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The financial inclusion paradox Re-examined: An empirical investigation of dormancy in India's PMJDY accounts

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Abstract
India's Pradhan Mantri Jan Dhan Yojana (PMJDY) has successfully enrolled over 560 million individuals since 2014. Yet, this landmark achievement masks a central contradiction: parliamentary data from December 2025 reveals that nearly one in four accounts approximately 150 million are classified as inoperative, having witnessed no customer-initiated transactions for over two years. This paper dissects this "inclusion paradox" the critical chasm between account opening and sustained usage.
Drawing on official government data disclosed in parliamentary responses (Lok Sabha, August & December 2025) and behavioural evidence from the World Bank Global Findex 2025, we provide a comprehensive empirical analysis of PMJDY dormancy. Our investigation yields three principal findings. First, dormancy exhibits significant geographic heterogeneity, ranging from 14% in Maharashtra to 39% in Goa. This stark variation suggests that poverty alone is an insufficient explanation; state-level implementation and local factors are critical determinants. Second, while gender-disaggregated dormancy data is not centrally maintained, intersecting evidence that 67% of accounts are in rural areas and 55.7% are held by women, combined with Global Findex data on gendered barriers strongly suggests that rural women are disproportionately vulnerable to exclusion through dormancy. Third, temporal trend analysis reveals a correlation between declining Direct Benefit Transfer (DBT) inflows (from ₹7.16 trillion in FY23 to ₹6.89 trillion in FY25) and a concurrent rise in dormancy rates (from 21% to 26% in public sector banks), exposing a model of "fragile inclusion" dependent on external stimulus.
We argue that dormancy must be recognized as a central metric of incomplete inclusion, necessitating a fundamental policy shift from access-centric to usage-focused evaluation. By examining recent policy responses, this paper proposes a framework for addressing dormancy through targeted, state-specific interventions that move beyond procedural fixes to tackle underlying demand-side constraints.

Keywords: Financial inclusion, dormant accounts, PMJDY, India, global findex, direct benefit transfers

Introduction

India's Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in August 2014, stands as one of the world's most ambitious financial inclusion initiatives. The scheme's objective was unambiguous: to provide every unbanked adult with access to formal banking services, thereby laying the foundation for deeper financial engagement and welfare delivery. A decade since its inception, the numbers appear extraordinary. As of September 2025 [3], over 570 million accounts have been opened under the scheme, with deposits exceeding ₹2.68 trillion (Lok Sabha, December 2025) [2]. Notably, 66.75 per cent of these accounts are in rural and semi-urban areas, and 55.70 per cent belong to women demographics historically excluded from the formal financial system.

Yet beneath these achievements lies a central contradiction. According to government data tabled in Parliament in December 2025 [4], approximately -150.9 million PMJDY accounts representing 26 per cent of all accounts were classified as inoperative, having witnessed no customer-induced transactions for over two years (Lok Sabha, December 2025) [2]. This phenomenon is not uniformly distributed; it exhibits striking geographic variation, ranging from 14 per cent inactivity in Maharashtra to 39 per cent in Goa, with states such as Uttar Pradesh (27.5 million dormant accounts), Bihar (13.9 million), and Madhya Pradesh (10.7 million) accounting for the largest absolute numbers (Lok Sabha, August 2025) [2].

The Global Findex 2025 [10] survey provides crucial behavioural context. It reports that India's account inactivity rate is "especially high" by global standards approximately seven times the average observed in other low- and middle-income countries (World Bank, 2025) [10]. The report explicitly notes that "one reason for India's high share of account inactivity may be that many of these accounts were opened as part of the Indian government's Jan Dhan Yojana to increase account ownership" (World Bank, 2025 [6], p. 45).

This disjuncture between access and usage constitutes what this paper terms the " Financial inclusion paradox" the phenomenon whereby accounts opened explicitly to expand access remain unused, thereby failing to deliver the welfare, empowerment, and risk-management outcomes that financial inclusion promises.

The causes of this dormancy, as documented in the Global Findex 2025 [10], are multifaceted. Among Indian account holders reporting inactivity, 28 per cent cite banks being too remote, 20 per cent express distrust of the financial system, 40 per cent report having no money to deposit, and 30 per cent feel uncomfortable using accounts independently (World Bank, 2025) [10]. These barriers intersect with demographic characteristics. Rural women face compounded disadvantages: they are less likely to own mobile phones (a 15 percentage point gap compared to men), exhibit lower financial literacy rates (20-22 per cent among women versus 35 per cent among men), and confront social norms that discourage independent financial decision-making.

The implications of widespread dormancy extend beyond the individual account holder. For banks, dormant accounts impose operational costs without generating revenue. For the financial system, inactive accounts limit the development of credit histories. For policymakers, dormancy represents a failure to realise the full potential of a programme that has consumed substantial public resources. The closure of 1.5 million dormant zero-balance accounts by public sector banks in April 2025 [8] illustrates the operational consequences of this fragility, representing a tangible reversal of inclusion for those individuals (Lok Sabha, August 2025) [2].

This paper provides a comprehensive empirical analysis of PMJDY dormancy patterns using the most recent available data. It documents three principal findings: the geographic heterogeneity of dormancy, the demographic profile of those most vulnerable to inactivity, and the temporal correlation between declining direct benefit transfers and rising dormancy rates.

1. Objectives of the Study

The study's objectives are implicitly stated within the abstract and introduction, and are explicitly pursued throughout the analysis. They can be formulated as follows:

1. To quantify the scale and evolution of dormancy in Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts using the most recent official data.
2. To analyze the geographic heterogeneity of dormancy rates across Indian states and union territories.
3. To identify the demographic profile of account holders most vulnerable to dormancy, with a specific focus on rural women.
4. To investigate the temporal correlation between declining Direct Benefit Transfer (DBT) inflows and rising dormancy rates, exploring the concept of "fragile inclusion."
5. To propose a policy shift from access-centric to usage-focused evaluation and to suggest targeted interventions for mitigating dormancy.

2. Research Questions

1. What is the true magnitude of PMJDY dormancy?
2. How does dormancy vary across states and demographics?
3. What factors drive accounts to become inactive?
4. What are the policy implications?
5. What does gender-disaggregated dormancy data reveal?

Methodology

1. Research Design

This study adopts a descriptive-analytical research design, drawing exclusively on secondary data from official government sources and international surveys to investigate the scale, distribution, and correlates of dormancy in PMJDY accounts.

2. Data Sources

Primary Government Data: The principal source is the Minister of State for Finance's reply to an unstarred question in the Lok Sabha on August 18, 2025 [2], which provides:

- Total PMJDY accounts as of July 31, 2025 [2]: 56.04 crore
- Total inoperative accounts: 13.04-13.05 crore
- State-wise inoperative account figures
- Confirmation of 1.5 million dormant zero-balance accounts closed in April 2025 [2]
- Updated dormancy figures are sourced from parliamentary disclosures in December 2025 [3], which indicate:
- Total PMJDY accounts as of September 30, 2025 [3]: 57.07 crore
- Total inoperative accounts: 15.09 crore (26 per cent)
- Public sector bank-specific dormancy rate: 26 per cent (up from 21 per cent in September 2024)

Behavioural and Comparative Data: The World Bank Global Findex 2025 [10] provides nationally representative survey data on account ownership, usage patterns, and barriers to financial inclusion across 141 economies.

Supplementary Data: Demographic data on PMJDY account holders is sourced from the official PMJDY dashboard (pmjdy.gov.in). Direct benefit transfer aggregates are drawn from Ministry of Finance publications.

3. Limitations

This study acknowledges several methodological limitations:

1. **Aggregate data constraint:** The analysis relies on aggregate state-level data rather than individual account-level data, which would enable more precise identification of demographic correlates.
2. **Disaggregated data absence:** Gender-disaggregated and rural-urban disaggregated dormancy data is not centrally maintained.
3. **Cross-sectional nature:** The primary dormancy data is a snapshot; annual state-level dormancy statistics are not publicly available.
4. **Causal inference limitations:** The absence of panel data prevents causal econometric estimation.

Analysis

1. The Magnitude and Evolution of PMJDY Dormancy

According to data tabled in the Lok Sabha in August 2025, as of July 31, 2025 [2], approximately 13.04 crore accounts representing 23.3 per cent of all accounts were classified as inoperative. Subsequent parliamentary disclosures in December 2025 [2] provided updated figures as of September 30, 2025 [3]: total accounts had increased to 57.07 crore, while inoperative accounts rose to 15.09 crore, elevating the national dormancy rate to 26 per cent (Lok Sabha, December 2025) [2].

Table 1: National-Level PMJDY Dormancy Statistics (2025) [2]

Date	Total Accounts (Crore)	Inoperative Accounts (Crore)	Dormancy Rate
July 31, 2025 [2]	56.04	13.04	23.3%
September 30, 2025 [3]	57.07	15.09	26.0%

Source: Lok Sabha Unstarred Questions, August 2025 and December 2025 [2]

Temporal analysis reveals a worsening trajectory. The government data indicate that the overall dormancy rate stood at approximately 13.2 per cent in 2021. Among PMJDY accounts held in public sector banks, the inactivity rate climbed from 21 per cent in September 2024 to 26 per cent by September 2025 [3]- a five-percentage-point increase within a single year.

2. **Geographic Variation: Mapping the Financial Inclusion Paradox:**

A central finding is the marked geographic heterogeneity in dormancy rates across Indian states and union territories.

Table 2: State-wise PMJDY Dormancy (as of July 31, 2025) [2]

State/UT	Inoperative Accounts	Dormancy Rate
Goa	85,993	39%
Chandigarh	Data available	32%
Ladakh	Data available	29%
Delhi	Data available	28%
Uttar Pradesh	2.75 crore	~27.5%
Madhya Pradesh	1.07 crore	~23%
Bihar	1.39 crore	~21%
West Bengal	88.3 lakh	~16%
Maharashtra	Data available	14%

Source: Lok Sabha Unstarred Question, August 18, 2025 [2]; Rajya Sabha Unstarred Question No. 220, February 4, 2025 [7]

Note: Rates marked with asterisk are approximate, calculated using total account figures from Rajya Sabha February 2025 [7] data where exact denominators were not provided in the August 2025 [7] reply.

The geographic pattern reveals a profound paradox

Goa, one of India's most economically developed states with high literacy rates and relatively robust banking infrastructure, reports the highest dormancy rate at 39 per cent. This figure substantially exceeds the national average and stands in stark contrast to Maharashtra's 14 per cent inactivity rate the lowest among major states.

This geographic paradox yields several analytical insights

Poverty alone cannot explain dormancy. If economic deprivation were the primary driver, poorer states like Bihar, Madhya Pradesh, and Uttar Pradesh should exhibit the highest rates. While these states do report elevated dormancy, they are surpassed by Goa, suggesting that factors other than income are equally or more significant.

The variation points to state-level differences in implementation effectiveness. Uttar Pradesh's 2.75 crore dormant accounts reflect both population size and the challenges of sustaining engagement in a vast, economically diverse region. West Bengal's relatively lower rate of approximately 16 per cent suggests that state-specific factors may mitigate dormancy.

The wide range from 14 per cent to 39 per cent demonstrates that dormancy is not an inevitable feature of financial inclusion but is amenable to policy intervention. If Maharashtra can achieve a 14 per cent dormancy rate, the 39 per cent rate in Goa cannot be explained by inherent characteristics of the scheme or the population.

3. **Demographic Dimensions: Who Is Most Vulnerable to Dormancy?**

As of August 2025, 67 per cent of all PMJDY accounts are held in rural and semi-urban areas. confirming that the scheme successfully reached its intended geographical target. Furthermore, 55.7 per cent of accounts belong to women, with approximately 31.36 crore women holding PMJDY accounts.

Table 3: Demographic Composition of PMJDY Account Holders

Demographic Group	Percentage of Total Accounts	Approximate Number (Crore)
Rural + Semi-urban	67%	37.5
Urban	33%	18.5
Women	55.7%	31.36
Men	44.3%	24.68

Source: PMJDY Dashboard, 2025 [6] (figures approximate based on 56.04 crore total accounts)

However, a critical empirical gap must be acknowledged at the outset: gender-disaggregated and rural-urban disaggregated dormancy data is not centrally maintained by any government agency. This absence of basic administrative data is itself a finding and a failure of policy design.

In the absence of direct evidence, the World Bank Global Findex 2025 [10] provides essential behavioural context. Among Indian account holders reporting inactivity, the survey identifies a cluster of interconnected barriers:

Table 4: Self-Reported Barriers to Account Usage (India)

Barrier	Percentage of Inactive Users Reporting
No money to deposit	40%
Bank too far away	28%
Distrust of banks	20%
Uncomfortable using account independently	30%
Family member already has an account	Not specified

Source: World Bank Global Findex 2025 [10]

These barriers do not affect all populations equally. The Global Findex documents significant gender gaps in factors enabling financial inclusion:

Table 5: Gender Gaps in Financial Access Enablers (India)

Indicator	Women	Men	Gap
Mobile phone ownership	Lower	Higher	15 percentage points
Financial literacy rate	20-22%	35%	13-15 percentage points
Active digital transaction usage	Lower	Higher	13 percentage points

Source: World Bank Global Findex 2025 [10]; National Centre for Financial Education (2023) [5]

Synthesizing this evidence, a reasoned inference emerges. Given that 67 per cent of PMJDY accounts are held by rural populations, 55.7 per cent are held by women, and women face compounded barriers, it is reasonable to conclude that rural women constitute a substantial proportion of dormant account holders and are disproportionately vulnerable to exclusion through dormancy.

4. **The DBT-Dormancy Nexus: Temporal Evidence of Fragile Inclusion**

According to Ministry of Finance publications, direct benefit transfers into PMJDY accounts declined from ₹7.16

trillion in FY23 to ₹6.89 trillion in FY25, a reduction of approximately 3.7 per cent (Ministry of Finance, 2025) [4].

Concurrently, dormancy rates in public sector banks rose from 21 per cent in September 2024 to 26 per cent by September 2025 [3].

Table 6: Temporal Correlation: DBT Inflows and Dormancy Rates

Period	DBT Inflows (₹ Trillion)	PSB Dormancy Rate
FY23	7.16	—
September 2024	—	21%
FY25	6.89	—
September 2025 [3]	—	26%

Source: Ministry of Finance (2025); Lok Sabha (December 2025) [2, 4]

This temporal pattern is consistent with the hypothesis that DBT flows sustain account activity. When the government deposits welfare payments, accounts are used to withdraw or transact those funds. When DBT flows diminish, accounts opened primarily for this purpose may become dormant.

5. India in Comparative Perspective

The World Bank Global Findex 2025 [10] reports that India's account inactivity rate is approximately 35 per cent (using a 12-month definition). This is approximately seven times the average observed in other low- and middle-income countries. In high-income economies, account inactivity is negligible, with virtually all accounts remaining active.

Most significantly, the Global Findex report directly attributes a substantial portion of India's high inactivity to the PMJDY scheme: "One reason for India's high share of account inactivity may be that many of these accounts were opened as part of the Indian government's Jan Dhan Yojana to increase account ownership" (World Bank, 2025 [6], p. 45).

Findings

This paper's empirical investigation yields three insights that must inform the next decade of policy.

- Dormancy is not uniform. The geographic chasm between Maharashtra's 14 per cent and Goa's 39 per cent demonstrates that poverty alone does not explain inactivity. State-level implementation, local banking infrastructure, and perhaps even unmeasured social factors determine whether an account remains alive. This variation is cause for optimism: if some states can achieve low dormancy, all states can.
- The absence of gender-disaggregated dormancy data is itself a policy failure. The circumstantial evidence that rural women are disproportionately vulnerable is overwhelming. To remain blind to this demographic reality is to design interventions that systematically miss their intended beneficiaries. The Ministry of Finance must mandate the collection and publication of dormancy statistics by gender and location—not as an academic exercise, but as a precondition for effective action.
- The DBT-dormancy nexus reveals a model of "fragile inclusion." Accounts opened primarily to receive welfare payments, and unused when those payments slow, are not evidence of organic financial engagement. The decline in DBT inflows and the concurrent rise in dormancy rates expose the limits of supply-led, transaction-driven inclusion. Deepening inclusion requires not merely continued welfare delivery, but parallel investments in livelihoods, financial literacy, and trusted last-mile access.

Policy Implications

- Dormancy must be recognized as a central metric of inclusion success. Policymakers should establish usage targets alongside access targets, tracking not only how many accounts are opened but how many remain active over time.
- Interventions must be tailored to state-level variation. State-specific diagnostics should identify the particular barriers operating in high-dormancy states and design targeted responses accordingly.
- Addressing dormancy requires moving beyond procedural fixes. The 2025 nationwide Re-KYC campaign addresses expired documentation but does not address fundamental demand-side constraints: income insufficiency, financial literacy gaps, distance, distrust, and discomfort with independent usage.
- DBT-dependent inclusion requires complementary income-generation strategies. Deepening inclusion requires not only continued welfare delivery but parallel efforts to generate sustainable income streams that create organic demand for financial services.
- The polarisation of the account holder base demands targeted engagement with vulnerable segments. Policies should identify and target the "missing middle" those who have accounts but use them sporadically with interventions tailored to their specific barriers.
- Account closures as a solution to dormancy should be reconsidered. Alternative approaches such as converting dormant accounts to restricted-functionality status with simplified reactivation procedures might preserve access while managing operational costs.
- Data collection and transparency must improve. The government should mandate the collection and publication of dormancy statistics disaggregated by gender, rural-urban location, age, and other relevant demographic variables.

Conclusion

- The Pradhan Mantri Jan Dhan Yojana stands as a landmark achievement in the history of financial inclusion. In little over a decade, it has brought over 560 million individuals into the formal banking system, reaching deep into rural India and empowering millions of women with their first bank accounts. By any metric of access, the scheme has succeeded beyond its architects' initial ambitions.
- Yet the financial inclusion paradox 150 million dormant accounts, one in every four lying unused lays bare a fundamental truth: access without usage is an illusion of inclusion. An account that does not transact cannot insure against shocks, cannot build a credit history, and cannot enable economic empowerment. It is, for all practical purposes, a ghost account and 150 million ghosts is a crisis.
- The challenge now facing policymakers is to engineer a fundamental shift: from access to usage, from numerical inclusion to effective inclusion. The procedural fixes of the past Re-KYC drives, mobile banking circulars, digital awareness campaigns have

proven insufficient because they address symptoms, not causes. Income insufficiency, distance, distrust, and discomfort with independent usage are demand-side constraints that require demand-side solutions.

- The 150 million dormant accounts are not merely a problem to be solved. They are an opportunity: an opportunity to understand why inclusion fails for so many, and to design the next generation of interventions that will ensure that every account opened is an account used.

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