



A Study on the Role of Financial Inclusion Through PMJDY in Strengthening the Indian Banking System

RAMENDRA PRATAP SINGH

MBA Scholar

Maharana Pratap Engineering College,
Kanpur, Uttar Pradesh, India

SHYAM DUBEY

Assistant Professor

Maharana Pratap Engineering College,
Kanpur, Uttar Pradesh, India

How to Cite this Article:

SINGH, R. P. (2026). A Study on the Role of Financial Inclusion Through PMJDY in Strengthening the Indian Banking System. International Journal of Creative and Open Research in Engineering and Management, 2(4).
<https://doi.org/10.55041/ijcope.v2i4.515>

License:

This article is published under the terms of the Creative Commons Attribution 4.0 International License (CC BY 4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author(s) and the source are credited.

© The Author(s). Published by International Journal of Creative and Open Research in Engineering and Management.



<https://doi.org/10.55041/ijcope.v2i4.515>

CHAPTER 1: INTRODUCTION

The Strategic Vision of a Digitally Inclusive Economy

Financial inclusion is the foundational pillar of an equitable economic system. It refers to the delivery of financial services—including credit, savings, insurance, and payments—to all segments of society, particularly the underprivileged and low-income groups, at an affordable cost. In the Indian context, the pre-2014 era was characterized by a massive "banking divide," where nearly half of the population remained outside the formal financial perimeter, relying instead on high-interest informal moneylenders. The launch of the **Pradhan Mantri Jan Dhan Yojana (PMJDY)** in August 2014 was not merely an administrative directive; it was a radical shift toward "Aatmanirbhar Bharat" (Self-Reliant India), aimed at integrating every household into the mainstream economy.

As we assess the landscape in **April 2026**, PMJDY has evolved into the world's largest financial inclusion initiative. The program operates on three core pillars: **Banking the Unbanked, Securing the Unsecured, and Funding the Unfunded**. By providing a "Basic Savings Bank Deposit Account" (BSBDA) with no minimum balance requirement, the government dismantled the psychological and economic barriers to entry for the rural poor. This inclusion is critical because a "Financial Identity" is a prerequisite for participating in a modern economy. Without a bank

account, an individual cannot access government subsidies, formal credit, or digital payment ecosystems, effectively remaining invisible to the state's economic planning.

The strengthening of the Indian banking system via PMJDY is observed through the lens of the **JAM Trinity (Jan Dhan-Aadhaar-Mobile)**. This technological convergence has enabled a "leakage-proof" delivery system for public wealth. In the past, the "last-mile delivery" was the weakest link in Indian banking; today, it is the strongest. The banking system has transitioned from a high-cost, branch-heavy model to a lean, technology-driven model where the



Business Correspondent (BC) or "Bank Mitra" acts as a human-digital interface in every village. This chapter introduces the thesis that PMJDY is not just a social welfare scheme but a structural reinforcement that has provided Indian banks with massive liquidity, data-driven credit capabilities, and a global edge in digital transaction volumes.

CHAPTER 2: LITERATURE REVIEW

Theoretical Foundations and Empirical Evolution

The scholarly discourse on financial inclusion has historically focused on the "Supply-Side" versus "Demand-Side" constraints. Early economists, such as Schumpeter, emphasized that financial intermediaries are essential for technological innovation and economic development. However, in the Indian context, the literature shifted toward the "**Finance-Growth Nexus.**" Initial studies post-launch (2015–2018) were largely skeptical, focusing on the high number of **Zero-Balance Accounts** and the operational burden placed on Public Sector Banks (PSBs). Researchers argued that simply opening accounts did not equate to meaningful inclusion if the accounts remained dormant.

However, the empirical literature from **2021 to 2026** shows a significant shift in narrative. Modern research now highlights the "Network Effect" of PMJDY. Studies by the Reserve Bank of India (RBI) and the World Bank suggest that the formalization of rural savings has led to a reduction in the **Velocity of Cash** in the informal sector, thereby strengthening the central bank's monetary policy transmission. Literature now categorizes PMJDY as a "Productive Infrastructure." For instance, the **Direct Benefit Transfer (DBT)** mechanism, supported by PMJDY, has been cited in international journals as a masterclass in reducing fiscal leakage. By 2025, empirical data showed that over **₹34 lakh crore** had been transferred via DBT, a feat impossible without the Jan Dhan infrastructure.

The role of **Gender-Based Inclusion** is another vital theme in recent literature. Scholars have noted that PMJDY has been a catalyst for the financial "agency" of women. With over **55% of accounts held by women**, the scheme has facilitated a shift in household decision-making power. Recent papers (Singh & Srivastava, 2026) explore the correlation between Jan Dhan accounts and the rise of rural women entrepreneurs (Lakhpatri Didis). Furthermore, the literature has expanded to include the **Insurtech and Fintech** integration. The transition from "Banking" to "Insurance and Pension" (via PMJJBY and PMSBY) is now recognized as a critical safety net that prevents vulnerable populations from falling back into poverty due to health or life shocks. This literature review establishes that PMJDY is no longer an experimental policy but a validated economic framework that has stabilized the liability side of bank balance sheets while fostering a massive, digitally-literate consumer base.

CHAPTER 3: DATA ANALYSIS & RESEARCH METHODOLOGY

Quantitative Assessment of Systemic Strengthening

The methodology for this study utilizes a **Descriptive and Analytical Research Design**, relying primarily on secondary data from the Ministry of Finance, the Reserve Bank of India (RBI), and the National Payments Corporation of India (NPCI). As of the first quarter of **2026**, the data paints a picture of a robust and deeply integrated financial system. The total number of Jan Dhan accounts has crossed the **58 crore** mark. A critical data point is the "Account Health Index." In 2015, nearly 75% of accounts were zero-balance; today, that figure has plummeted to below **8%**, with total deposits exceeding **₹3.09 lakh crore**. This transition signifies that the rural populace is actively using these accounts as a store of value.



The research identifies four key quantitative metrics that demonstrate the strengthening of the banking system:

1. **CASA Ratio Improvement:** The influx of ₹3.09 lakh crore represents a massive pool of **Low-Cost Deposits**. For Public Sector Banks, this has significantly improved their Current Account Savings Account (CASA) ratios, reducing their cost of funds and allowing them to offer more competitive lending rates to the industry.
2. **Digital Transaction Volume:** The issuance of **40.37 crore RuPay debit cards** has served as the hardware for India's digital revolution. Data shows that PMJDY account holders are among the fastest-growing segments of UPI users, contributing to India's record-breaking **12 billion+ monthly transactions** in 2026.
3. **Credit Formalization:** Using the **Overdraft (OD) Facility** data, the study notes that banks have successfully used Jan Dhan transaction histories to build "Alternate Credit Scores." This has allowed for the disbursement of micro-loans to individuals who previously had no formal credit history, effectively widening the bank's interest-earning assets.
4. **Operational Efficiency:** Through the **Bank Mitra** model, the cost of servicing a rural customer has decreased by an estimated **60%** compared to traditional branch banking.

The study employs **Trend Analysis** to show that the average balance per account has grown from ₹1,000 in 2015 to over **₹5,300 in 2026**. This 5x growth in average balance is a statistical proxy for the rising economic confidence and formalization of the rural economy. The methodology ensures that the findings are grounded in verified fiscal data, proving that PMJDY has provided the "liquidity cushion" that helped Indian banks remain resilient during global economic volatility.

CHAPTER 4: DISCUSSION

The Multiplier Effect on the Indian Banking Architecture

The discussion of PMJDY's impact must move beyond numbers to analyze the **structural and behavioral shifts** it has induced. The most significant discussion point is the **Formalization of the Informal Economy**. Historically, the Indian banking system struggled with "Asymmetric Information"—banks did not know the saving or spending habits of the rural poor, making them "unbankable." PMJDY solved this by creating a transparent digital trail. Every transaction, whether a DBT receipt or a UPI payment at a village stall, contributes to a **Data Wealth** that banks can now leverage for algorithmic lending. This has strengthened the banking system by diversifying its risk; instead of relying on a few large corporate loans, banks now have millions of small, granular exposures, which provides a more stable risk profile.

Furthermore, the **RuPay Ecosystem** has challenged the global duopoly of Visa and Mastercard, keeping transaction processing fees within the domestic banking system. This "Sovereign Payment Infrastructure" has reduced the outward flow of capital and strengthened the indigenous financial technology stack. The discussion also highlights the **Psychological Transformation** of the Indian consumer. The "Jan Dhan" account has instilled a "Banking Habit." When a farmer receives their PM-KISAN subsidy directly into their account, they are forced to interact with the formal system. This repeated interaction builds trust, which eventually leads to the uptake of higher-value products like **Micro-Insurance (PMJJBY)** and **Pensions (Atal Pension Yojana)**.

However, the discussion must also address the **Operational Challenges**. While the banking system is stronger, it is also more reliant on digital uptime. The "Systemic Risk" has shifted from physical security to **Cybersecurity**. Banks now spend a significant portion of their PMJDY-derived earnings on protecting their digital infrastructure. There is also the "Bank Mitra Sustainability" issue; for the banking system to remain strong in the last mile, the commission models for business correspondents must remain lucrative enough to prevent churn. In essence, the discussion identifies that PMJDY has converted the "Liability" of a large, poor population into an "Asset" of a massive, data-rich consumer base, creating a win-win scenario for both the citizen and the institution.



CHAPTER 5: CONCLUSION & RECOMMENDATIONS

Sustaining the Momentum Toward Viksit Bharat 2047

In conclusion, the Pradhan Mantri Jan Dhan Yojana has been the single most transformative force in the history of Indian banking. It has successfully moved the needle from "Financial Presence" to "**Financial Empowerment.**" The Indian banking system in **2026** is more liquid, more digitized, and more inclusive than ever before. PMJDY has provided the "Social Infrastructure" upon which the "Digital Infrastructure" (UPI/ONDC) was built. By mobilizing over **₹3 lakh crore** in idle savings and formalizing the financial identities of **58 crore** people, the scheme has ensured that the banking system is no longer an urban-centric entity but a national engine of growth.

The study concludes that the "Strengthening" effect is visible in three dimensions: **Fiscal Stability** (through DBT and low-cost deposits), **Technological Leadership** (through RuPay and UPI), and **Social Equity** (through gender and rural inclusion). However, to sustain this strength as India moves toward becoming a \$7 trillion economy, several strategic steps are recommended.

Strategic Recommendations:

- 1. Enhancing Digital Literacy 2.0:** As the population moves from account opening to digital transactions, a national drive on **Cyber-Hygiene** is essential to prevent rural populations from falling victim to digital fraud, which could erode trust in the banking system.
- 2. Product Diversification:** Banks should now use Jan Dhan data to launch "Sachet-Sized" investment products, such as micro-Mutual Funds or Gold ETFs, allowing the rural poor to move from "Saving" to "Wealth Creation."
- 3. Incentivizing the BC Model:** To ensure the stability of the last-mile delivery, banks must integrate Bank Mitras into a more formal career progression or offer higher performance-linked incentives to maintain service quality in remote areas.
- 4. Dormancy Management:** Banks should use AI-driven nudges (via SMS or IVR in local languages) to encourage inactive account holders to perform at least one transaction per quarter, keeping the accounts "warm" for future credit opportunities.

Ultimately, PMJDY has proven that financial inclusion is the best "Risk Management" strategy for a nation. By ensuring that every citizen has a stake in the formal economy, the Indian banking system has built a foundation of resilience that will support the nation's journey toward **Viksit Bharat by 2047.**

REFERENCES

- 1. Ministry of Finance (2026).** *Quarterly Progress Report: Pradhan Mantri Jan Dhan Yojana.* Government of India, New Delhi.
- 2. Reserve Bank of India (2025).** *Report on Trend and Progress of Banking in India 2024-25.* RBI Publications.
- 3. Singh, A., & Srivastava, S. (2026).** A Study On Financial Inclusion Through PMJDY: A Comparative Study. *IJFMR*, Volume 8, Issue 2.
- 4. World Bank (2024).** *The Global Findex Database: Financial Inclusion, Digital Payments, and Resilience in India.*
- 5. National Payments Corporation of India (2026).** *UPI and RuPay: The Backbone of Rural Digital Transformation.* NPCI Annual Review.
- 6. Pradhan, M. (2025).** *JAM Trinity: Bridging the Digital Divide.* Oxford University Press, India.
- 7. Economic Survey of India (2025-26).** *Chapter on Financial Intermediation and Inclusion.* Government of India.
- 8. NITI Aayog (2026).** *Case Study: Direct Benefit Transfer and the Jan Dhan Revolution.*