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13 Rural Financial Inclusion in India: An Access-Based Empirical Analysis of PMJDY, MUDRA, and Stand-Up India Using Secondary Data and a Composite Rural Financial Inclusion Index (RFII)

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Abstract

The development of financial inclusion initiatives in rural India has advanced beyond a mere flagship scheme to a framework consisting of multiple government initiatives, each aimed at a particular rung of the ladder for financial needs. This chapter engages in an empirical study of three initiatives of the Government of India – the Pradhan Mantri Jan Dhan Yojana (PMJDY), the Pradhan Mantri Mudra Yojana (MUDRA), and the Stand-Up India Scheme – in a comparative analysis of the extent of their contributions to rural financial inclusion using secondary data, without involving primary survey tools. The chapter is inspired by a deficiency in the present body of literature, wherein these schemes have been considered in isolation to achieve their respective goals. Based on official information provided by the Department of Financial Services, Press Information Bureau, MUDRA Ltd., and the Economic Survey of India, this chapter performs a comparative assessment of three schemes along three dimensions: reach (scale of beneficiaries), depth (per capita amount for beneficiaries), and inclusivity (female and SC/ST/OBC participation). All three dimensions are combined in an index, the Rural Financial Inclusion Index (RFII), that is built using log-transformed and min-max normalized sub-scores in order to enable a comparative analysis of schemes of widely different scale and structure. The result of the analysis is that PMJDY scores highest on reach and inclusivity and lowest on depth; Stand-Up India has the opposite characteristics; and MUDRA stays consistent at a middle level of performance on all three dimensions. Altogether, the findings paint a picture of a complementary three-tier “pyramid” of rural financial inclusion as opposed to three mutually competing schemes. Besides, the findings show that deposit growth for PMJDY is three times as high as account growth, which indicates true deepening of usage although persistent dormancy rate of about 20 percent means that mere access to accounts has not resulted in universal active usage yet. The chapter ends with the recommendation

to pursue inclusivity reporting standardization across the schemes, outreach broadening in Stand-Up India tier, and beneficiary "graduation" monitoring.

Keywords: Rural Financial Inclusion, PMJDY (Pradhan Mantri Jan Dhan Yojana),MUDRA Yojana, Secondary Data Analysis, Composite Index (RFII).

Introduction

The development of financial inclusion in rural areas in India has evolved from a one-dimensional programmatic initiative to a hierarchical approach comprising governmental interventions for each category in the spectrum of needs for finance. The Pradhan Mantri Jan Dhan Yojana (PMJDY) created the base level in terms of universal access to a savings bank account. The Pradhan Mantri Mudra Yojana (PMMY) represents the intermediate step where unsecured financing is provided to micro-enterprises, many of which are in the rural and semi-urban sectors. The Stand-Up India Scheme is the highest level where the provision of greenfield enterprise credit takes place with a focus on women and SC/ST entrepreneurs. When taken individually, each model becomes a unique body of literature evaluating the scheme. But when taken as a whole, these schemes create a far more useful analytical framework, creating an image of the gradual increase in financial inclusion that is achieved through each level, starting from banking, followed by micro-credit, and ending with business-level financing. Such an analysis is exactly what this chapter offers. Unlike many other evaluations, this chapter does not look at just one model; instead, it assesses the PMJDY, MUDRA, and Stand-Up India schemes in totality, using only published government secondary information and devising a simple index—Rural Financial Inclusion Index (RFII)—to analyze their impact in three areas inclusivity.

Objectives of the Chapter

- Evaluate the access to services provided through PMJDY, MUDRA, and Stand-Up India to rural areas and target groups based on the secondary information from official sources.
- Analyze the three schemes in comparison on the basis of outreach (number of beneficiaries), penetration (amount of loan/ deposit per beneficiary), and inclusiveness (women and SC/ST participation).
- Construct an RFII by combining all the above criteria into one composite index.
- Understand the meaning of RFII with respect to the complementarity of these schemes within India's financial inclusion policy.

Literature Review

The extant literature on PMJDY has matured into a full-fledged debate based on “access” vs “usage.” An increasingly popular set of metrics such as dormancy rate and average balance are used to make the case that account ownership has proceeded well ahead of behavioural changes. Specifically, one empirical study using a Financial Inclusion Quotient and an Account Activeness Quotient concludes that, despite considerable expansion in the number of accounts and deposits generated, most account owners surveyed have a low activeness, marked by dormancy and low average balances being key operational issues (Mahajan, 2023). On the other hand, MUDRA-related research focuses on credit additionality and employment creation. According to the evaluations made by Labour Bureau (2019), significant additions to self-employment and wage employment were observed during the early years of MUDRA, while more recent studies conducted by State Bank of India (2025) show that MUDRA helped to improve asset quality through reduced NPA, along with increases in volume of disbursements.

Finally, Stand-Up India has seen less attention from researchers because of the smaller target group compared to other programs. However, even the available research, including a critical review of the performance of the scheme in terms of benefits to women entrepreneurs in Punjab (Kaur & Arora, 2022), shows definite benefits to women entrepreneurs, although not uniformly across the country in terms of awareness, access, and depth of implementation of the program. Similarly, industry reports also confirm that an increase in the number of loan accounts has been modest and irregular across different years (India Brand Equity Foundation, 2025).

There is an apparent gap in the current literature in that there is no consolidated discussion of these three schemes together as three rungs in the rural inclusion ladder. While previous inquiries focused only on evaluating individual schemes, this approach does not consider the way these schemes interact and, moreover, whether it is possible to construct a measure of comparison for all three schemes at once.

Research Methodology

- **Nature and Scope of the Study**

In this chapter, a descriptive and analytical methodology based only on secondary data is used. The analysis covers three specific schemes by the Government of India designed for rural and disadvantaged population: PMJDY, PMMY (MUDRA) and Stand-Up India.

- **Sources of Data**
  - Department of Financial Services, Ministry of Finance – Progress reports on PMJDY and Stand-Up India

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- MUDRA Ltd. (mudra.org.in) and Press Information Bureau updates on PMMY performance
- Press Information Bureau (PIB) – anniversary releases for schemes and responses to parliamentary queries in Lok Sabha/Rajya Sabha
- Open Government Data (OGD) Platform, India – Datasets for schemes
- Economic Survey of India 2025-26; State Bank of India Economic Research report on MUDRA (10 years review)

- **Period of Study**

This study uses latest available figures in a cumulative or annual manner (as of August 2025 for PMJDY, FY 2024-25 for MUDRA, and cumulative from April 2016 as of October 2025 for Stand-Up India). It takes into account that the reporting periods are different and the start dates of the schemes vary.

- **Development of the Rural Financial Inclusion Index (RFII)**

Given the great disparity between schemes in terms of size and design, this chapter builds a simple index, composed of three sub-indices of equal weights:

- Reach: number of beneficiaries/accounts covered by the scheme (transformed logarithmically for the ability to capture figures ranging from tens of crores to few lakhs and then normalized from 0 to 100)
- Depth: average amount of deposit/loan per beneficiary in rupees (logarithmically transformed and normalized as above) reflecting the financial weight of transactions
- Inclusiveness: arithmetic mean of the percentage shares of women beneficiaries and of the scheme's targeted disadvantaged population (rural population for PMJDY, SC/ST and OBC entrepreneurs for MUDRA and Stand-Up India) normalized to 0-100.

For each program, the RFII is calculated as the arithmetic average of the three sub-index scores of the scheme, which have been normalized. A logarithmic transformation is necessary for Reach and Depth since the number and amount of beneficiaries differ by several orders of magnitude in these three programs; otherwise, the scale of PMJDY would distort the comparison. It is important to emphasize that the RFII is a comparative index between these three particular programs; it is not an absolute indicator of financial inclusion and would change if more programs were added to the set of comparison.

Presentation and Analysis of Data

- **PMJDY**: Growth Trends over the Period 2015-2025 Figure 1 depicts historical data on the amount of PMJDY Accounts granted based on year-to-date incremental additions. The increase in the number of PMJDY Cases appears at first to be rapidly increasing due to the government policy of universal access to bank accounts when it was first introduced; and then continues to increase incrementally over time as individuals not previously served by traditional banks begin accessing banking services through PMJDY.

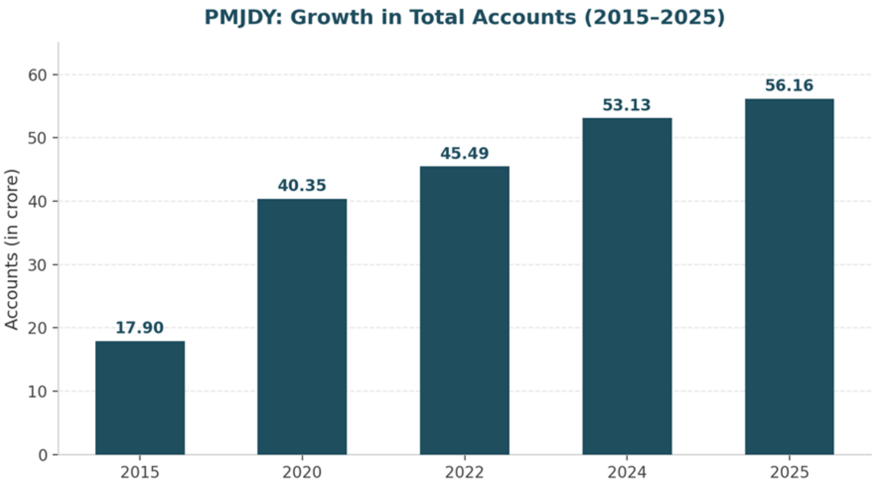

Figure 1: PMJDY total accounts, 2015–2025 (in crore)

Source: Department of Financial Services; PIB anniversary reports.

Figure 2 compares the growth of accounts against the growth of deposits over the same period, visually demonstrating that deposits have grown at a substantially faster rate than the number of accounts — the key usage-depth finding discussed further in Section 5.3.

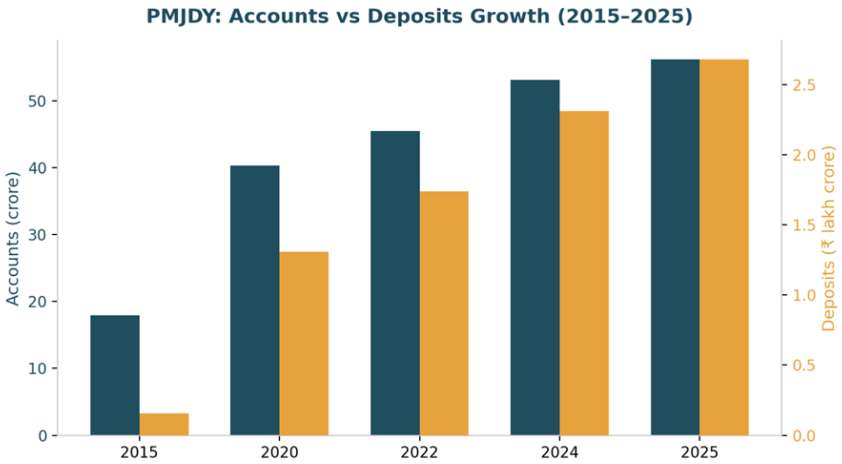

Figure 2: PMJDY accounts versus total deposits, 2015–2025

Source: Department of Financial Services; PIB anniversary reports.

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- **Comparative Access, Depth and Inclusivity Indicators**

Table 1 provides an overview of the data collected from each scheme to establish the RFII using these three criteria.

Table 1: Comparative Access, Depth, and Inclusivity Indicators

Scheme	Beneficiaries / Accounts	Total Amount Sanctioned/ Deposited (₹ crore)	Amount per Beneficiary (₹)	Women / Target-Group Share (%)
PMJDY (Aug 2025)	56.16 crore	2,68,000	4,772	55.7% women; 66.7% rural
MUDRA / PMMY (FY 2024–25)	4.79 crore	5,02,782	1,04,859	~68% women; ~51% SC/ST/OBC
Stand-Up India (cum. since 2016, Oct 2025)	2,75,321	62,807	22,81,245	~68% women; ~50% SC/ST

Note. *Compiled by author from PIB press releases, Department of Financial Services, MUDRA Ltd., and State Bank of India Economic Research (2025). PMJDY and MUDRA figures are annual/point-in-time; Stand-Up India figures are cumulative since scheme launch in April 2016, reflecting its lower transaction volume and longer accumulation period.*

Figures 3 and **4** also illustrate the visual representation of both the Reach and Depth dimensions and their respective logarithmic scales which makes it easy to see how they relate to each other; for example, with PMJDY having the greatest number of beneficiaries and the lowest amount of funding per recipient vs. Stand-Up India which has the fewest number of beneficiaries but the highest amount of funding per recipient.

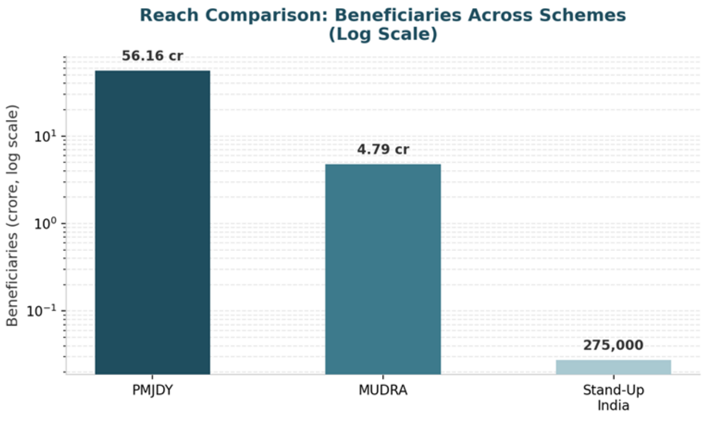

Figure 3: Reach comparison — total beneficiaries across the three schemes (log scale).

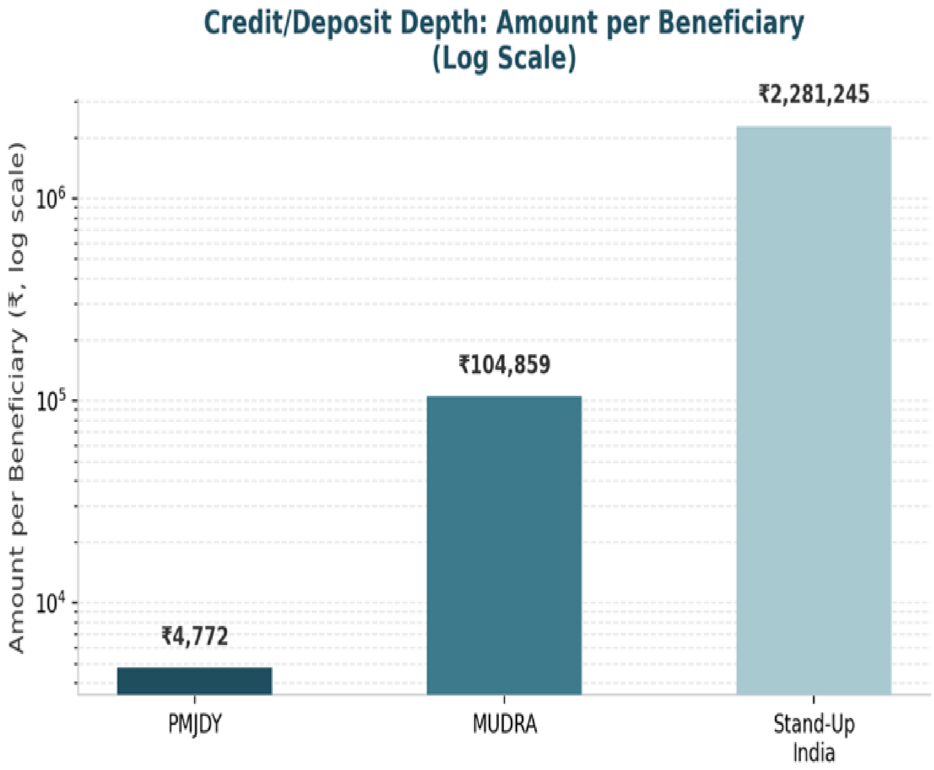

Figure 4: Depth comparison — amount per beneficiary across the three schemes (log scale).

- **The Rural Financial Inclusion Index (RFII)**

Applying the methodology in Section 4.4, the three sub-index scores and the resulting composite RFII for each scheme are presented in Table 2 and visualised in Figure 5.

Table 2: Composite Rural Financial Inclusion Index (RFII), 0–100 Scale

Scheme	Reach Score	Depth Score	Inclusivity Score	Composite RFII
PMJDY	100.0	0.0	100.0	**66.7**
MUDRA	67.7	50.1	22.7	**46.8**
Stand-Up India	0.0	100.0	0.0	**33.3**

Note. *Reach and Depth scores are derived from log-transformed, min-max normalised values across the three schemes; Inclusivity score is the min-max normalised average of women-share and target-group-share percentages. Scores are relative to this three-scheme comparison set only and should not be interpreted as absolute measures of inclusion.*

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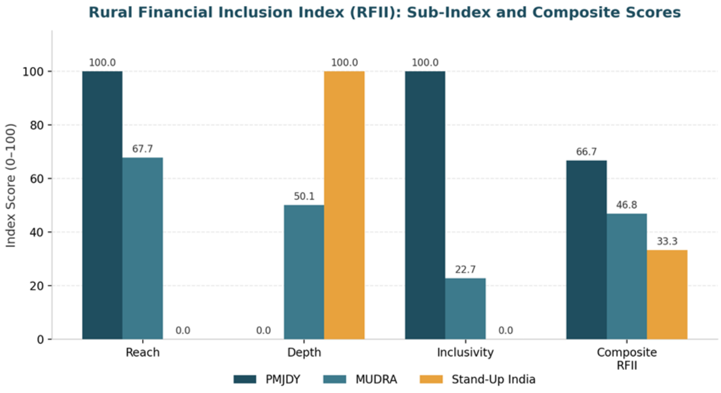

Figure 5: Rural Financial Inclusion Index (RFII): sub-index and composite scores by scheme.

- **Interpreting the Index: Rural Financial Inclusion Pyramid**

The RFII results show a clear pattern that reflects how effective various programmes are at reaching people with formal, fair finance rather than ranking them as "better" or "worse" in isolation. PMJDY was ranked as the highest for both Relationship and Reach but was ranked the lowest for Depth. This is not surprising because PMJDY was designed as a very wide (although, shallow) universal access scheme to enable a large number of individuals to be brought into the formal financial system. In addition to providing access to large numbers of individuals, it has provided an equal number of females and rural dwellers access to the formal financial system.

The average credit per account is modest at ₹4,772. Conversely, Stand-Up India has the mirror-image pattern, i.e., a very small number of beneficiaries with high-value enterprise credit (averaging more than ₹22 lakh per beneficiary) are serviced through this programme and, therefore, Stand-Up India ranks the lowest in terms of reach and the highest in terms of depth. MUDRA occupies the medium position on all three dimensions because it is in the middle of the two previous examples and fulfilling its role as a bridge between basic access to banking services and large-ticket financing for businesses.

MUDRA's composite RFII of 46.8, which is between PMJDY (66.7) and Stand-Up India (33.3), reflects the mathematical position of MUDRA as an intermediate scheme and also reflects its function of converting a basic bank account (often opened under PMJDY) into micro-enterprise credit. The pyramid-shaped framework of India's rural financing initiatives indicates that the structure consists of three complementary levels (PM JDY on the bottom, MUDRA in the middle, and Stand-Up India at the top). Each of these levels serves a unique purpose as an individual path of progress for a rural inhabitant.

For example, PM JDY provides access to basic banks; MUDRA assists individuals in accessing credit at an enterprise level; and Stand-Up India provides the next steps for an entrepreneur starting up or expanding their business. Therefore it is concluded that this pyramid indicates that there is no competition between these three programs; they complement one another as a continuum.

- **Inclusivity Patterns Across Schemes**

Figures 6 and 7 show PMJDY's gender and geographic composition individually, while Figure 9 (at the end of this section) compares women's share of beneficiaries across all three schemes side by side.

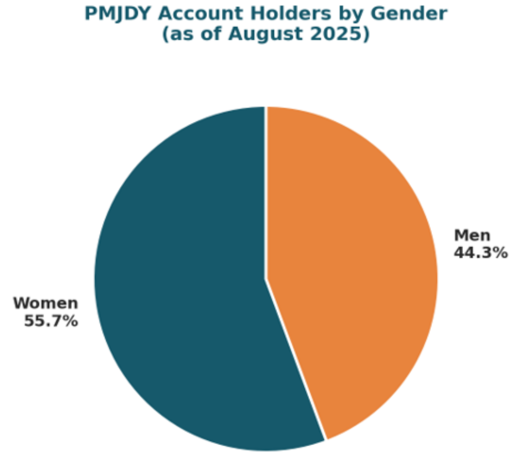

Figure 6: PMJDY account holders by gender, as of August 2025

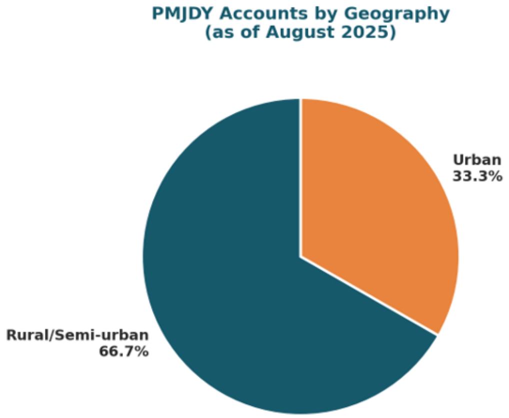

Figure 7: PMJDY accounts by geography (rural/semi-urban vs. urban), as of August 2025.

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In summary, the incorporation of women as beneficiaries of the PMJDY, MUDRA and Stand-Up India schemes can be considered to be consistent with a shared set of design principles that promote inclusivity in rural areas with respect to women, with the actual programs having relatively consistent outcomes, as evidenced by the reported outcomes of the three different schemes being: PMJDY 55.7 percent (approx.), MUDRA 68 percent (approx.), and Stand-Up India 68 percent (approx).

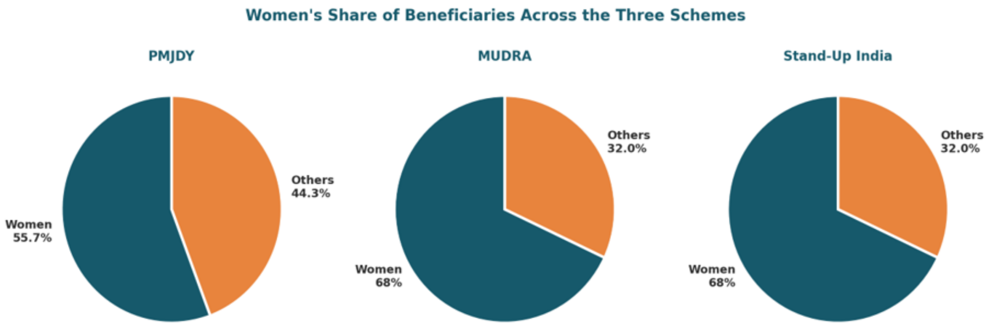

Figure 8: Women's share of beneficiaries across PMJDY, MUDRA, and Stand-Up India.

The growth of SC, ST, and women entrepreneurs' accounts under Stand Up India (2018-19 to 2024-25) is shown in Figure 8, demonstrating an increasing percentage of growth over this period, although the total number of beneficiaries remains relatively small in comparison to the total number of SC, ST, or women entrepreneurs.

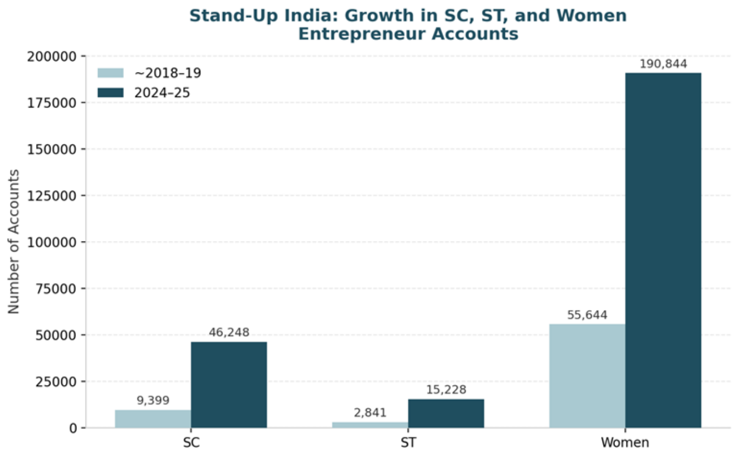

Figure 9: Stand-Up India: growth in SC, ST, and women entrepreneur accounts, ~2018–19 to 2024–25

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There are some caveats regarding Stand Up India's growth; for example, during the FY23-FY24 period, loan approvals were essentially flat in terms of overall amount, and loan disbursal amounts decreased substantially during that time frame (India Brand Equity Foundation, 2025). Therefore, even though cumulative success figures can be used to validate the success of credit at the enterprise level in terms of growth, they can also serve as a reminder that they do not provide accurate year-to-year comparison on how fast either SC, ST or women have been growing at the enterprise level on a cumulative basis from year to year relative to all three groups as a whole.

Findings and Discussion

- PMJDY, MUDRA, and Stand-Up India together provide an overall rural financial inclusion architecture that consists of 3 distinct tiers: 1st tier (universal basic banking access), 2nd tier (micro-credit), and 3rd tier (enterprise finance).
- The composite Rural Financial Inclusion Index (RFII) confirms that this is a 3-tiered structure quantitatively: although the PMJDY has the highest score for reach and inclusiveness **(66.7),** it **ranks lowest** on depth; Stand-Up India is the reverse (33.3); and MUDRA is roughly in the middle in relative terms **(46.8).**
- The female participation level for all three schemes is consistently strong (**56%-68%),** therefore, there has been a continuing emphasis on gender-inclusive design through the different tiers of the inclusion architecture and throughout the different scales of credit offered.
- In terms of representation for SC/ST groups, their representation is approximately **50%-51%** under MUDRA and Stand Up India; however, there is no separate reporting for PMJDY, thus there is a gap in the availability of data to allow for comparisons between the level of inclusiveness of all three schemes with respect to these groups.
- The relatively limited number of beneficiaries served by Stand-Up India and the increasingly unstable year/over/year growth of sanctioned loans indicate that the apex tier of the rural inclusion pyramid is the most poorly served tier and therefore has the most significant unrealized potential for growth.

The investigation suggests that the evaluation of rural financial inclusion policies should not solely focus on how well a single program meets its goals, but rather on analyzing how beneficiaries are able to move through the financial structure of programs as a whole, from a PMJDY account through to the possibility of taking a Stand-Up India enterprise loan, rather than as closed systems.

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Conclusion and Policy Recommendations

This chapter provides evidence that it is feasible and analytically sound to conduct secondary data-based empirical analysis on rural financial inclusion programs using comparative analyses rather than collecting primary survey data. A Rural Financial Inclusion Index that combines dimensions of reach and depth and boundaries of inclusion has been created, allowing the structural functionality of the PMJDY, MUDRA and Stand-Up India programmes to be assessed as an integrated tiered system rather than as separate entities.

The following recommendations are made based on this analysis:

- Generate and publish information on the “graduation” of PMJDY beneficiaries to MUDRA credit and then to the Stand-Up India category enterprises (e.g., by measuring the ratios of PMJDY beneficiaries who have accessed MUDRA credit to the total number of PMJDY beneficiaries and then similarly with MUDRA borrowers and Stand-Up India borrowers). By generating and publishing this information empirically will allow the test of the pyramid/ladder hypothesis articulated in this chapter.
- Expand outreach specifically to Stand-Up India category beneficiaries, since the number of Stand-Up India beneficiaries is relatively small compared to their potential prevalence across SC/ST and women entrepreneurs who have the potential ability to graduate beyond micro-credit and have a larger than micro-credit enterprise.
- Standardise reporting of the gender and SC/ST/OBC share of beneficiaries for the three schemes (PM JDY, MUDRA, and Stand-Up India) will help enable more rigorous comparative research like that undertaken in this chapter.
- Keep addressing the issue of PMJDY dormancy. Dormant PMJDY accounts limit a beneficiary’s ability to graduate to the credit tiers of the inclusion architecture.

Ultimately, rural financial inclusion in India isn't made up of 3 independent programs ratheit's a multi-level/multi-faceted approach — to maximize the potential of "banking the unbanked and "funding the unfunded," the whole system must have a continuous connection between the tiers and need to be stronger at each of the tiers.

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