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Analysing the financial inclusion strategies for rural development

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Abstract

A large portion of the rural population still lacks access to basic financial services, which limits their ability to build resilience and improve their livelihoods. Around 70% of the world's poor live in rural areas, making financial inclusion a critical tool for reducing poverty and promoting development. It should be viewed not just as a policy goal, but as a means to bring about real, positive changes in people's lives. Financial strategies can help rural side areas in several ways—by helping farmers treat agriculture as a business, encouraging small non-farm enterprises, providing support to rural workers, and easing the transition for those who migrate to cities for work. In most cases, rural families use a combination of these approaches to make a living. Therefore, it's essential to offer a variety of financial services tailored to support their different needs and transitions between income sources. In India, financial inclusion initiatives are being closely aligned with the United Nations' Sustainable Development Goals (SDGs), especially with a focus on farming communities and economically vulnerable households. This study explores how such initiatives have impacted the lives of marginalized groups and how effectively they support India's efforts to meet the SDGs. Some of the important steps implemented by the Indian government in this regard is the JAM Trinity—short for Jan Dhan, Aadhaar, and Mobile. This initiative links bank accounts with Aadhaar identification and mobile numbers, helping to prevent leakages in subsidy delivery and making government benefits more accessible and efficient.

In summary, financial inclusion means ensuring that everyone should be above the income line and has access to and can effectively use formal financial systems like savings accounts, credit, insurance, and digital payment platforms. Studies have shown that better financial access helps lift people out of poverty and reduces inequality. On the other hand, financial exclusion—being cut off from these services—can trap people in cycles of poverty and economic instability. As a result, financial inclusion has become a central part of development strategies in recent years, especially in efforts to build inclusive and sustainable growth.

Keywords: Financial inclusion poverty reduction, Jan Dhan Yojana sustainable development goals, rural India agricultural population

Introduction

Financial inclusion plays a crucial part to reduce the poverty and boosting the economy. It helps create jobs, encourages investment in education and health, and reduces the risk of financial shocks. Without access to formal banking services, people have to rely on their limited savings or expensive informal loans.

The United Nations' SDGs focus on solving global issues like poverty, hunger, and inequality. In India's rural areas—where agriculture is main aspect to survive—financial inclusion is key to reaching these goals. This research focuses on how India's financial management helps rural development and align with the SDGs, especially for farming families and the poor.

In 2005, the UN named it the “International Year of Microcredit” and encouraged the creation of inclusive financial systems. India launched the Pradhan Mantri Jan-Dhan Yojana (PMJDY) in 2014 to help every household open a bank account, get access to savings, insurance, loans, and pensions affordably. Within just 100 days, over 12.5 crore families were added to the banking network.

Women's financial inclusion is especially to get the gender equality in country. When women have control over their finances, they can remove their families from poverty, avoid exploitation, and participate more in the economy. But barriers like distance to banks, social norms, and lack of awareness still limit access for many.

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Review literature

The United Nations' Sustainable Development Goals (SDGs) serve as a global blueprint to address critical issues such as poverty, inequality, and sustainable economic growth. In India, these targets have like a guiding framework for promoting inclusive and balanced development. Financial inclusion plays a key role in achieving several of these goals—particularly Goal 1 (No Poverty), Goal 2 (Zero Hunger), Goal 8 (Decent Work and Economic Growth), and Goal 10 (Reduced Inequality).

According to M.M. Gandhi (2013), Financial inclusion in rural area is now important work for the banks. However, in the long term, it can also present a significant business opportunity. As he points out, financial inclusion is no longer just a choice—it is a necessity. The global community is closely watching India's efforts in this area, and it is crucial for financial institutions to meet this challenge effectively.

Although even the Indian government try to fulfil to get the access to all financial services. These include low levels of financial awareness, poor infrastructure, and difficulties in reaching remote populations. Additionally, gender inequality continues to limit women's access to financial services, underlining the need for more inclusive and gender-sensitive strategies—a concern emphasized by Sarah Hendriks (2019)^[6].

Agriculture and the Rural Economy

Agriculture considers an asset for the India's rural economy, providing employment to a large portion of the population. For small and marginal farmers, having access to financial services is essential. It allows them to invest in modern tools and techniques, buy quality seeds and fertilizers, and manage risks such as crop failures or weather-related issues. Research by Kumar and Hanumant Rao (2014)^[7] suggests that improved financial access can significantly boost farm productivity and rural incomes.

Financial inclusion efforts in rural area

Affordable Insurance Schemes

Two major government-backed insurance schemes Pradhan Mantri Suraksha Bima Yojana (PMSBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) are designed to offer financial help to all citizens and specially poor. These schemes are open to everyone, regardless of their income level, and are easy to apply for by simply filling out a basic form.

The main advantage of these schemes is that they offer coverage at a very low cost. As of June 1, 2022, the annual premium for PMJJBY increased from ₹330 to ₹436, while the premium for PMSBY rose from ₹12 to ₹20. These efforts will help to achieve a large portion of population and strengthen India's social security system.

Agricultural Credit Facilities

Given that rural India is largely dependent on agriculture, access to credit for farming is a critical part of financial inclusion. The key initiative is in the Kisan Credit Card (KCC) scheme. This program allows farmers to access flexible loans for crop production, livestock care, and other agricultural needs.

By making credit more accessible, these programs help farmers adopt modern farming practices and manage risks better. Strengthening agricultural credit directly supports

two Sustainable Development Goals: Goal 2 (Zero Hunger) and Goal 8 (Decent Work and Economic Growth), as it improves productivity and increases rural incomes.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Launched in 2015, PMJJBY is a government-supported life insurance scheme that gives financial protection in case of the insured person's death. It is available through LIC and other life insurance companies and banks that agree to similar terms.

The scheme is open to Indian citizens aged 18 to 50 who have a savings account. Even if a person holds more than one savings account at different banks, they can only enrol in PMJJBY through one of them. This initiative ensures that even low-income families can secure life coverage without financial burden.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

Introduced in 2014, PMJDY is one of India's most impactful financial inclusion programs. Its goal is to provide every Indian household, especially in rural areas, with access to a basic savings bank account. The scheme goes beyond just account opening; it offers benefits like overdraft facilities, insurance coverage, and easier access to credit.

Through PMJDY, most of the people who were not aware about the formal financial system now have been brought into the banking network. This has helped reduce poverty and inequality in rural areas, directly supporting SDG Goal 1 (No Poverty) and Goal 10 (Reduced Inequality).

Pradhan Mantri Garib Kalyan Yojana (PMGKY)

- **Objective:** Social welfare for poor and rural families, especially during emergencies like COVID-19.
- **Benefit:** Free food grains, LPG, cash transfers, and other reliefs.
- **Special Focus:** Rural women, farmers

Research Methodology

This study uses a research approach to study how India's financial strategies efforts align with the United Nations' Sustainable Development Goals (SDGs), particularly in rural areas. Special eyes have been given to the agricultural community and families living below the poverty line.

To reach to that objective, a mixed-methods approach was adopted—combining both quantitative analysis and qualitative insights. This method helps capture not only the numbers but also the real-life experiences of people affected by financial inclusion programs.

Data Collection

A proper questionnaire was built to collect key data related to financial inclusion. This included information on access to banking services, credit use, insurance coverage, and other financial indicators, along with basic socioeconomic details of the participants.

Sampling Method

To ensure a diverse and representative dataset, a stratified random sampling technique was used. This method ensured participants were selected from different regions and income groups. The samples were calculated to find the result would be statistically efficient and applicable to a larger rural population.

Field Surveys

Trained field workers conducted in-person surveys in the selected rural areas. These surveys were carried out in local languages to ensure the questions were clearly understood, and responses were accurate. This helped build trust with the respondents and allowed for better quality data collection.

Discussion

Improved access to formal financial services has led to greater financial security, reduced vulnerability to poverty, and has significantly contributed to achieving several Sustainable Development Goals (SDGs)—particularly those focused on poverty reduction, gender equality, and education. However, this study also reveals that there are still persistent challenges hindering the full success of financial inclusion in rural India. These include low levels of financial literacy, inadequate infrastructure, insufficient income, gender-based inequalities, and the continued dominance of informal financial systems. India's efforts to align its financial inclusion strategies with the United Nations' SDGs—especially in rural areas and among agricultural and low-income communities have the potential to drive inclusive and sustainable development. By actively addressing these ongoing issues and putting the recommended policy measures into action, India can further strengthen its commitment to the SDGs.

Continuing to expand access to formal financial systems, empowering disadvantaged groups, and investing in rural development is not only important for national growth but also represents an important step toward building a fairer, more inclusive, and prosperous global future.

Conclusion

- Financial inclusion has made impactful change to the lives of many low-income households living below the poverty line. With improved access to formal banking services, these families have gained the ability to save, access credit, handle emergencies, and receive government benefits more efficiently.
- These improvements have led to greater financial security, reduced poverty, and important progress toward achieving Sustainable Development Goals (SDGs)—especially those related to poverty reduction, gender equality, and education.
- However, despite these positive outcomes, several challenges are facing to achieve the full success of financial inclusion in rural India. These include low levels of financial literacy, poor infrastructure, low and unstable incomes, gender inequality, and the ongoing reliance on informal financial systems.
- To get out of from the barriers and strengthen the impact of financial inclusion, targeted policy measures are needed. This includes investing in financial education, developing rural infrastructure, and adopting gender-sensitive strategies that ensure equal access for women and marginalized groups.
- India's financial inclusion initiatives—when closely aligned with the United Nations' SDGs—have the power to support comprehensive and lasting rural development. By addressing the challenges highlighted in this study and implementing the suggested policy actions, the country can move closer to building a more inclusive and sustainable future.

- Continued commitment to expanding financial access, empowering vulnerable populations, and driving rural development is not only crucial for national growth but also essential to achieving the global vision of a fairer, more prosperous world for all.

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