

FINANCIAL INCLUSION 2.0: OPENING A BANK ACCOUNT IS NO LONGER ENOUGH

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ABSTRACT

India has made substantial progress towards expanding banking access, driven by the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the Aadhaar-Mobile-UPI (JAM) Trinity. Yet, the opening of a bank account is not the same as its meaningful use. This paper argues that India's financial inclusion story must now move into a second phase, referred to here as Financial Inclusion 2.0, in which the policy focus shifts from account ownership to active usage, financial capability, and improved household outcomes. Drawing on Ministry of Finance and Reserve Bank of India data, the paper shows that a considerable share of Jan Dhan accounts remain dormant or are used primarily to receive government transfers, that women's accounts are, in some cases, operated by other family members, and that rural households continue to depend on informal credit. Comparative experiences from Kenya's M-Pesa, Brazil's Pix, and Singapore's PayNow are used to draw lessons for strengthening India's Digital Public Infrastructure. The paper proposes a six-point agenda covering active account usage, credit access for women and small farmers, insurance and pension penetration, financial education, women's control over their own accounts, and digital trust, and argues that these priorities should anchor the next phase of India's financial inclusion policy.

Keywords: Financial Inclusion, Financial Inclusion 2.0, Pradhan Mantri Jan Dhan Yojana (PMJDY), Digital Public Infrastructure (DPI), Financial Empowerment, Financial Literacy, India

1. Introduction

India has made significant progress in financial inclusion over the last decade. According to the 2001 Census, banking facilities were available to only 35.5% of the population (30.1% in rural areas and 49.5% in urban areas) (Census of India, 2001). At that time, most government welfare schemes reached beneficiaries through intermediaries, which often created delays and leakages.

Today, the Pradhan Mantri Jan Dhan Yojana (PMJDY), Aadhaar, Mobile, and UPI-based JAM Trinity have transformed the financial inclusion landscape by connecting millions of people with formal banking services. According to the Ministry of Finance, more than 58 crore Jan Dhan accounts had been opened as of 30 June 2026 (Ministry of Finance, 2026). Through these accounts, Direct Benefit Transfer (DBT) is credited directly to beneficiaries' savings accounts. The Unified Payments Interface (UPI) has made digital payments simple and convenient, enabling even people in small villages to accept payments through QR codes. The Digital Public Infrastructure (DPI) framework has gained international recognition for its role in improving access, efficiency, transparency, and inclusion in financial services.

However, beneath this achievement lies an important question: can opening a savings account alone be considered true financial inclusion?

2. From Access to Usage: Why Financial Inclusion 2.0 Matters

According to the World Bank, financial inclusion does not merely mean having access to a bank account; it means

ensuring that individuals and businesses can access useful and affordable financial services suited to their needs, including savings, credit, insurance, pensions, investments and digital payment facilities (World Bank, 2022). This is where the idea of Financial Inclusion 2.0 becomes important. Financial Inclusion 2.0 represents a shift from expanding access to ensuring meaningful usage, financial capability, and improved economic outcomes. Recent research also suggests that the success of financial inclusion should be assessed through the quality of engagement with financial services rather than merely the number of accounts opened (Mishra, 2025).

If Financial Inclusion 1.0 focused on providing banking access to every household, Financial Inclusion 2.0 should focus on transforming that access into meaningful financial empowerment. The success of financial inclusion should not be measured only by the number of accounts opened but also by active usage, financial security, and improvement in people's economic conditions.

3. Persistent Gaps on the Ground

Even though the Indian banking system has witnessed remarkable growth, challenges still remain. Out of more than 58 crore Jan Dhan accounts, a significant number remain inactive, and many are used primarily to receive government subsidies rather than for regular savings or transactions (Ministry of Finance, 2026). A large section of households does not regularly use their savings accounts, lacks adequate insurance and pension coverage, and rural communities continue to depend on informal sources such as local

moneylenders for credit needs. It is therefore clear that digital payment adoption alone cannot be treated as a complete indicator of financial inclusion or economic development.

This challenge is particularly visible in rural India. On one hand, smartphone penetration and internet connectivity have increased significantly; on the other, digital financial literacy remains limited. The rise in digital fraud cases has also created concerns regarding trust and security in digital financial services.

Similarly, although many bank accounts have been opened in the names of women, in several cases these accounts are still operated by other family members. The next phase of financial inclusion should therefore focus not only on providing access but also on building digital confidence, financial awareness, and genuine financial independence for women account holders.

The Financial Inclusion (FI) Index developed by the Reserve Bank of India captures this distinction well, as it measures financial inclusion not only in terms of access to banking services but also usage and the quality of financial services (RBI, 2024b). Government initiatives such as the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), and Atal Pension Yojana (APY) have contributed to strengthening the social security dimension of financial inclusion (RBI, 2024a). However, these schemes need wider awareness, better implementation, and greater participation if financial inclusion is to become more comprehensive and meaningful.

4. Lessons from Global Experience

India can also learn from successful international experiences. Kenya's M-Pesa demonstrated how mobile-based financial services can expand access in rural and underserved communities. Brazil's Pix has made digital payments faster and more affordable, while Singapore's PayNow provides a secure real-time payment ecosystem. India's unique strength lies in integrating Aadhaar, UPI, DigiLocker, and banking services into a unified Digital Public Infrastructure framework, an approach that has the potential to make financial services more accessible, efficient, transparent, and inclusive.

5. The Way Forward

The way forward for Financial Inclusion 2.0 is fairly clear.

First, the policy focus should shift from opening accounts to increasing their active usage. Second, small farmers, rural

households, and women entrepreneurs should receive easier access to formal credit facilities. Third, insurance and pension products should become an essential part of financial planning for every household so that families are better prepared to handle financial uncertainties. Fourth, digital financial education should be incorporated into school and higher education curricula to create financially aware citizens. Fifth, special efforts are required to ensure that women not only have bank accounts but also actively control and benefit from them. Finally, strengthening cybersecurity measures and increasing awareness about digital safety are essential to build trust in digital financial services.

6. Conclusion

Ultimately, the success of financial inclusion should not be measured merely by the number of accounts opened but by the extent to which individuals are able to effectively use financial services to improve their economic security, financial resilience, and quality of life. India has successfully created the foundation for inclusive banking through PMJDY, Aadhaar, UPI, and Digital Public Infrastructure. The next challenge is to transform this access into meaningful financial empowerment by ensuring active account usage, financial literacy, affordable credit, insurance protection, and digital trust. Only then will financial inclusion move from being a measure of access to becoming a true instrument of empowerment and inclusive development.

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