

PMJDY and Sustainable Development: A Decade of Financial Inclusion and Its Socio-Economic Impact

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Abstract:

As India embarks on its mission to become a \$5 trillion economy, bridging gaps in access to finance is pivotal for enabling the equitable growth and shared prosperity required to achieve this goal. Reaching this mission has made India pertinent to investigate deeper in achieving its Sustainable Development Goals particularly in deliberation of its flagship programme of financial inclusion “Pradhan Mantri Jandhan Yojana”. At this backdrop, the current study tries to evaluate the effectiveness of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in achieving financial inclusion and its impact on Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth). The findings indicate a significant correlation between PMJDY’s growth and poverty reduction, alongside an improvement in economic participation. Despite its success, challenges such as dormant accounts, limited credit access, and digital literacy gaps persist. Strengthening financial education, infrastructure, and policy reforms are essential to maximize the scheme’s long-term impact. This research underscores PMJDY’s role as a transformative initiative that aligns with India’s broader economic empowerment and sustainable development goals.

Keywords: *Sustainable Development Goals, PMJDY, Financial Inclusion*

I. Introduction:

An improved financial health is a key indicator of a nation's economic development. Economic growth reflects financial stability, and as India moves towards a self-reliant economy, a feasible and sustainable financial system is crucial. One significant step in this direction was the implementation of Financial Inclusion. This global initiative, adopted at the national level, aims to integrate unbanked individuals into the formal financial system. The Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched to provide financial access to the underprivileged, aligning with Sustainable Development Goals (SDGs), particularly Goal 1 (No Poverty) and Goal 8 (Decent Work and Economic Growth).

Financial inclusion is a critical enabler for sustainable development, empowering individuals with tools for economic participation. PMJDY facilitates this by offering zero-balance accounts, enabling savings without minimum balance requirements. It also provides overdraft facilities and access to credit, fostering entrepreneurship among marginalized groups. By integrating financial services, PMJDY enhances individual financial stability and contributes to overall economic growth, reinforcing the SDGs.

A major aspect of PMJDY is digital financial inclusion, leveraging technology to improve access to banking. The rise of digital payment systems and fintech innovations, such as the Unified Payment Interface (UPI), has made transactions more efficient, especially in rural areas. The initiative also promotes financial literacy, ensuring beneficiaries can effectively use financial services. Financial literacy is integral to the success of financial inclusion, empowering individuals to make informed decisions. By fostering economic empowerment, PMJDY contributes to community development and inclusive growth.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Launched on August 28, 2014, PMJDY is a government initiative to enhance financial inclusion nationwide.

Objectives:

- Ensure every household has access to banking services, facilitating savings, credit, and insurance for

the economically disadvantaged.

- Establish a foundational banking infrastructure, including bank accounts, debit cards, and credit facilities, empowering individuals to manage their finances effectively.

PMJDY has significantly increased the number of bank accounts in India, especially among marginalized communities. It has also promoted financial literacy and encouraged savings, fostering a shift toward formal banking practices. The scheme has streamlined government subsidies and welfare programs through direct benefit transfers, minimizing corruption and enhancing efficiency.

PMJDY is linked with other financial initiatives like the Pradhan Mantri Mudra Yojana, which provides micro-financing to small entrepreneurs, and the Pradhan Mantri Awas Yojana, aimed at affordable housing. These interconnected programs illustrate a comprehensive approach to economic empowerment. The scheme's success is attributed to its holistic strategy, focusing on account access, financial literacy, and diverse financial products for the poor.

Sustainable Development Goals (SDGs)

The SDGs, established by the United Nations in 2015, address global challenges such as poverty, inequality, climate change, and justice. India, as a signatory to the 2030 Agenda for Sustainable Development, has integrated the SDGs into its national policies, promoting inclusive and sustainable growth.

A key aspect of India's SDG approach is local governance and community participation. The country's federal structure allows states and local bodies to tailor strategies to regional needs, enhancing SDG implementation. This localized approach is crucial, as diverse socioeconomic and environmental conditions require targeted interventions. For instance, achieving SDG 6 (Clean Water and Sanitation) is particularly challenging in rural areas, necessitating customized solutions.

Public expenditure plays a significant role in achieving the SDGs, with increased investments needed in health, education, and infrastructure. Fiscal reforms are essential to grant states financial autonomy, enabling them to allocate resources effectively to urgent priorities. This financial flexibility ensures development programs reach marginalized communities, aligning with the SDG principle of leaving no one behind.

India's commitment to the SDGs is reflected in its integrated approach, combining local governance, increased public spending, and accountability mechanisms. While substantial progress has been made, challenges persist, especially in addressing regional disparities. Continued efforts are necessary to align national policies with the SDGs, ensuring India not only meets its commitments but also contributes to global sustainable development.

Statement of the Problem:

In India, the Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched in 2014 as a nationwide initiative to bring the unbanked population into the formal financial system. Over the years, PMJDY has significantly contributed to financial inclusion by opening millions of bank accounts, facilitating direct benefit transfers, and promoting digital financial services. Despite its widespread implementation, the impact of PMJDY on achieving Sustainable Development Goals (SDGs) remains underexplored. While studies have evaluated the success of PMJDY in increasing financial access, there is a lack of comprehensive research assessing its long-term effects on SDG.

II. Literature Review:

- **Smita Dikshit and Dr. AC Pandey (2021)** highlight that financial inclusion plays a crucial role in achieving Sustainable Development Goals (SDGs) by providing access to banking, credit, insurance, and digital financial services, especially for marginalized communities. Government initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY) have significantly increased financial access, with millions of previously unbanked individuals opening bank accounts and benefiting from direct transfers, insurance, and credit schemes. Financial inclusion directly supports SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 3 (Good Health & Well-being), and SDG 8 (Decent Work & Economic Growth) by enabling economic participation and resource distribution.

- Dr. Rashmi Paranjpye (2020) states that Financial inclusion in India has grown significantly, with a 21% increase in bank branches since 2014 under the Pradhan Mantri Jan Dhan Yojana (PMJDY), and a 39% increase in ATMs as of 2018. Despite this progress, challenges remain in financial literacy and awareness, particularly in remote areas, highlighting the need for greater education initiatives to enhance the effectiveness of financial inclusion efforts.

- **Roopali Patel, Rohit Patil (2024)**, Financial inclusion plays a crucial role in sustainable development by
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- Two-Day National-Level Seminar on FinTech Innovation, Inclusion, and Sustainability* 24 | Page
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providing individuals and businesses with access to banking, credit, insurance, and investment opportunities, thereby fostering economic growth and poverty alleviation. The historical evolution of financial inclusion highlights a shift from traditional banking to digital and fintech-driven models, with global initiatives like the UN Sustainable Development Goals (SDGs) and the Global Findex Database emphasizing its importance. The paper concludes that financial inclusion is not just an economic necessity but a fundamental human right, and emphasizes the need for financial education, technological advancements, and inclusive policies to build a more equitable and prosperous society.

- Sapna Gupta and K S Thakur (2020) Financial inclusion is essential for economic growth and poverty reduction, with initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY) significantly increasing banking access in India. Research shows a positive correlation between financial inclusion and human development, but mere account opening is insufficient without active financial participation. Future efforts should focus on financial literacy, fintech-driven solutions, and policy reforms to ensure sustained and meaningful financial inclusion in India.
- Anupama Sharma and Sumita Kukreja (2023) highlights the role of financial inclusion in fostering economic growth and social progress. Studies emphasize that inclusive financial services help marginalized communities access credit, savings, and insurance, thereby reducing economic disparities. The PMJDY has played a crucial role in integrating the unbanked population into the formal financial system, but challenges remain in achieving full financial inclusion. The findings suggest that while the scheme has made significant progress, improving financial literacy and expanding banking infrastructure are essential for its long-term success.
- Sagnik Maitey (2024) highlights its significance in fostering economic development and social equity. Various studies have explored financial inclusion through indices, measuring banking penetration, accessibility, and affordability. The *Pradhan Mantri Jan Dhan Yojana (PMJDY)* has been instrumental in expanding financial access in India, but disparities persist across states. Research has shown that while some states exhibit high financial inclusion, others lag due to structural and socio-economic barriers. The findings emphasize the need for targeted policies and digital interventions to bridge financial access gaps and promote inclusive growth.
- Mahesh, P.S Aithal and Sharma K R S(2023) emphasizes its role in empowering Self-Help Groups (SHGs) and fostering sustainable development. Studies highlight how DFI, supported by fintech innovations like UPI, Aadhaar-enabled payments, and digital banking, has expanded financial access in rural and semi-urban areas. Future studies suggest that integrating AI, blockchain, and targeted financial education can further strengthen financial inclusion and economic empowerment.

Research Gap

Several studies have already been made on the performance evaluation of PMJDY on Financial inclusion at macro level. Despite the significance of the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme in promoting financial inclusion, remarkably few studies have investigated its impact on achieving the Sustainable Development Goals (SDGs). This knowledge gap underscores the need for comprehensive research to evaluate the effectiveness of the PMJDY scheme in contributing to sustainable development.

Objectives of the study:

1. To assess the growth of number of beneficiaries under PMJDY over past 10 eras. in India.
2. To examine the impact of the growth of number of beneficiaries under PMJDY on SDG 1 Score in India
3. To analyse the impact of the growth of number of beneficiaries under PMJDY on SDG 8 Score in India.

Research Questions:

The current study aims to answer the following questions:

1. How does the number of beneficiaries growth under PMJDY accounts evolved over the past ten years in India?
2. How does the number of beneficiaries growth under PMJDY promote to SDG 1 Score in India?
3. How does the number of beneficiaries growth under PMJDY promote to SDG 8 Score in India?

Research Hypothesis:

1. H₀₁: There is no significant growth in the number of beneficiaries over the past ten years.
2. H₀₂: PMJDY has no significant impact on the growth of number of beneficiaries on SDG 1.
3. H₀₃: PMJDY has no significant impact on the growth of number of beneficiaries on SDG 8.

III. Research Methodology:

Type of data:

The study is descriptive in nature using secondary sources of data. The secondary data is collected from Research Articles, websites, governmental and non-governmental reports.

Statistical tools

To test the hypothesis Geometric mean, and simple regression were used using SPSS.

Operational meaning:

An increasing SDG 1 score alongside a declining poverty ratio indicates a downward trend in poverty levels, and the opposite suggests a rising trend in poverty level.

An increasing SDG 8 score alongside increase in the number of beneficiaries indicates an upward trend in economic development, and the opposite suggests a downward trend in economic development.

An increasing SDG 8 score alongside increase in the number of RuPay card holders indicates an upward trend in economic growth, and the opposite suggests a downward trend in economic growth.

Limitations of the study

1. The current study has not covered all the Financial inclusion initiatives introduced by the government.
2. The study has all the limitations of collection of secondary data.
3. The current study has focused on the contribution to only SDG 1 and SDG 8. Remaining 15 goals weren't examined.

IV. Results and Discussions:

H₀₁: There is no significant growth in the number of PMJDY accounts over the past ten years.

On the first day of the Pradhan Mantri Jan Dhan Yojana (PMJDY) launch in August 2014, 15 million bank accounts were opened. By August 2024, this number had surpassed 500 million, making it the world's most extensive financial inclusion initiative (Press Information Bureau). The Table 1 illustrates the steady growth of PMJDY accounts over the years. As a result, account ownership in India surged from 35.23% in 2011 to 77.53% by 2021 (Global Findex database).

Table 1

Year	Number of Beneficiaries under PMJDY	Geometric Mean
2015	145,368,040	8.16
2016	214,275,474	8.33
2017	281,678,271	8.45
2018	314,439,129	8.50
2019	352,662,230	8.55
2020	380,744,095	8.58
2021	422,005,644	8.63
2022	450,615,343	8.65
2023	486,536,360	8.69
2024	519,467,243	8.72

Source: PIB, Department of Financial Services, Ministry of Finance, Author's calculations

The table 1 represents the data relating to the Number of beneficiaries under PMJDY. To analyse the rise or fall in the rate of beneficiaries under this initiative, Geometric mean was applied. The results depict that during the initial years of inception, we can see a gradual increase in the beneficiaries as compared to the later years.

Therefore the study has failed to accept the null hypothesis.

H₀₂: PMJDY has no significant impact on the growth of number of beneficiaries on SDG 1.

Table 2: Showing the data of Number of beneficiaries under PMJDY with corresponding SDG score of the

respective years

Year	Number of Beneficiaries under PMJDY	SDG 1 Score
2015	145,368,040	72
2016	214,275,474	76
2017	281,678,271	79
2018	314,439,129	83
2019	352,662,230	85
2020	380,744,095	82
2021	422,005,644	87
2022	450,615,343	89
2023	486,536,360	92

Source: PIB, Department of Financial Services, Ministry of Finance, OECD

Hypothesis	Regression weights	Beta co-efficients	R ²	F	p-value
H ₀₂ →	Number of SDG 1 Score beneficiaries	0.957	0.916	54.265	0.000

For p value < 0.05, the study fail to accept Null hypothesis. A high degree of positive correlation and a significant increase in the number of beneficiaries under PMJDY has promoted in eradicating poverty under SDG 1.

H₀₃: PMJDY has no significant impact on the growth of number of beneficiaries on SDG 8.

Year	Number of Beneficiaries under PMJDY	SDG 8 Score
2015	145,368,040	66
2016	214,275,474	67
2017	281,678,271	73
2018	314,439,129	74
2019	352,662,230	74
2020	380,744,095	73
2021	422,005,644	74
2022	450,615,343	75
2023	486,536,360	75

Source: PIB, Department of Financial Services, Ministry of Finance

Hypothesis	Regression weights	Beta co-efficients	R ²	F	p-value
H ₀₃ →	Number of SDG 8 Score beneficiaries	0.824	0.678	16.880	0.003

For p value < 0.05, the study fail to accept Null hypothesis. We can observe a high degree of positive correlation as well as a significant increase in the number of beneficiaries under PMJDY. This development has promoted in ensuring a more sustainable economic development under SDG 8.

To sum up, PMJDY initiative has a leading role in eradication of poverty and promote a sustainable economic growth.

V. Conclusion:

The Pradhan Mantri Jan Dhan Yojana (PMJDY) has emerged as a transformative initiative in India's financial landscape, significantly advancing financial inclusion. The scheme has played a crucial role in bringing millions of unbanked individuals into the formal banking system, thereby promoting economic empowerment and contributing to the achievement of Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth). Through financial literacy initiatives, access to banking services, and digital financial inclusion, PMJDY has strengthened economic participation

among marginalized communities.

The study's findings indicate a strong correlation between PMJDY's expansion and a reduction in poverty levels, showcasing its effectiveness as a financial inclusion strategy. Additionally, the role of digital financial services, such as UPI and RuPay cards, has enhanced accessibility to financial resources, further driving economic activity. However, challenges such as dormant accounts, digital illiteracy, and infrastructure gaps persist, necessitating continued policy reforms and targeted financial education programs.

Going forward, strengthening financial awareness, expanding digital infrastructure, and ensuring active financial participation will be critical to sustaining the impact of PMJDY. The initiative's continued success will depend on a collaborative effort between the government, financial institutions, and digital service providers to ensure inclusive economic growth. By addressing existing challenges and leveraging technology, PMJDY can further cement its role in fostering financial resilience and sustainable development in India.

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