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QUALITY OVER QUANTITY? A NEW LENS ON FINANCIAL INCLUSION

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Abstract

The Government of India has promoted financial inclusion through programs like PMJDY, insurance schemes, and pension initiatives. While the number of bank accounts has increased, many remain inactive or are used only for government benefits, limiting true financial engagement. This paper argues for a shift from ***quantity to quality*** *in financial inclusion and proposes a* ***5-Level Framework*** *to assess active use of financial services, from basic account ownership to full engagement with savings, credit, insurance, and investments. The study also suggests practical measures, such as easing re-KYC procedures and linking account creation with Aadhaar registration, to enhance accessibility and participation. A focus on quality ensures meaningful financial empowerment and sustainable economic development.*

Keywords: Financial inclusion, financial literacy PMJDY, Aadhaar, Re-KYC

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1. Introduction

Over the past decade, financial inclusion has been a central focus for the Govt. of India. For this The Government of India has taken lot of initiative & launch multiple programmes for increasing financial inclusion like Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Bima Yojana, and Atal Pension Yojana This program has played a significant role to achieve objective of financial inclusion. In fact, Jan Dhan Yojana is the flagship program of Govt of India for the Financial Inclusion. As per Recent reports of RBI says that approximately 55.02 crores PMJDY account open as of March 2025. The numbers look catchy and manifest the great success towards Financial Inclusion. But when we go for micro analysis than we found picture is not so much Rosy looking like form outside. In simple word a above data does not fully reflect the true picture of financial inclusion in India.

Govt. often presents the number of bank accounts opened under PMJDY as the primary metric of financial inclusion. But simply opening a bank account does not always show to correct picture of financial inclusion. Many of these accounts are mainly used for receiving government subsidies and welfare benefits, then after no more transaction in this account. These accounts are technically open & active but, they do not effectively integrate individuals into the broader financial ecosystem. This study argues that meaningful financial inclusion requires not only ownership of account but also the active usage of account and financial services.

2. Methodology

This paper adopts a conceptual & analytical approach based on secondary data. such as RBI reports, PMJDY progress updates and published financial inclusion statics from the foundation of the discussion. Instead of a traditional survey or old methods to measure financial inclusion the study develops unique Five-Level Framework to evaluate the depth of financial inclusion, focusing on both number of accounts opening as well as service diversity
Results and Discussion

Quality financial inclusion is not limited to just having a savings account it goes beyond that. It includes active use of savings accounts, insurance, loan, remittance, financial advice & other financial products, along with the ability to effectively use these services. Unfortunately, many individuals with Jan Dhan accounts only use for receiving gov welfare scheme & than after not further use of this account or very limited use. The Govt. focus on account simply openings overlook the need for broader access to these financial products and services, leaving a significant portion of the Indian population without true financial empowerment.

According to the RBI, out of 55.02 crore accounts were account opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY). However, by November 2024 nearly 11 crores of these accounts were inactive. meaning that this account had s not happened single transaction, during a specific period. This shows while account penetration has been high a substantial portion of accounts remain dormant.

These figures highlight a significant gap between access to financial services and actual financial participation. The large number of inactive accounts suggest that financial inclusion as currently measured by the government, its primarily Quantative in seated of qualitative. it means simply account opening does guarantee for financial empowerment, rather true finical inclusion requires individual to active use of saving able to avail credit, insurance and investment products. This underlines the need for policies that encourage sustained account activity and adoption of multiple financial services beyond basic account opening or ownership.

3. Re-KYC Challenges

RBI guidelines require re-KYC every 10 years. With many Jan Dhan accounts nearing this milestone, banks face a big challenge in verifying account details. The issue is compounded by the banks' infrastructure limitations and the low financial literacy of many account holders, making the process even tougher. If re-KYC is not done, accounts are supposed to be frozen.

To avoid freezing of SB a/cs due to missed re-KYC updates, the RBI should extend the deadline for accounts rarely used for transactions, as they are less likely to be involved in fraud. This would ease the pressure on banks, allowing them to focus their resources on active accounts and manage the re-KYC process more efficiently.

4. Aadhaar -Linked Automatic Account

An innovative solution for the Govt. is to create a system where an automatic bank account is opened during Aadhaar registration/creation. This SB a/c directly linked to the Aadhaar number, making it easier for individuals, especially those with low financial literacy in rural areas, to open and link their bank accounts without needing to visit a bank. This will help in eliminate the need for banks to conduct separate account opening drives.

A Framework for Assessing True Financial Inclusion

To measure the depth of financial inclusion, Govt. must look beyond account numbers and assess service adoption. Following is the 5-level framework.

5. Five-Level Framework:

Level	Stage of Financial Inclusion	Description
Level 1	Basic Financial Inclusion	Owns only SB a/c activity. This is only a starting point.
Level 2	Intermediate Financial Inclusion	Uses at least two financial products (e.g., SB a/c, Investments, insurance and credit etc), indicating basic financial engagement.
Level 3	Advanced Financial Inclusion	Accesses any three services, such as savings, insurance, and loans, investments etc. showing a deeper involvement in financial systems.
Level 4	Comprehensive Financial Inclusion	Uses four major financial products (savings, life insurance, loans, investments, vehicle insurance etc), reflecting broad access to financial tools.
Level 5	Full Financial Inclusion	Actively use 5 services or more such as SB a/c, Loan, insurance, investments, and remittances etc —representing complete integration into the financial system.

This 5-level framework helps assess financial inclusion in a more holistic way, recognizing that true inclusion means not just account ownership, but the active and effective use of multiple financial services that support individual and community development.

6. Conclusion

India's financial inclusion strategy has made remarkable progress in terms of number of account opening, but a true progress requires a shift towards **quality over quantity**. Focusing on the **active adoption and usage of diverse financial services**, as outlined in the **5-level framework**, is crucial. By sorting out the inactive account issue and being open to new solutions will pave the way for more meaningful and impactful financial empowerment for all citizens.

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