

UNBANKED & THE PMJDYA

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ABSTRACT: Financial inclusion has improved significantly worldwide, with the number of unbanked adults decreasing from 2.5 billion in 2011 to 1.3 billion in 2025. Despite this progress, many people in developing countries, especially in populous nations like India and China, still lack access to formal financial services. About 79% of adults now have financial accounts, largely due to the growth of digital and mobile banking. Innovations like UPI have boosted savings and financial participation, particularly in low- and middle-income economies. However, challenges such as poverty, low financial literacy, and the digital divide continue to limit full financial inclusion, especially among vulnerable groups.

Keywords: financial inclusion; unbanked; primary barriers; demographic barriers; demographic gaps

I. INTRODUCTION

As of 2025, the global unbanked population stands at approximately 1.3 billion adults. This marks a significant decrease from the 1.4 billion reported in 2021 and 2.5 billion in 2011¹. In 2014 that number was 2 billion¹.

Because account ownership is nearly universal in high-income economies, virtually all unbanked adults live in developing economies. China and India, despite having relatively high account ownership, claim large shares of the global unbanked population because of their sheer size. So, 1.3 billion adults still remain outside the formal financial system and over half of them – 650 million – are concentrated in just eight countries: Bangladesh, China, Egypt, India, Indonesia, Mexico, Nigeria, and Pakistan.

This is unprecedented progress in financial inclusion, particularly in low and middle-income countries. However, a significant number of adults especially women, the poor, and the digitally disconnected, continue to be excluded from the formal financial system.

Worldwide, 79% of adults have an account at a bank or similar financial institution, with a mobile money provider, or both, up from 74% in 2021. Ownership of financial accounts increased globally by 5 percentage points between 2021 and 2024 and by 6 percentage points in low- and middle-income economies, in which 75% of adults now have an account.

More adults than ever in low- and middle-income countries now have bank or other financial accounts, leading to a rise in formal saving. This momentum in financial inclusion is creating new economic opportunities. Mobile-phone technology played a key role in the surge, with 10% of adults in developing economies using a mobile-money account to save — a 5 percentage point increase from 2021².

As a result of increase in the number of adults owning financial account in low and middle-income economies (LMIEs), there's been a surge in formal savings. In 2024, 40% of adults in developing economies saved in a financial account, which is a 16 percentage points increase since 2021 and the fastest rise recorded in over a decade. Sub-Saharan Africa saw particularly strong growth, with formal savings increasing by 12 percentage points to reach 35% of adults³.

Financial inclusion has the potential to improve lives and transform entire economies. Digital finance can convert this potential into reality, but several ingredients need to be in place. Safer digital cash-transfer systems are being constructed, offering social protection programs, which

now deliver resources directly to those in need. Payment systems are being modernized, removing regulatory roadblocks—so that people and businesses have the financing they need to innovate and create jobs.

II. LITERATURE REVIEW

According to Dipa and Rohit (2018) there was a tremendous increase in the number of bank accounts opened but the average balance in these accounts was low and a significant proportion of the accounts was inoperative. Financial inclusion means not just the opening of bank accounts but importantly access to credit from formal sources. The PMJDY did not increase the credit-deposit ratio and the share of small loans declined. Azeez and Akhtar (2020) assessed the gender differences in financial literacy among rural households. The study indicated that there were gender differences in different indicators of financial literacy, in which male were more knowledgeable in financial matters than female respondents. Sujlana and Kiran (2018) revealed that there is a dire need to provide quality financial services in rural areas for economic growth. Rapidly developing technology played very important role in financial inclusion. More number of people started using ATMs and mobile banking. The study suggested for collaborative efforts of government, RBI and citizens of the country. Aziz and Naima (2021) revealed the relationship between digital finance and financial inclusion and identified that lack of sufficient income and lack of trust in service providers were the most important obstacles to financial inclusion. The study suggested for sufficient weight age in government policy framework and digital financing process. Yadav. et.al (2020) examined the three essential elements of financial services accessibility, financial literacy and poverty condition of account holders as well as gender and disparities among PMJDY beneficiaries. The study found that there was a considerable gender and caste disparity and members of the scheduled castes performing the lowest.

III. THE UNBANKED

Despite this progress, 100 % financial inclusion has still a long way to go. Even today, 1.3 billion adults still remain outside the formal financial system and around 650 million are concentrated in just eight countries: Bangladesh, China, Egypt, India, Indonesia, Mexico, Nigeria, and Pakistan⁴.

Of the total figure, women constitute a major chunk (55%) of the unbanked population, while 52% people without bank accounts are from the poorest 40% of households, and 62% of them have got only primary education. Unemployment is a major concern among the unbanked population as 54% them are either unemployed or out of the labour force.

Digital technology though presents a potential pathway for expanding access. Of the population without accounts, around 900 million own a mobile phone, about 530 million have smartphones. The role of real-time digital payment systems, such as India's Unified Payments Interface (UPI) and Brazil's PIX, has been vital in closing the financial access gap by enabling transactions at a significantly low-cost.

The world bank report shows the impact the mobile phones and the internet are having extends not only to account ownership, but also to potentially productive uses, including saving formally, which 40% of adults in low and middle-income economies now do, and transacting digitally, which more than 60 percent of adults in low and middle-income economies also do.

Today more people have the financial tools to invest in their futures and build economic resilience, including women and others previously left behind. This is real progress. The case is for investing in inclusive financial systems, digital infrastructure, and connectivity is clear—it's a proven path to unlocking opportunity for everyone.

Mobile money continues to be an important force in driving inclusion, particularly in regions like Sub-Saharan Africa. The report found that since 2014, mobile money, used either alone or alongside a traditional bank account, has been central to global gains in account ownership. Today, 15% of adults worldwide have a mobile money account.

Digital money is also helping to reduce the gender gap in account ownership. Worldwide, over two-thirds (77%) of women now have accounts compared to 81% of men. In LMIEs, women's account ownership has almost doubled over the past decade, rising from 37% in 2011 to 73% in 2024, as per the report.

REGIONAL VARIATIONS:

The Middle East and North Africa saw account ownership rise to 53% from 45% in 2021, while formal saving jumped to 17%. In South Asia, around 80% of adults now have accounts, with India leading the way as 90% of both men and women in India are account holders, and also 65% own a mobile phone.

Sub-Saharan Africa experienced a significant increase in financial reach, with account ownership increasing up-to 58% from 49% in 2021. It continues to be a global leader in mobile money usage.

Nevertheless, major demographic & digital disparities still continue. Only nine LMIEs have reported mobile phone ownership below 65%. Population with lower education levels has significantly lower phone ownership —75% among adults with primary education or less, compared to 93% among those with secondary education or more.

Women have nine percentage points less probability than men to own a phone, and poorer adults are eight points behind wealthier counterparts. In South Asia, more than 300 million women still lack mobile phones. Affordability continues to be the most frequently given reason for not owning a phone.

IV. WHY PEOPLE REMAIN UNBANKED

According to the World Bank's Global Findex 2025 Report, significant progress has been made—79% of adults globally now have a financial account. However, roughly 1.3 billion adults remain unbanked⁵.

The survey highlights that the "last mile" of financial inclusion is the hardest to reach, with specific systemic and personal barriers keeping people out of the formal financial system.

1. Primary Barriers (Self-Reported)

When unbanked adults were asked why they do not have an account, several recurring themes emerged:

- **Insufficient Funds (Poverty):** The most common reason cited. Many people feel they do not have enough money to justify opening an account or to meet **minimum balance requirements**.
- **High Costs:** Transaction fees, monthly maintenance fees, and the cost of traveling to a physical branch remain prohibitive for low-income individuals.
- **Physical Distance:** In many developing regions, the nearest bank branch or agent is too far away, making the "cost of access" (in time and transport) too high.
- **Lack of Documentation:** A significant portion of the unbanked lack the formal identification (Digital ID or government-issued papers) required by "Know Your Customer" (KYC) regulations.

- **Lack of Trust:** Historical instability in banking systems or predatory practices have led many to prefer keeping savings in cash or informal clubs.

2. Demographic Gaps

The 2025 data shows that exclusion is not random; it is concentrated among specific groups:

- **Gender:** Women still account for **55%** of the world's unbanked. While the gap is narrowing, women often face additional hurdles like lack of independent ID or mobile phone ownership.
- **Education:** Approximately **62%** of unbanked adults have only a primary education or less, which often correlates with lower financial literacy and confidence.
- **Employment:** Over half (**54%**) of the unbanked are unemployed or outside the formal labor force, meaning they don't receive the formal payroll deposits that often trigger account opening.

3. The "Digital Divide"

While mobile money has been a game-changer, a new barrier has emerged: **Digital Connectivity.**

- **Lack of Hardware:** 16% of adults globally still lack access to a mobile phone.
- **Lack of Confidence:** Between **33% and 59%** of unbanked adults across various regions said they would **not feel comfortable** using a financial account without help. This "confidence gap" is particularly high among women and the elderly.

4. Concentration of the Unbanked

The report reveals that the problem is highly geographical. Over half of the world's unbanked population (approx. 650 million people) live in just **eight countries:**

1. India
2. China
3. Pakistan
4. Nigeria
5. Bangladesh
6. Egypt
7. Mexico
8. Indonesia

CONCLUSION-

Global financial inclusion has improved significantly, with more people gaining access to bank accounts, especially in developing countries. Digital financial services and supportive policies have played a key role in increasing access and promoting economic stability. However, around 1.3 billion adults remain unbanked, showing that full inclusion has not yet been achieved. To overcome this, targeted efforts focusing on financial literacy, digital access, and support for vulnerable groups are essential for inclusive and sustainable development.

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