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Pro-Poor Populism or Financialized Governance? The Politics of PMJDY and PMMY in India

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Abstract

This article examines the intersection of financial inclusion, pro-poor populism, and financialized governance through an analysis of India's Pradhan Mantri Jan-Dhan Yojana (PMJDY) and Pradhan Mantri Mudra Yojana (PMMY) schemes. Promoted as flagship initiatives to empower the poor and overcome "financial untouchability," these schemes have become central to the Modi government's development discourse. Yet, beneath their emancipatory rhetoric, they function as instruments to integrate informal populations into the formal financial system by exposing them to new forms of market vulnerability. While financial inclusion is often equated with empowerment, the concrete issues, such as widespread dormant accounts, rising non-performing assets, and growing reliance on direct benefit transfers, reveal structural limitations. Situating these policies within the global turn toward "finance as development," the article argues that PMJDY and PMMY represent a broader shift from redistributive welfare to financialized governance. Though framed as pro-poor populism, their top-down and technocratic design reflects the governing paradigm of authoritarian populism under financialized governance. These programs simultaneously legitimize the government's popular appeal while deepening market penetration and embedding financial logics into welfare provision. Drawing on policy documents, financial data, and critical literature, the article demonstrates how India's financial inclusion agenda signals a deeper transformation in statecraft, where welfare is reconfigured through finance to produce a new, market-mediated form of economic citizenship in the Global South.

Keywords

development policy; financial inclusion; financialized governance; India; pro-poor populism

1. Introduction

Over the past decade, India has positioned financial inclusion at the centre of its developmental strategy, presenting it as a cornerstone of economic growth and poverty alleviation (Reserve Bank of India, 2020). The Pradhan Mantri Jan-Dhan Yojana (PMJDY), literally the "Prime Minister's People's Wealth Scheme," and the Pradhan Mantri Mudra Yojana (PMMY), "Prime Minister's Micro Units Development and Refinance Agency Scheme," launched respectively in 2014 and 2015, represent the most ambitious financial inclusion initiatives in the country's history. The government has portrayed these schemes as revolutionary instruments of universal banking and entrepreneurial empowerment for the poor, invoking the slogan "Mera Khata, Bhagya Vidhata" ("My Account, Maker of Destiny") to frame financial access as both an economic and moral imperative. According to official data, PMJDY has facilitated the opening of over 500 million "no-frills" bank accounts and has extended access to direct benefit transfers (DBTs), insurance, and overdraft facilities across the country (Ministry of Finance, 2024), while PMMY has disbursed collateral-free loans to millions of microenterprises and informal workers (Ministry of Finance, 2025a). While these achievements are celebrated as markers of inclusive growth, they also signify a profound transformation in how welfare and citizenship are being redefined in contemporary India. Rather than redistributive measures aimed at addressing structural inequalities, financial inclusion has emerged as a new mode of governance; one that integrates marginalized populations into the financial market as responsible, debt-bearing citizens, all while being framed within the official narrative of overcoming "financial untouchability"—a metaphor which itself draws upon caste idioms to recast centuries of social exclusion as problems to be solved through market participation and financial access.

This transformation reflects a broader global reorientation in development thinking. Though efforts to expand access to finance for low-income populations date back to the 1980s and 1990s, the financial inclusion agenda crystallized more distinctly following the 2008 global financial crisis (Prabhakar, 2021). Building on earlier experiments like the microcredit boom, which sought to integrate the "deserving poor" into market circuits (Aitken, 2013; Lavinas, 2013, p. 7), this agenda initially treated finance as a substitute for welfare in a minimalist neoliberal approach. It has since evolved into a broader project linking social policy, markets, and finance. In the 2000s, conditional cash transfer programs became central to this shift, linking benefits to behavioural obligations and promoting individual "co-responsibility" for welfare under the World Bank's "social risk management" approach (Lavinas, 2013; World Bank, 2001). The rise of the social investment paradigm further reinforced this transformation by redefining welfare as an investment in human capital and social order (Morel et al., 2012). Emphasizing activation and employability, this approach expects individuals and households to maintain their well-being through market participation and earned income rather than through passive benefit dependency (Jenson, 2012; Morel et al., 2012, pp. 9–10). Within this framework, financial inclusion is presented not merely as access to credit but as a means by which to enhance human capital, foster entrepreneurship, and modernize welfare delivery through market mechanisms. Yet, these reforms have also financialized social policy by transforming welfare entitlements into instruments of financial participation, embedding the poor in circuits of credit, insurance, and digital payments while subordinating social protection to market logic (Fischer, 2020; Lavinas, 2013; Lavinas et al., 2023).

In India, efforts to promote financial inclusion predate recent schemes, with the Reserve Bank of India encouraging "no-frills" accounts, "General Credit Cards," and supporting microfinance institutions and self-help groups to reach marginalized populations (Kar, 2018; Mader, 2014; Roy, 2010; Sarma & Pais, 2011). The Modi government's flagship schemes, PMJDY and PMMY, represent the consolidation of this shift, articulating finance, welfare, and politics within authoritarian populism. This article, however, departs from celebratory narratives of inclusion to ask a different question: How do these flagship schemes exemplify the financialization of welfare and function as political instruments within the Modi government's authoritarian-populist strategy?

Addressing this question requires connecting three interrelated dimensions. First, the financialization of welfare, whereby social policy is restructured around credit, insurance, and market participation rather than redistribution. Second, the state-led character of financialization, through which the Indian government uses financial inclusion to advance both finance-led accumulation and political legitimacy. Third, the authoritarian populist politics of inclusion, wherein finance is mobilized to foster moral and symbolic citizenship while consolidating state authority.

The central argument advanced here is that PMJDY and PMMY epitomize a mode of financialized governance in which welfare is recast as financial connectivity and citizenship is redefined through market participation. These schemes are not neutral tools of inclusion but political technologies that extend the reach of finance while embedding the poor within hierarchical and often precarious circuits of credit. They embody a hybrid project that synthesizes market rationality with the moral and political logic of populist inclusion. Through the rhetoric of empowerment and entrepreneurship, the state performs inclusion while redistributing risk and responsibility to the citizens themselves.

This transformation exemplifies deep marketization (Carroll, 2014; Carroll & Jarvis, 2022). In this sense, welfare and social policy are restructured into vehicles for expanding the reach of financial markets, through which development policy increasingly operates as a mechanism of market discipline, embedding citizens in structures of obligation and responsibility aligned with capital accumulation (Cammack, 2012). Finance thus becomes a form of statecraft, a governing technology that replaces direct redistribution with financial management, recasting social protection through instruments of credit, risk, and accountability (Carroll & Jarvis, 2022). Taken together, these dynamics underscore how India's flagship inclusion schemes embody a broader project in which authoritarian populism and financialized governance converge to transform the very meaning of welfare and citizenship (Akanksha & Kumar, 2024; N. Singh, 2024).

In the Indian context, this dynamic converges with the Modi government's authoritarian populism, which reimagines welfare as a domain of moral entrepreneurship and civic loyalty. What appears as an inclusive policy or democratization of finance thus becomes a form of political spectacle, simultaneously deepening marketization and reinforcing hierarchical social control. Against this background, the article pursues three interrelated objectives. It first situates India's financial inclusion agenda within the broader literature on financialization and welfare transformation, highlighting how financial logics have come to organize social policy in the Global South. Second, it examines the design and political economy of PMJDY and PMMY, showing how these schemes translate the rhetoric of inclusion into mechanisms of financialized governance. Finally, it interprets the convergence between financial inclusion and authoritarian populism, demonstrating how welfare becomes a vehicle for both market expansion and political legitimation.

Methodologically, the analysis combines policy analysis and critical interpretation. It draws on government and institutional reports (Reserve Bank of India, NITI Aayog, Ministry of Finance), legislative documents, and secondary literature on financialization, social policy, and authoritarian populism (Carroll & Jarvis, 2022; Fischer, 2020; Jakobsen & Nielsen, 2023; Lavinas, 2013; Lavinas et al., 2023; Mader, 2018; Nielsen & Nilsen, 2022). Quantitative indicators, such as account numbers, credit volumes, and non-performing asset (NPA) ratios, are selectively incorporated to illustrate structural trends. At the same time, the emphasis remains on the political and conceptual dimensions of inclusion rather than econometric performance.

The article is structured as follows. Section 2 develops the theoretical and conceptual framework, synthesizing debates on the financialization of welfare, state-led financialization, and finance as statecraft. It also examines how authoritarian-populist regimes deploy financial infrastructures to consolidate legitimacy and construct moralized forms of citizenship. Section 3 traces the historical evolution of Indian welfarism, situating recent financial inclusion programs within the longer transformation from developmentalism to neoliberal and financialized forms of governance. This section highlights the institutional and ideological shifts that redefined welfare from a redistributive right into a mechanism of market participation and individualized responsibility. Section 4 provides the empirical analysis of the PMJDY and PMMY, examining how these initiatives operationalize financialized welfare through instruments such as zero-balance accounts, RuPay cards, overdraft facilities, micro-insurance, pensions, and micro-credit, while also illustrating how authoritarian-populist governance mobilizes these financial infrastructures to personalize welfare, centralize political credit, and convert financial participation into a moralized expression of citizenship. Section 5 concludes by situating these findings within broader debates on pro-poor populism and financialized governance, reflecting on what India's experience reveals about the changing relationship between finance, welfare, and citizenship in the Global South.

Ultimately, the article argues that India's financial inclusion campaign marks a paradigmatic shift in development policy, from redistribution to financial participation, and from rights-based welfare to debt-based citizenship. PMJDY and PMMY embody a governing rationality in which the poor are incorporated as financial risk-bearing subjects, disciplined, monitored, and responsibilized, rather than recognized as rights-bearing citizens (Lavinas, 2013). This project underscores the state-led character of financialization identified earlier (Karwowski, 2019; Wang, 2020), wherein the state rebuilds itself in the image of finance and governs via market-based mechanisms. By linking inclusion to both financial accumulation and authoritarian populism, the Indian state has redefined its developmental role, not as a provider of welfare, but as an architect of financialized inclusion. In this reconfiguration lies the essence of India's contemporary developmentalism: a fusion of techno-digital modernity and populist politics that consolidates a distinct regime of financialized governance.

2. Conceptual and Theoretical Framework: Financialization, Welfare, and Statecraft

This article draws on two interconnected strands of critical scholarship—debates on authoritarian populism and the financialization of development—to explain the reconfiguration of India's welfare regime under the Modi government. Although emerging from different trajectories, their convergence provides a powerful lens for analyzing India's recent pro-poor policy agenda.

Authoritarian populism, in Hall's (1979) formulation, is not merely a style of leadership but a mode of hegemonic politics through which the capitalist state reconstructs consent amid crises. It fuses coercion and populist mobilization by invoking a moralized vision of a unified "people" set against corrupt elites, while displacing class antagonisms into cultural and national idioms (Hall, 1985). In the neoliberal articulation of welfare, this logic has been reinforced by the politicization of exclusions attributed to the developmental or Keynesian welfare state, portrayed as serving entrenched bureaucratic elites and formal sector beneficiaries, thereby delegitimizing universalist welfare in favour of targeted, market-mediated inclusion (Lavinas, 2013; Lavinas et al., 2023). As Gudavarthy and Vijay (2020) observe, the exclusions generated by modernization, liberal citizenship regimes, and developmental imperatives were actively politicized to construct an anti-establishment narrative. This narrative redefined exclusion as a virtue, mobilizing ideas of "authentic people" and ethnic nationalism to produce a moralized social order (Gudavarthy & Vijay, 2020, p. 465). Democratic mobilization thus subverts liberal constitutionalism, as majoritarian ethics gain legitimacy by transforming the developmental state's procedural and distributive exclusions into a project of national renewal (Gudavarthy & Vijay, 2020). Within this framework, intensified reliance on authoritarian measures signals the growing dependence on coercion rather than consent to sustain state rule, while populist welfare policies function through the distribution of material concessions to secure political support (Adaman et al., 2018). In welfare politics, this configuration of coercion, consent, and material redistribution under authoritarian populism manifests in the personalization of policy achievements and the subordination of distributive measures to political credit-claiming, a pattern increasingly visible across many developing countries, especially in emerging markets (Chacko, 2018; Chatterji et al., 2019; Jaffrelot, 2021; Jaffrelot et al., 2019; Kaul, 2017; McDonnell & Cabrera, 2019; Öniş & Kutlay, 2020; Yoruk, 2022).

Welfare is no longer treated as a guaranteed right. Instead, it is reframed as a discretionary favour of the leader, celebrated through a new neoliberal modernization narrative that departs from the earlier developmentalist faith in planning and universal welfare. Whereas the post-independence modernization project emphasized state-led progress and collective redistribution, the neoliberal variant privileges market rationality, individual responsibility, and entrepreneurial self-discipline (Lavinas et al., 2013, p. 463) as the routes to national advancement (Gudavarthy & Vijay, 2020). In Modi's India, this shift is encapsulated in the "Maker of Destiny" rhetoric, which links financial access to both national renewal—framed through the "New India" discourse of entrepreneurial citizenship and emerging global power (Chacko, 2018; Kaur, 2020; Sinha, 2021)—and the moral self-regulation of citizens.

Within this political context, financialization refers to the growing dominance of financial motives, markets, and institutions in the operation of the economy and its governing structures (Aalbers, 2019; Epstein, 2005, 2025; Krippner, 2005). While initially understood as an economic transformation, subsequent scholarship has extended the concept to examine how financial logics, actors, and instruments increasingly shape domains once organized through non-market forms of state intervention (Aalbers, 2019; Chiapello et al., 2023; Karwowski, 2019; van der Zwan, 2014). In development policy, this has taken the form of what Carroll and Jarvis (2015) term "financialised modes of governance," where state support is increasingly channelled through financial infrastructures such as bank accounts, digital platforms, and credit flows. Rather than guaranteeing material welfare directly, states construct financial subjects whose inclusion depends on participation in market circuits, frequently through indebtedness and financial enrolment (Gabor & Brooks, 2017; Guérin, 2023; Mader, 2015, 2018). This aligns with Cammack's (2012) argument that development policy has been recast as a strategy of market discipline, embedding the poor in obligations that expand capitalist social relations. This article, however, focuses specifically on the financialization of welfare: the reorganization of social policy and welfare provision around financial logics of investment, risk management, and individual participation.

Following the 2008 global financial crisis, social policy itself became implicated in financialization debates, as scholars questioned whether the pursuit of welfare through household access to credit represented a misguided strategy or merely reflected the retreat of state-based welfare provision (Gerba & Schelkle, 2013, p. 2). In this context, the financialization of social policy marks a structural transformation in the sphere of social reproduction, whereby social protection has become a new frontier of capitalist expansion under the dominance of financial markets as a global trend that encompasses peripheral economies as well (Lavinas et al., 2023, p. 464). The resulting welfare regime deepens household indebtedness and promotes an ideology of self-entrepreneurship and individual responsibility. Conceptually, this shift can be understood as a movement from redistribution to incorporation of the poor into the economy through credit, insurance, and digital infrastructures, rather than through guaranteed social rights. Thus, the welfare regime produces what Lavinas (2013) terms "risk-bearing citizens," whose social protection increasingly depends on their ability to engage with financial markets. In this sense, financial inclusion schemes such as PMJDY and PMMY signify much more than an expansion of access to finance; they embody a deeper transformation in the very design and purpose of social policy. India's experience reflects a broader global reconfiguration that took shape after the 2008 financial crisis, when social policy and financial governance began to converge under a new "social investment" paradigm (Jenson, 2012; Morel et al., 2012).

Understanding this transformation requires clarifying the role of the state in enabling financialization. Much early scholarship portrayed financialization as the product of "elite capture" or market dominance, but recent research emphasizes the active role of the state. Karwowski (2019) argues that financialization increasingly occurs as a state-led process, wherein governments construct financial infrastructures and instruments to manage fiscal constraints and pursue developmental objectives. Similarly, Wang (2020) shows that financialization has become a new form of statecraft, allowing states to govern through market-based mechanisms and to reinvent themselves "in the image of finance." Rather than being hollowed out, the state is reorganized: Financial reasoning reshapes bureaucratic hierarchies, and sovereign guarantees are mobilized to expand financial accumulation. In the Indian case, this theoretical shift helps clarify the apparent tension between financial elite influence and state intervention. The Modi government has not merely facilitated financialization but actively deployed it as a political and developmental strategy. PMJDY and PMMY, therefore, demonstrate how state-led financialization functions as a unified economic and political project: The state builds financial infrastructures that deepen market dependence while simultaneously legitimizing its authority through populist narratives of empowerment via the financialization of welfare. This synthesis of technocracy and populism illustrates how finance serves as an instrument of governance rather than an external force of capture.

The transformation of welfare through finance is not only institutional, linked to the restructuring of the state–finance nexus (Gerba & Schelkle, 2013; Lai, 2023), but also subjective: It reshapes the relations between the state and its citizens. Financial inclusion initiatives construct citizens as responsible, risk-bearing, and entrepreneurial agents. As critical governmentality scholarship highlights, financialization operates through the production of financial subjectivities/citizens who internalize market logics and treat financial participation as a moral obligation (Langley, 2020; Lazzarato, 2012). Yet, as Agunsoye (2024) cautions, such transformations are far from totalizing: The effects of financialization in everyday life are layered, uneven, and contested. The creation of "financial citizens," therefore, remains as much a political aspiration as a social reality. In India, these dynamics manifest in particularly sharp form. PMJDY promotes banking access as a route to empowerment, while PMMY frames micro-entrepreneurship as a pathway to self-reliance. Both initiatives extend citizens' integration into formal financial systems that emphasize accountability, repayment, and financial traceability. In doing so, they align welfare delivery with financial discipline and visibility, while also reinforcing the state's role in enabling opportunity. However, the uneven participation and persistent dormancy of accounts reveal the limits of this transformation: The formation of financially self-regulating citizens remains a partial and contested process rather than a completed outcome.

In this synthesis, financialized governance provides the structural mechanism, authoritarian populism the hegemonic political form, and financial inclusion the point of articulation between the two, anchoring material processes of financial incorporation and ideological projects of consent-building. Welfare is thereby reconfigured as financialized and leader-mediated, governing the poor through credit rather than rights. These dynamics underpin India's contemporary developmentalism—a state-led, finance-driven order legitimized by means of populism.

3. The Historical Evolution of Indian Welfarism

The trajectory of welfare and development policy in India is closely connected to wider shifts in development thinking and global debates about growth, poverty, and distribution. As Bernstein (2019, p. 111) notes, development studies have long revolved around two central questions: how to generate economic growth and how to reduce poverty.

In India, successive governments have moved back and forth between strategies that prioritize growth and those that emphasize welfare provision, while also adapting to changing intellectual trends and political agendas in development policy. In the decades following independence, India pursued a developmental state model anchored in state planning, industrial policy, and redistributive commitments. The idea that welfare required an active state role was not only institutionalized through the Planning Commission but also reflected in key interventions, such as the nationalization of major commercial banks in 1969 under Indira Gandhi's rule. This policy, justified in the name of "social control" over banking, sought to direct credit toward priority sectors such as agriculture and small industries, thereby aligning finance with developmental and redistributive objectives (Batabyal, 2007, p. 596). Nationalization marked an important moment in the attempt to democratize financial access: Banks were expected to expand their rural branches, mobilize deposits from the wider population, and channel resources toward the poor. While these measures did not fully overcome structural inequality, they underscored a vision of welfare in which financial institutions were treated as public instruments of development rather than profit-driven entities. In this sense, bank nationalization can be seen as an early precursor to contemporary debates on financial inclusion—albeit then framed within the logic of developmental planning rather than financialized governance. The crisis of 1991, however, marked a decisive rupture. Faced with a balance-of-payments emergency, the Indian state initiated structural reforms under International Monetary Fund and World Bank guidance that liberalized trade, deregulated industries, and opened the financial sector to private and foreign capital (Mohan, 2006). Currency devaluation, loosening restrictions on transnational finance, and the entry of private banks signaled a fundamental shift from planned developmentalism to neoliberal developmentalism. Within three years, most sectors of the economy had been opened to private investment, while social policy was reoriented toward "exit policies" and social safety nets designed to manage the dislocations of liberalization, often at the urging of the World Bank and international investors (Tillin, 2025). This transition inaugurated a new policy regime in which welfare was progressively reframed away from redistributive commitments and toward market-friendly, finance-oriented mechanisms, subsequently laying the groundwork for later financial inclusion agendas.

In the 2000s, under the United Progressive Alliance (UPA) governments, India witnessed an important turn towards rights-based welfare. Building on decades of democratic struggle and social movements, the UPA introduced a series of landmark programs that sought to universalize entitlements and empower citizens as rights-bearing citizens. These included the National Rural Employment Guarantee Act, the expansion of the Public Distribution System, and new pension schemes (Drèze & Khera, 2016). The normative vision was clear: to strengthen the state's responsibility in ensuring minimum economic security and to create bottom-up pressures for accountability through legally enforceable rights. This rights-based turn reflected a global intellectual current stressing that poverty reduction required not just growth but also redistribution and social protection. Saad-Filho (2020) argues that pro-poor growth strategies must directly address inequality, not simply rely on trickle-down dynamics. Similarly, Ferguson (2015) has described this as the "distributive turn" in development, whereby states increasingly sought legitimacy not only through productionist strategies but also through direct transfers and entitlements. In India, the rights-based approach of the UPA period embodied this distributive turn, positioning welfare not only as a developmental necessity but also a democratic right.

The election of Narendra Modi and the Bharatiya Janata Party (BJP) in 2014 marked a decisive reorientation in India's welfare landscape. Rather than abandoning welfare altogether, the BJP restructured it into what scholars have described as "new welfarism" (Anand et al., 2020; Kim & Kumar, 2022). Unlike the rights-based model of the UPA, which sought to universalize entitlements and build collective capacity, new welfarism emphasizes individualized goods and services—bank accounts, cooking gas cylinders, toilets, electricity, and housing—delivered directly to beneficiaries through digital infrastructures and biometric identification systems. This transformation was both political and ideological. As Tillin (2025) argues in her historical account of Indian welfare, the country's multi-level democratic structure has long produced hybrid forms of welfare delivery shaped by federal bargaining and local dynamics. Under Modi, however, welfare has been recentralized as a key instrument of electoral legitimacy, with the prime minister himself projected as the direct benefactor of targeted schemes (Kailash, 2024). Critically, the deployment of digital architecture (Aadhaar—a 12-digit unique identity number—and Direct Benefit Transfer) ensures that this centralization is operational and ideological, transforming the simple cash transfer into a traceable, auditable event that enables financial discipline and reinforces the leader-mediated distribution of political credit (Kim & Kumar, 2022). This aligns with what Ferguson (2015) has elsewhere identified as the politics of distribution: Transfers become highly visible, tangible, and personalized, thereby serving not only social but also political functions. Kim and Kumar (2022) emphasize that this shift has redefined the ideological balance of Indian politics. Where Congress had traditionally leaned toward social policy and rights-based welfare, the BJP, which had initially been associated with market-oriented growth, has instead chosen to embrace targeted welfare in order to better consolidate a durable electoral coalition. The emphasis is not on long-term structural transformation through public goods, such as health or education, but on short-term, high-visibility provisioning that can be linked symbolically to the leader.

The move from rights-based welfare to new welfarism reflects broader tensions in development thinking about growth, distribution, and poverty reduction (Sharma & Kanojia, 2022). Saad-Filho (2024) highlights that mainstream approaches to poverty often equate exclusion with lack of market access and that integration into markets will alleviate deprivation. Nevertheless, this overlooks the ways in which capitalist expansion can simultaneously create and reproduce poverty, whether through debt, dispossession, or precarious employment. Financial inclusion schemes (PMJDY and PMMY) embody precisely this contradiction. They are presented as being tools of empowerment that integrate the poor into formal financial markets, but they have also transformed access to welfare into a market-mediated process, embedding populations into circuits of credit and indebtedness. From this perspective, the Modi government's welfare strategy must not be seen as a retreat from welfare but as its financialization and reconfiguration. Whereas the UPA's rights-based approach sought to expand citizens' claims on the state, and whereas Indira Gandhi's bank nationalization sought to socialize finance for developmental purposes, the BJP's new welfarism reframes inclusion as market participation, mediated by financialized digital infrastructures that construct the recipient as a compliant, financially traceable subject. Welfare thus becomes less about redistribution and more about responsibilization.

The demonetisation episode, which occurred on 8 November 2016, represents a critical juncture in India's shift toward top-down financial inclusion. On that day, Prime Minister Modi announced the overnight invalidation of ₹500 and ₹1,000 notes—equating to roughly 86 percent of the currency in circulation—declaring it a strike against black money, corruption, and counterfeit currency. The sudden withdrawal triggered a liquidity crisis that disproportionately hurt informal workers, small businesses, and agricultural producers (Chandrasekhar & Ghosh, 2018). Yet, beyond its stated moral objectives, the policy functioned as a coercive episode of state-led financialization. Households were compelled to deposit their cash holdings, generating an unprecedented surge of liquidity in the banking system which even drove a temporary expansion in financial assets such as mutual funds (Sengupta et al., 2021). Framed as a push toward a "less-cash" and digitally traceable economy, it exemplified the coercive dimension of financial inclusion: the use of state power to enrol citizens in formal financial circuits under the moral banner of national cleansing.

4. Case Studies: PMJDY and PMMY as Instruments of Financialized Governance of Welfare

According to the World Bank (2025a), financial inclusion refers to ensuring that individuals and businesses have access to affordable and appropriate financial services, including payments, savings, credit, and insurance, provided responsibly and sustainably. It is recognized as a key enabler of several Sustainable Development Goals (SDGs). In the Global South, financial inclusion is widely promoted as a central strategy for poverty reduction (Demirgüç-Kunt et al., 2017). In India, the formal definition of financial inclusion was first articulated in 2008, which described it as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost," reflecting the period's emphasis on access to financial services (Rao, 2025). Subsequently, enhancing financial inclusion has been officially designated as a core developmental priority by the Government of India and the four major financial sector regulators, the Reserve Bank of India, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India, and the Pension Fund Regulatory and Development Authority. This policy orientation has materialized most prominently through the flagship initiatives PMJDY and PMMY, which exemplify India's experience of financialization of welfare under authoritarian populism. The subsequent sections explore this process in detail: first by analysing the institutional and operational design of PMJDY and PMMY; and then by discussing the political and economic contradictions of India's financialized governance model of welfare.

4.1. PMJDY: Institutional Architecture and Logics of Financial Inclusion

Launched in August 2014, the PMJDY was declared a "national mission for financial inclusion" by the Government of India and presented by Prime Minister Narendra Modi as a "revolution against financial untouchability" (Kumar Singh, 2014). As the cornerstone of India's financial inclusion agenda, PMJDY extends far beyond its stated objective of "banking the unbanked." In practice, it has restructured welfare delivery by embedding social transfers and benefits within formal financial channels, thereby transforming citizens into clients of the banking system—something which Lavinas (2013, p. 37) conceptualizes as the "bankization of the poor."

By August 2024, official data reported that PMJDY had expanded to 53.14 crore (531 million) accounts, with deposits amounting to ₹2.31 lakh crore (≈ US $28 billion) and more than 36 crore (360 million) RuPay debit cards issued. Women accounted for over 55 percent of account holders, and nearly two-thirds of accounts were opened in rural and semi-urban areas, underscoring the scheme's reach among the financially excluded (Ministry of Finance, 2024). The government attributes this expansion to "mission-mode" implementation, digital infrastructure, and the creation of savings histories that can serve as proxies for creditworthiness, particularly via Mudra loans (Ministry of Finance, 2024). This official narrative frames financial inclusion as a pathway to empowerment through responsible credit access.

Administratively, the scheme is anchored in the Department of Financial Services under the Ministry of Finance, which oversees implementation through public sector banks, private sector banks, and regional rural banks. The Mission Office functions as the nodal body coordinating regulatory, financial, and digital infrastructures. Accounts can be opened at any bank branch or through Business Correspondent outlets—banking agents commonly known as Bank Mitras. Typically drawn from local communities, these agents operate micro-ATM devices that enable biometric transactions in areas lacking formal branches, thereby effectively extending the state's financial inclusion drive into remote regions. Through this arrangement, the welfare apparatus becomes interwoven with the operational capacities of both public and private financial actors.

Each account holder receives an indigenous RuPay debit card, the primary interface between users and the financial system. It enables cash withdrawals at ATMs and digital payments at points-of-sale, thus integrating beneficiaries into India's digital payments ecosystem. The card includes accidental insurance coverage of ₹1 lakh (≈ US $1,200) for accounts opened before August 2018, and ₹2 lakh (≈ US $2,400) for later accounts, conditional on card usage within 90 days.

A critical feature of PMJDY is its overdraft facility, which epitomizes the financialization of welfare. Following six months of satisfactory account operation, one eligible household member may access an overdraft of up to ₹10,000 (≈ US $120). This provision is not a grant but a revolving micro-loan that binds the account holder to debt relations governed by financial discipline and market rationality. Hence, what begins as an inclusionary welfare mechanism evolves into a credit-based relationship of accountability. The scheme's micro-insurance and pension components further consolidate beneficiaries' incorporation into financial markets. Life insurance under the Pradhan Mantri Jeevan Jyoti Bima Yojana provides coverage of ₹2 lakh (≈ US $2,400) for an annual premium of ₹436 (≈ US $5.25), automatically debited from the account upon enrolment. Accident insurance is bundled with the RuPay card, while the Atal Pension Yojana enables small monthly contributions (typically ₹100–500, or approximately US $1.20–6.00) for a fixed post-retirement pension from age 60.

Together, these linked instruments—savings, credit, insurance, and pensions—constitute an institutional architecture that embeds social protection within circuits of finance. Welfare transfers from diverse ministries are routed through the DBT platform, which electronically deposits funds into PMJDY-linked accounts. Designed to reduce leakages and improve transparency, this mechanism makes the bank account the singular interface between citizen and state. In this configuration, welfare is delivered, not through social infrastructure, but through financial infrastructure, digitized and monetized, governed more by financial behaviour rather than by social entitlement.

The policy discourse on financial inclusion in India has largely emphasized metrics of access, banking penetration, and institutional efficiency. Several studies celebrate the schemes as innovative tools to integrate the unbanked into formal financial networks, enhancing credit access and facilitating DBTs (Garg, 2024; Pradhan, 2024; A. P. Singh & Deep, 2025). Empirical evaluations have confirmed some aspects of these claims. For instance, Rajaram (2024) shows that PMJDY significantly increased bank account ownership among women, especially in historically unbanked districts, suggesting the scheme's effectiveness in closing gender gaps in access to finance. Other studies support the expansion of digital banking and its role in improving access to state benefits and small loans, especially in rural areas (P. Singh, 2025). Government reports further highlight how digital infrastructure, Aadhaar integration, and mobile platforms have enabled a new modality of welfare distribution, integrating millions of previously excluded citizens into the formal banking system (Khera, 2017; Ramanathan, 2015).

However, in a country where economic disparities remain stark, the financial commitments embedded within these schemes are far from symbolic. According to the Periodic Labour Force Survey 2023–24, the average monthly wage of regular salaried employees in India is about ₹18,000–20,000 (≈ US $215–240), while casual laborers in rural areas earn only ₹7,000–8,000 (≈ US $85–95; Ministry of Statistics and Programme Implementation, 2025). The national minimum wage stands at approximately ₹178 per day (≈ US $2.15). In this context, seemingly minor payments, such as a yearly insurance premium of ₹436 (≈ US $5.25) or monthly pension contributions of ₹100–500 (≈ US $1.20–6.00), represent a tangible burden for low-income households that subsist close to or below the poverty line. Thus, while PMJDY's auxiliary schemes like Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana are promoted as instruments of financial security, they simultaneously condition welfare access on the capacity to make regular financial contributions, revealing how inclusion is predicated on monetized participation rather than universal entitlement. This context reveals how the promise of financial inclusion reconfigures welfare as "conditional" participation in financial markets, a hallmark of the financialization of social policy.

Additionally, independent evaluations further highlight persistent barriers to usage: Low-literacy groups, migrants, and poorer women face particular difficulties in navigating the Unified Payments Interface enabled services and other digital platforms, leaving them effectively excluded from digital finance (NITI Aayog & KPMG, 2023). The PMJDY thus integrates the poor into banking infrastructures less for empowerment than for routing DBTs and expanding customer bases for banks and fintechs (Gabor & Brooks, 2017; Mader, 2018; Ministry of Finance, 2024).

4.2. PMMY: Institutional Architecture and Logics of Entrepreneurial Loans

Launched in April 2015 under the slogan "Funding the Unfunded," the PMMY represents the second phase of India's financial inclusion agenda, extending the project from banking access to credit-based entrepreneurship (Prime Minister's Office, 2015). It operationalizes the discourse of self-reliance and entrepreneurial citizenship central to India's contemporary political economy. If the PMJDY sought to universalize access to a bank account, PMMY encourages the newly banked citizen to transform that access into debt-financed enterprise, marking a deeper stage in the financialization of welfare.

The scheme's core instrument, the Mudra loan, provides collateral-free credit to non-corporate, non-farm micro and small enterprises previously excluded from formal lending channels. Loans are organized into four tiers: Shishu (≤ ₹50,000 ≈ US $600) for nascent start-ups; Kishore (₹50,001–₹5 lakh ≈ US $600–6,000) for expanding units; Tarun (₹5–10 lakh ≈ US $6,000–12,000) for established enterprises; and Tarun Plus (₹10–20 lakh ≈ US $12,000–24,000), introduced in 2024.

The Micro Units Development and Refinance Agency (MUDRA), a government-owned financial institution under the Ministry of Finance, manages and refinances the program. Rather than lending directly, MUDRA channels funds through a network of member lending institutions, public and private banks, regional rural banks, small finance banks, microfinance institutions, and non-banking financial companies. Through the Credit Guarantee Fund for Micro Units, the state partially underwrites default risk, encouraging member lending institutions to extend unsecured credit to borrowers otherwise considered unbankable. Government oversight includes periodic performance reviews, the nomination of MUDRA Nodal Officers in public sector banks, and a 2 percent interest-subvention incentive on prompt repayment of Shishu loans—a limited welfare-style benefit within an otherwise commercial framework.

PMMY targets non-corporate micro-enterprises engaged in manufacturing, trading, or services, including activities allied to agriculture. Loans are collateral-free, and interest rates are not fixed by the government but determined by each lending institution in line with Reserve Bank of India guidelines. Commercial banks typically charge 10–14 percent, while microfinance institutions and non-banking financial companies may exceed 20 percent, especially for Shishu loans. Repayment schedules vary; term loans are repaid in instalments over five to seven years, often with a moratorium of up to 12 months; overdraft or cash-credit facilities are repayable on demand. In principle, these terms are more favourable than those offered by informal moneylenders, yet they expose first-time borrowers to the discipline of formal debt and digital credit scoring.

By March 2025, cumulative disbursements exceeded ₹33.65 lakh crore (≈ US $405 billion) through more than 523 million loan accounts. Women constituted about 68 percent of borrowers, and scheduled castes, scheduled tribes, and other backward classes—historically marginalized social groups recognized in India's affirmative action framework—received roughly half of the sanctioned amount (Ministry of Finance, 2025a). Yet this expansion conceals deep asymmetries: About 78 percent of loans fall within the Shishu category, accounting for only 35 percent of total value. Independent evaluations indicate that such small-ticket lending provides short-term liquidity rather than capital for sustainable enterprise growth, while uptake in Kishore and Tarun segments remains limited as banks avoid higher-risk lending (NITI Aayog & KPMG, 2023).

Unlike traditional welfare programs, PMMY loans are market-priced and governed by commercial logics. Rigid repayment through Equated Monthly Instalments often clashes with borrowers' seasonal or volatile incomes; missed payments incur penalties and damage Credit Information Bureau India Limited (CIBIL) credit scores, restricting future access to credit. Defaults may trigger aggressive recovery practices, including public shaming or asset seizure. NPAs have risen sharply, growing at a compound annual rate of 36.6 percent between FY 2017 and FY 2022, with public sector banks reporting particularly high delinquency ratios (NITI Aayog & KPMG, 2023). The medium-sized Kishore loans contribute most to the total NPA amount, revealing the fragility of this model of credit-led inclusion.

While official reports claim that PMMY has generated over 11 million jobs, independent assessments highlight rising indebtedness and gendered vulnerability. A survey by the All-India Democratic Women's Association found that many women borrowers earn less than ₹10,000 per month (≈ US $120) and often use loans for consumption or emergencies rather than productive investment (Franco, 2025). These findings underscore how the rhetoric of entrepreneurship obscures persistent precarity.

PMMY redefines the state's role from welfare provider to financial facilitator, mediating credit flows instead of guaranteeing social protection. Eligibility depends on demonstrating credit-worthiness rather than social need; risk is shifted downward to borrowers, while government liability remains limited to partial guarantees. The collateral-free design masks a subtler collateralization: the borrower's digital credit history. Such financialized inclusion disciplines low-income citizens through repayment metrics and financial visibility (Gabor & Brooks, 2017). Celebrated as a pillar of "Atmanirbhar Bharat" ("self-reliant India"), PMMY thus embeds market risk into everyday life, transforming welfare into a debt-based mode of participation and recasting citizens as entrepreneurial subjects whose inclusion depends on financial compliance.

The following section builds on this analysis to examine how the intertwined architectures of PMJDY and PMMY generate new forms of fragility under the financialization of welfare and legitimation within authoritarian populism, revealing the contradictions of India's financialized welfare regime.

4.3. Fragility and Legitimation: The Contradictions and "Politics" of Financialized Governance

The limitations of India's financialized governance are evident in broader household-level data, which reveal a disconnect between rapid financial access and substantive economic security. According to the Global Findex Database 2025 (World Bank, 2025b), the share of adults in India with a formal financial account surged from approximately 35 percent in 2011 to over 80 percent in 2024, marking one of the world's fastest expansions in financial inclusion. However, this success largely reflects the state-driven character of the process, particularly through the PMJDY. Almost half of all account holders reported opening their first account primarily to receive a government-to-person (G2P) transfer or a wage payment. This pattern demonstrates how PMJDY has institutionalized a mode of inclusion that ties welfare entitlements to banking participation, thereby reinforcing the financialization of social policy rather than expanding robust social protection.

Despite the expansion of financial accounts, household concerns point to persistent structural precarity. Most adults identify monthly expenses (34 percent), school fees (23 percent), and medical costs (17 percent) as their primary financial worries, indicating enduring vulnerability in basic livelihood, education, and healthcare (Table 1). This insecurity is further underscored by households' limited financial resilience: About one-third of adults could cover less than two weeks of expenses if they lost their main income source, and another 31 percent could manage for only about a month (Table 1). The burden of health financing disproportionately exposes these vulnerabilities, as approximately 45 percent of adults in the poorest 40 percent reported borrowing for medical expenses in 2024, compared with about 27 percent among the wealthiest 60 percent (World Bank, 2025b). This pattern aligns with Montgomerie's (2020) argument that credit increasingly functions as a "necessity" rather than a choice, filling the gaps left by inadequate social protection. Additionally, just over one in 10 Indian adults reported borrowing to start or operate a business in 2024, revealing the limited reach of entrepreneurial credit despite a decade of policy emphasis on self-employment and microenterprise (World Bank, 2025b). These outcomes show the central contradiction of India's financial inclusion model, demonstrating that expanded access to finance has not translated into stronger household economic security. In this sense, welfare is financialized, but social protection remains shallow; inclusion is achieved, but vulnerability persists.

Table 1. Financial worries and household resilience in India, 2024.

Financial worries Adults identifying their biggest financial worry (%)	Monthly expenses	34
	School fees	23
	Medical expenses	17
	Money for old age	10
	Money for own business	12
	Other	3
Household resilience How long adults could cover expenses if they lost their main income source (%)	Less than two weeks	33
	About a month	31
	About two months	16
	More than two months	20

Source: Data derived from World Bank (2025b).

The fragility and contradictions of financialized welfare in India are managed through a populist legitimation strategy that fuses governance with charismatic leadership, politicizing financial inclusion as moral commitment and national renewal. Official publicity transforms these contradictions into a political spectacle. The Ministry of Finance (2024) highlights not only efficiency metrics but symbolic milestones: the Guinness World Record for most bank accounts opened in a week, the narrowing of gender gaps, or Modi's speeches presenting accounts and loans as gifts of the leader. Mudra loan certificates are distributed in public events where political leaders hand them directly to beneficiaries (Ministry of Finance, 2025b), personalizing welfare achievements and converting financial transactions into tokens of populist legitimacy.

The strategy aligns with authoritarian populism, displacing structural class issues by invoking cultural and moral politics (Hall, 1985). To celebrate the 11th anniversary of the PMJDY and the PMMY, PM Narendra Modi's official YouTube channel released several videos, portraying the scheme as a landmark success in financial inclusion (Modi, 2025a, 2025b, 2025c). Modi stages schemes like the PMMY as personal gifts and spectacles of benevolence ("MUDRA has democratised," 2025). He moralizes being poor and solves the issue of money with credit: "The biggest asset of the poor is his/her integrity (imaan). By combining their integrity with capital (MUDRA), it would become the key to their success" (Prime Minister's Office, 2015). Within this ideological configuration, welfare schemes function as exhibitions of munificence. Modi explains government-guaranteed credit as a "grassroots" economic activity:

> MUDRA is part of a larger vision to ensure that the entrepreneurial ability, innovation, creativity and self-reliance of the people at the grassroots is respected, celebrated and supported. Through the MUDRA Yojana, we wanted to give a message to every Indian, that we had trust in their abilities and we would stand as a guarantee in their journey to fulfil their aspirations. Trust begets trust…Unlike the UPA's top-heavy lending model, MUDRA focused on *grassroots* economic activity…As a result, the poor and middle class have reduced their reliance on informal lending to a great extent. I am confident that our banking sector will continue to be a strong partner in the journey of ensuring financial inclusion and supporting entrepreneurship at the grassroots….For someone from a deprived background or a woman with a business idea—like a small shop or manufacturing unit such as MSME [Micro, Small and Medium Enterprises] setup—this scheme has offered real support to turn dreams into reality. This is more than just an entrepreneurship opportunity for the deprived population, but it is an inflection point in their lives where their conviction and ideas win over all kinds of doubts and challenges, with the government standing as the guarantor for their loans. ("MUDRA NPA rate" 2025, emphasis added)

Here, financial inclusion is reframed as a moral covenant between the state and the "trustworthy poor," where the government's guarantee replaces collective welfare with individualized responsibility. In this configuration, the poor are invited to become "mini-capitalists" (Agunsoye, 2024), bearing debt as a marker of citizenship and discipline. As Lavinas (2013) argues, welfare under financialization ceases to guarantee rights and instead integrates households into market circuits, turning social policy into a vehicle for capital accumulation. Viewed through the analytical triad of financialized governance, financialization of welfare, and authoritarian populism, these schemes illustrate the reconfiguration of India's developmental state. Structurally, welfare delivery is mediated through financial infrastructures that embed market logic into social protection (Carroll & Jarvis, 2015). Politically, these infrastructures are infused with populist spectacle and affective authority, transforming routine administrative functions into evidence of benevolent leadership. Ideologically, financial inclusion operates as the point of articulation where citizens are reconstituted as financial subjects, governed, indebted, and valorized through debt, data, and discipline (Lavinas, 2013; Lazzarato, 2012). Thus, India's experience is a fusion of mass banking, microcredit, digital traceability, and personalized leadership branding.

5. Conclusion

This study examined how India's flagship financial inclusion schemes, PMJDY and PMMY, illustrate the convergence of financialized governance and authoritarian populism in the reconfiguration of welfare. It was argued that these initiatives transform welfare from a redistributive right into a mechanism of financial participation and moralized discipline, governing citizens through credit and digital visibility rather than social entitlements. Empirically, while PMJDY and PMMY achieved an exceptional expansion of accounts and microloans, their impact remains uneven: Account usage is shallow, and credit access often deepens indebtedness for the poor. Conceptually, the article contributes to debates on the financialization of welfare by revealing how coercive state-led financialization operates politically. It links financial and digital infrastructures with populist legitimation to produce consent for a new regime of finance-mediated moral and responsible citizenship.

The Indian case thus speaks to a broader global trend in poverty governance. Financial inclusion, legitimized through the rhetoric of empowerment, is fused with authoritarian populism to create a hybrid system that delivers both market expansion and political legitimacy. Ultimately, the experiences of PMJDY and PMMY highlight the limits of equating inclusion with empowerment: Near-universal banking penetration can coexist with high dormancy, precarious entrepreneurship, and fragile resilience.

This transformation is profound: As welfare is redefined through finance, citizenship itself becomes financialized. Individuals are valued, not as rights-bearing subjects, but as bankable and creditworthy agents. This underscores the need to critically reassess financial inclusion, not as an unquestioned good, but as a contested project that fuses development, finance, and authoritarian populist politics, reshaping the very meaning of welfare and democracy in the contemporary Global South.

The study's limitation lies in its reliance on policy and secondary data; therefore, future research should explore household-level experiences and cross-country comparisons. India's case exemplifies a critical shift in development, moving from a foundation of rights and social justice to one of markets and individual financial responsibility under an authoritarian populist regime.

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