengthen Digital Infrastructure

Digital financial services are an important component of financial inclusion. Therefore, improving digital infrastructure in rural and remote areas is necessary. The government should invest in expanding internet connectivity, improving mobile network coverage, and promoting access to affordable digital devices. Strengthening digital infrastructure will enable people to use online banking services, mobile payments, and digital financial platforms more effectively.

3. Increase Awareness of Government Schemes

Many people are still unaware of the benefits of various government financial schemes. Banks, local government institutions, and community organizations should actively promote information about these schemes through campaigns, village meetings, and media platforms. Awareness programs should explain the benefits and eligibility criteria of schemes such as Pradhan Mantri



Mudra Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, and Pradhan Mantri Suraksha Bima Yojana so that more people can take advantage of them.

4. Strengthen Banking Correspondents and Rural Banking Services

Banking correspondents (BCs) play a vital role in providing banking services in rural and remote areas where bank branches are limited. The government and financial institutions should strengthen the banking correspondent network by providing proper training, technological support, and adequate incentives. Expanding rural banking services and improving the efficiency of BCs will help people easily access banking facilities, deposit and withdraw money, and participate in financial programs.

8. Conclusion

Financial inclusion plays a vital role in achieving inclusive economic growth and improving the socio-economic conditions of the population. In a developing country like India, where a large section of society traditionally remained outside the formal financial system, government intervention has been essential to ensure wider access to financial services. Over the past decade, the Government of India has launched several important initiatives to promote financial inclusion and integrate the unbanked population into the formal banking network. Government schemes such as Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Mudra Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Atal Pension Yojana, and Stand Up India Scheme have significantly contributed to expanding access to banking, credit, insurance, and pension services. These initiatives have helped increase the number of bank accounts, promote digital financial transactions, provide social security through insurance and pension schemes, and improve access to credit for small businesses and entrepreneurs. As a result, millions of people, particularly those belonging to rural and economically weaker sections, have been brought into the formal financial system. However, despite considerable progress, certain challenges still remain. Issues such as lack of financial literacy, limited digital infrastructure in rural areas, dormant bank accounts, and low awareness of financial schemes continue to affect the effectiveness of financial inclusion programs. Addressing these challenges requires coordinated efforts from the government, financial institutions, and other stakeholders. In conclusion, government schemes have played a crucial role in strengthening financial inclusion in India. With continued policy support, improved awareness programs, better digital infrastructure, and stronger rural banking networks, India can achieve the goal of comprehensive and sustainable financial inclusion, thereby promoting equitable economic development and improving the financial well-being of its citizens.



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