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Financial Inclusion and Ownership of Bank Account and Savings Among Individual and Household in India

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Abstract: This article presents an analysis of India's progress in financial inclusion over the past decades focusing on access to and use of formal financial products and services using secondary data from different sources. India has made significant strides to enhance the number of bank accounts and a reduction in gender and class disparities in access. Despite of the efforts, India is still a home of 19 crore adults without a bank account making it the world's second largest unbanked population (India Tribune, April 19, 2018). Considering the importance of financial inclusion in inclusive growth, the paper analyses the ownership of bank accounts and saving among individuals and household under PMJDY, Small Saving Schemes, Sukanya Samridhi Yojana and Direct Benefit Transfer schemes. Finally, the paper studies the challenges of financial inclusion and suggests the measures for improvement of financial inclusion in achieving Sustainable Development in India.

Keywords: Financial Inclusion, Inclusive Growth, Formal Financial Products and Services, Ownership of Bank Account and Sustainable Development.

INTRODUCTION

Financial inclusion, an all-round and competent system that can be comprehensively described as the access and availability of the formal financial system to all sections of the society, is an emerging growth paradigm. Financial inclusion is defined as individuals and business having access to useful and affordable financial products and services that meet their needs delivered responsibly and sustainably (World Bank, 2018). Financial inclusion is also termed as "the process of ensuring areas to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost"

(Rangarajan Committee 2008). Financial Inclusion enhances adequate services and inclusive access of formal financial services to all members of the society. To be financially included, a person should operate an account at a formal financial institution. This enables to involve with the financial system where they can access cost-effective means of managing their financial likes – borrowing, spending, saving and investing while being able to protect their financial well-being through insurance. In short, financial inclusion is a process than an end itself where individuals can conform to the developing trends using financial products and services at their disposal.

Considering the importance of financial inclusion in inclusive growth the policymakers globally have emphasized to financial inclusion as a broader perspective entailing financial development over the decades. The overcoming light shown by the subject is linked to the plenty of evidence that depicts the individuals or households with greater financial inclusion experience having great effect, not just through sound financial health but also with better performance on human development (Sarma and Pais 2011), other socio economic indicators like poverty (Kumar 2012), inequality (Inove 2019), women empowerment (Ojo 2022), where income and education have depicted to bear extremely on the ability to access financial services (Demirgüç – Kunt and Klapper 2013).

Despite of the success of the ambitious Jan Dhan Yojana, India has 19 crore adults without a bank account, making it, the world's second largest unbanked population after that of China (World Bank 2018). Almost half of the bank accounts remained inactive in the past few years (India Tribune 2018). According to the latest Global Index Database 11% of the world's unbanked adults are in India (India Tribune 2018).

REVIEW OF LITERATURE

Literature is reviewed on the area related to financial inclusions which have been already available for revealing the concept of the problems, interpreting the findings etc. in their papers.

Sadhan Kumar (2011) studied about financial inclusion in India and found that there has been an improvement in outreach activity in the banking sector but the achievement is not significant. The study used three dimensions such as banking penetration (BP), Banking Services (BS) availability and Banking System of usage (BU).

Roy et.al. (2024) discussed about the need Fintech and highlighted the need for Fintech in financial

inclusion development. It is also explored that for underserved population promotes the economic resilience and reduces inequalities. Furthermore, the analysis highlighted the multi-faceted impact of Fintech on Financial Inclusion and sustainable development.

Bhuiyan Aktar, et. al. (2024), showed the need for ensuring a rigorous and replicable process and for adhering to PRISMA guiding in financial inclusion.

Peterson Ozili, (2025) studied about financial inclusion in banking sector and explored that the role of financial inclusion has an impact on bank stability and profitability. Furthermore, it was concluded that financial inclusion is essential for economic growth, reducing poverty and improving financial stability.

Levine (1997), empirically analysed the neoclassical view and find that countries having large banks and more active stock market grow faster area subsequent decades even after controlling for many other underlying economic growth.

Beck et. al. (2009) explored about the availability of copious amount of data on many aspects of financial system, but systematic indicators of inclusiveness of financial sector are lacking.

C. Objectives of the Study

Considering the importance of financial inclusion in inclusive growth, the paper analyses the following objectives.

1. To study the role of financial inclusion in inclusive growth.
2. To study the ownership of bank accounts under different scheme for understanding the usage of financial products and services among individuals and households.
3. To study the challenges of ownership of bank account while functioning actively.
4. To suggest the policy implication and improvement of financial inclusion in India.

METHODOLOGY

The study conducts a comprehensive analysis related to financial inclusion of India with special reference to the usage of financial products and services among individual and households using secondary data source. Accordingly, ownership of bank accounts and savings, one of the most important part of financial inclusion is especially studied here. Furthermore, for the secondary data, information from a wide range of sources including text books, journals, articles working papers, reports, conference proceedings, documents and websites are collected. The collected data is presented through statistical analysis.

E. Financial Inclusion in Inclusive Growth of India

Financial inclusion, the process of ensuring access to financial services and timely and adequate credit by vulnerable groups can be termed as universal access to a wide range of financial service at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products (The Committee on

Financial Sector Reforms, Chairman Dr. Raghutan G. Rajan). Household access to financial service is depicted in fig. 1.

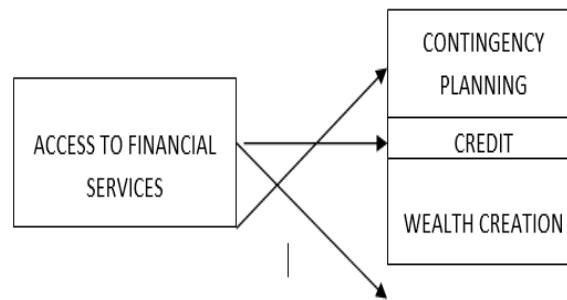


Figure No. 1: Household Access to Financial Services

In Fact, financial inclusion plays a very important role in economic growth and development of a country to a great extent leading to sustainability by incorporating accessibility across a plethora of social constraints such as gender, age, race, geographical, religion, disability or socio-economic standing ultimately ensuring to achieve Sustainable Development goals which can be seen in fig 2.

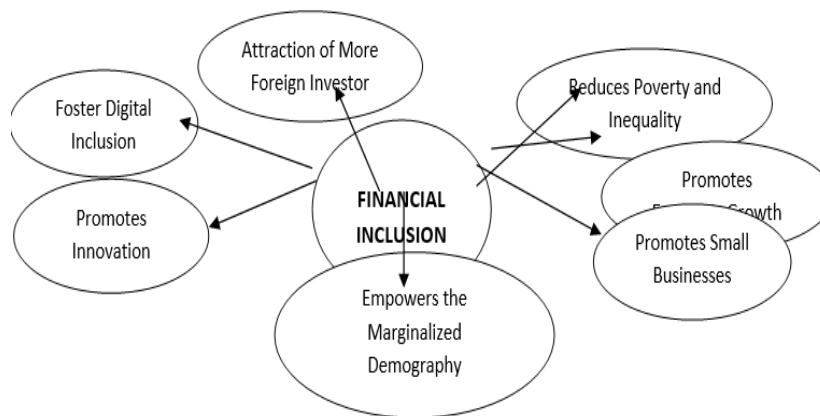


Figure No. 2: Sustainable Development Goals

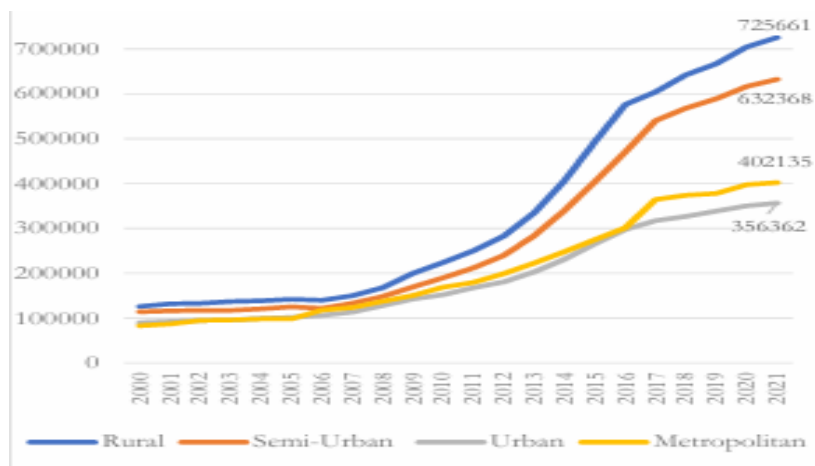
In nutshell, financial inclusion contributes to economic growth by enhancing entrepreneurship, increasing savings and expanding investment opportunities. It encourages consumers spending and business development leading to job creation and improved productivity. A financially inclusive economy also attracts more foreign investment and helps in achieving sustainable future.

F. Ownership of Bank Accounts and Saving In India (Individuals and Households)

Financial Inclusion broadly encompasses three dimensions – access, usage and quality. The access aspect emphasizes the supply of financial infrastructure and services to the people and usage measures how actively financial infrastructure is used in terms of savings, investments, insurance, availability of credit from banks and non-bank, use of retail digital payments, penetration of insurance and participation in various pension plans and remittance. The quality covers areas like cost of service access, financial literacy, fraud prevention, consumer protection etc. emphasizing sustainable adoption and continued usage of the financial products and services particularly emphasizing the individuals.

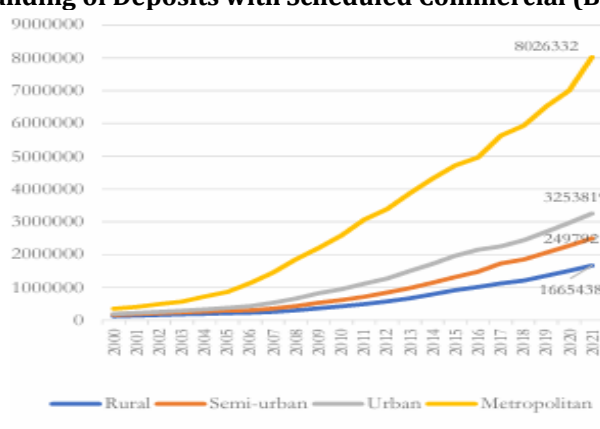
As the primary indicator of financial inclusion is ownership of a bank account one can study the growth in deposit account with scheduled Commercial Bank branches which can be seen from figure 3, 4 and 5.

Figure No. 3: Number of Deposit Accounts with Scheduled Commercial Banks according to Population Groups (2000 – 21)



Source: RBI Handbook of Statistics on Indian Economy, 2021-22

Figure No. 4: Amount Outstanding of Deposits with Scheduled Commercial (Banks Population Group Wise)

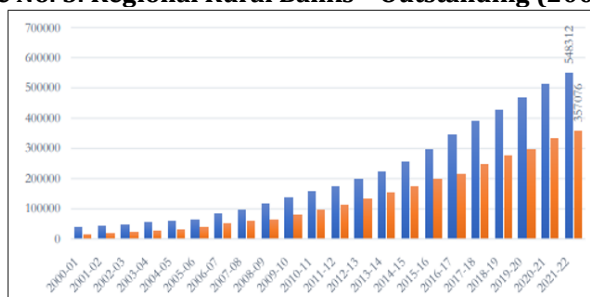


Source: RBI Handbook of Statistics on Indian Economy, 2021-22

The growth in deposit accounts with scheduled Commercial Branches (fig. 4) shows that the rural population has the highest number of deposit accounts followed by semi urban, metropolitan and urban areas whereas the amount outstanding with Commercial Bank (fig. 5) is in opposite with the maximum amount in the urban areas, which depicts attention to marginal and small savings in the rural and semi urban areas.

In India, Regional Rural Banks (RRBs) have been working as the catalyst for leveraging financial services, credit expansion and diversification of products and services among the rural population. Looking closely at the deposit and credit data RRBs over two decades where they have witnessed a consistent increase with a rise in deposits to the tune of 9% and credit at 13% for 2020-21, the year of the pandemic over 2019-20 as shown in fig 5. It is necessary to look into some of the flagship efforts that have boosted bank account ownership and saving among individuals/households in India.

Figure No. 5: Regional Rural Banks – Outstanding (2000 – 21)



Source: RBI Handbook of Statistics on Indian Economy, 2021-22

As per the necessity to analyse some of the flagship efforts that leave boosted bank accounts ownership and savings among individuals/household in India – Pradhan Mantri Jan Dhan Yojana, Small Savings Scheme, Sukanya Samridhi Yojana and Direct Benefit Transfer are studied here.

It is necessary to look into some of the flagship efforts that have boosted bank account ownership and saving among individuals/households in India. Despite of the initiatives taken up through a number of schemes,

a) Pradhan Mantri Jan Dhan Yojana (PMJDY)

The scheme was introduced in 2014 to ensure basic account ownership with banks or business correspondents (Bank Mitra) without balance requirements and coupled with various financial services like basic savings and deposit accounts, remittance, insurance, pension and credit affordably. Further, 'Rupay' debit cards were provided to the account holders and insurance cover of up to Rs 1 lakh (extended to Rs. 2 lakhs on accounts opened after 28 August, 2018). India's financial access is not satisfactory in comparison with International level which can be seen in Table 1. It shows the official data on beneficiaries where a total of 46.57 crore people has been benefitted with an average state wise surveyed household coverage of 99.97%.

Table No. 1: Data on Beneficiaries for PMJDY Rupees in Crore

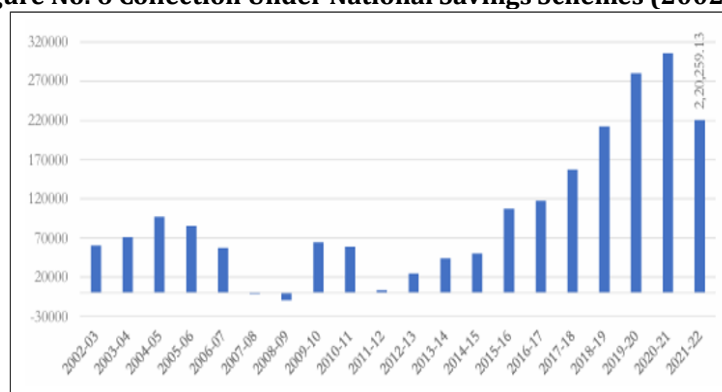
Bank Name/ Type	No. of Beneficiaries at Rural/ Semi Urban Centre Bank Branches	No. of Beneficiaries at Urban Metro Centre Bank Branches	No. of Rural Urban Female Beneficiaries	No. of Total Beneficiaries	Deposits in Account	Number of Rupay Debit Cards Issued to Beneficiaries
Public Sector Banks	22.97	13.66	20.19	36.64	1,33,605.28	27.51
Regional Rural Banks	7.44	1.17	4.97	8.62	34,078.66	3.41
Private Banks	0.70	0.6	0.71	1.31	4,933.53	1.11
Grand Total	31.12	15.44	25.87	46.56	1,72,617.47	32.03

Source: <https://pmjdy.gov.in/account> data as on 17/09/2022

b) Small Saving Schemes

Various small savings scheme was introduced by the government for the promotion of risk free government backed saving portfolios for low and medium income individuals including national savings deposit account, post office savings account, Senior Citizen Savings Scheme, Kisan Vikas Patra and National Saving Certificate (NSC). Figure 6 maps the collection under NSS for 2021-22 which stand at Rs. 2,20,259.13 crore.

Figure No. 6 Collection Under National Savings Schemes (2002-21)



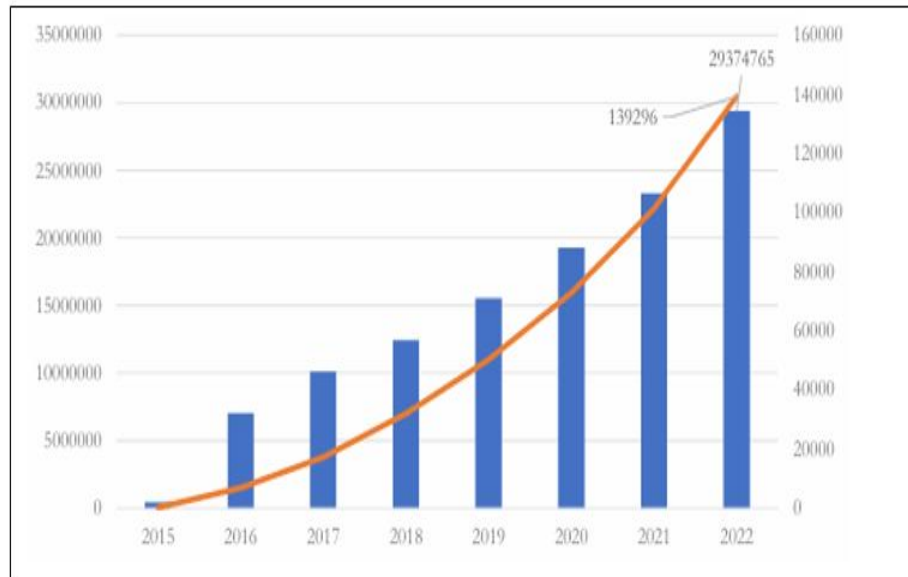
Source: National Savings Institute, 2021-22 (up to January, 2022)

c) Sukanya Samriddhi Yojana

The savings scheme launched in 2015 is targeted at the accumulation of savings funds for girl children 10 years or younger by parents under the initiative of 'Beti Bachao Beti Parao'. With a minimum initial deposit of Rs. 1,000 a limit of up to Rs. 1,50,000 in a financial year and tenure of deposit until 21 years of age of the beneficiary is a tool to

accumulate a corpus for the girl child's higher education, marriage and other needs. Figure 7 shows the growth in subscribers and savings since the launch.

Figure No 7: Sukanya Samriddhi Yojana – Registered Subscriber and Savings (2015-22)



Source: National Savings Institute, Data as on 31 March, 2022

d) Direct Benefit Transfer (DBT)

Sabherwal et. al (2019) highlighted that DBT have enabled the strengthening of banking activity, mobility and bargaining power, particularly the women. It has help immensely in the disbursal of benefits to a wide population spread geographically through 318 Government schemes like Pradhan Mantri Matrava Vandana Yojana (PMMVY) for women, Pradhan Mantri Ujjwala Yojana (PMUY) and, while others, such as the Krishi Unnati Yojana (KUY) or Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) for beneficiaries bank accounts held by any gender. The total benefit transfers accruing for Rs. 6,30,264 crores for 2021-22.

G. Challenges of Financial Inclusion in India

Despite of the success of the ambitious Jan Dhan Yojana, India has 19 crore adults without a bank account, making it the world's second largest unbanked population after that of China (India Tribune, April 19, 2018). Almost half of the bank accounts remained inactive in the past few years. 11% of the world's unbanked adults are in India. Due to the faces of multiple challenges including lack of financial literacy, limited digital disparities, inadequate banking infrastructure and high service cost etc. there are the barriers hindering equitable access to essential financial services related to financial inclusion in India (Vaijiram, 2025).

1. **Lack of Financial Literacy:** There is the lack of financial literacy especially in rural areas. Many of them lack the knowledge to understand and use of financial services effectively resulting to under utilization of banking, credit and insurance services.
2. **Digital Divide:** Digital financial inclusion is hindered in rural and low-income areas caused by limited internet access and Smartphone usage in rural areas. This digital gap restricts the adoption of mobile banking,

digital payments and online financial services.

3. **Gender Gap:** Due to socio-cultural factors, limited women faces greater barriers to financial inclusion leading to reduce the women's participates in formal financial system and economic independence.
4. **Lack of Banking Infrastructure:** Lack of essential banking infrastructure such as ATM branches and digital access points in the remote areas limits the reach of financial services.
5. **High Cost of Service:** High interest rates for credit and high fees for other services make financial access, a difficult for economically disadvantaged individuals related to financial inclusion.

H. The Road Ahead: Taking into account, the importance of financial inclusion in inclusive growth for achieving the concept of "leaving no one behind", the following points should be tailored.

1. **Designing Suitable Innovative Products:** Innovative products to cater the requirements of poor villagers at affordable rate should be made. Borrowing from

- money lenders, banks should develop simplified credit disbursement procedure with flexibility as per the suitability.
2. Technology Application: Banks should enhance their ATM Network in rural and unbanked areas to serve the poor villagers taking care of the safety and security issue.
 3. Government: Through Central, State, Co-operative, Regional Rural Banks; Government should improve economic activity for effective use of BSBD.
 4. Migrants: Migrants are not adequately covered facing difficulties in opening bank accounts (Rakesh Kumar, 2024). Commercial banks should take care of the migrants population related to their financial inclusion pacts.
 5. Financial Literacy Programme: Financial Literacy Programmes must be conducted frequently for providing knowledge about benefits of financial inclusion.
 6. Women's Participation Encouragement: Gender sensitization programme must be conducted by the appropriate authorities, NGOs, local bodies for reducing gender gap especially in rural and remote areas.
 7. Infrastructural Development: For enhancing financial inclusion, adequate infrastructure such as digital and physical connectivity, uninterrupted power supplies etc. are prerequisites.
 8. Cost of Service: Interest rates for credit and fees for other services should be reduced especially for economically disadvantaged individual with special reference to rural poor.
 9. Impact Assessment: Policy makers should conduct impact assessment to evaluate the effectiveness through data collection for identifying areas for improvement.
 10. Stakeholder Engagement: Government should engage with stakeholders including financial institution, CSOs and communities to ensure that financial inclusion policies are responsive to their needs.

CONCLUSION

Financial inclusion facilitates by bank ownership plays a pivotal role in promoting economic growth and stability. By expanding access to financial services banks empower individuals, business, managing their finances effectively, invest in opportunities and mitigate risks. To be sure, bank ownership has been instrumental in promoting financial services. Government initiatives like PMJDY have significantly expanded bank account ownership bringing individuals into the formal banking system. As bank ownership grows, it is necessary to prioritize financial literacy and tailored financial products to

ensure equitable access and benefits, fostering a more inclusive economy. By leveraging bank ownership, financial inclusion can continue to drive economic growth, stability and prosperity. For securing inclusion of the excluded population in the formal financial system policy makers are in need of proper implementation of programmes and policies by accessing the efficiency and effectiveness of the existing schemes strategically.

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