



IMPACT OF DIGITAL FINANCIAL SERVICES ON RURAL FINANCIAL INCLUSION ON INDIA

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ABSTRACT

At the touch of a screen, millions of people in both the formal and wide informal sectors are now able to receive payments, pay bills, and transfer money to any region of the country. This is made possible by the modern advancements that have been achieved in digital banking. In an attempt to limit the spread of the COVID-19 epidemic, there has been a significant increase in the use of contactless digital payment methods for less expensive transactions. In order for digital financial inclusion to function as intended, it is necessary to have barriers to entry that are either low or nonexistent for those with low incomes in terms of purchasing digital transactional platforms. These platforms include smartphones, computers, and other similar devices. UPI has been joined by a large number of financial technology businesses in order to expedite transactions. In contrast to banks, non-bank players have taken advantage of the fact that the UPI architecture is open and that any entity's mobile app may be used to conduct UPI transactions. This has allowed them to gain a competitive advantage by doing transactions. The e-RUPI would be sent to recipients for a specific assignment by businesses via the use of messages sent via text message or QR codes. An Advisory Council is responsible for overseeing the management and administration of the PIDF, which is carried out by the Reserve Bank of India (RBI). The recent shifts that have taken place in both the commercial and public sectors of India have been the driving force behind the rise of digital financial inclusion in the nation. As a result of digital financial inclusion, the neighbourhood, the country, and the economy may all benefit from its implementation.

Keyword: - Digital ID, Finance, Financial Inclusion, UPI, Fin Tech, e-RUPI, E. Commerce.

INTRODUCTION

Financial inclusion has emerged as one of India's most pressing challenges for the country's growth, with the goal of ensuring that all people and families have access to reasonably priced financial products and services. Rural areas in India have been ignored for a long time because of poor levels of financial literacy, high transaction costs, and an unstable banking infrastructure. One thing that has changed, however, is that the availability of digital financial services (DFS) has made it simpler for people living in remote areas to have access to traditional financial institutions. The Department of Financial Services (DFS) has made banking accessible to rural areas by merging many improvements in financial technology. These developments include digital wallets, mobile banking, internet banking, payment systems that are

integrated with Aadhaar, and the Unified Payments Interface (UPI). This has allowed rural people to overcome geographical and structural obstacles.

The Pradhan Mantri Jan Dhan Yojana (PMJDY), Aadhaar-linked bank accounts, Direct Benefit Transfers (DBT), and the Digital India project are some of the government initiatives that have contributed to a significant rise in the use of digital platforms in rural parts of India. It is now much simpler for individuals living in rural areas to communicate with financial institutions as a result of these advancements, as well as the widespread availability of smartphones and the low cost of internet. As a result of this, individuals who previously did not have access to standard banking services and who live in distant places are now able to create bank accounts, save money, get insurance, and invest. Additional advantages of digital transactions include a higher level of trust in the monetary system, a reduction in the amount of money that is lost from assistance programs, and an improvement in transparency.

However, despite these advancements, there are still challenges to overcome. A number of challenges, including cultural reluctance to adopt technology, concerns over cybersecurity, limited internet connectivity in remote places, and digital illiteracy, are preventing the full deployment of digital financial services (DFS) for the purpose of achieving financial inclusion in rural areas. To add insult to injury, a significant number of individuals who reside in rural regions continue to choose for cash transactions rather than digital means of payment. This may be due to the fact that they are not as acquainted with or trusting of these options. To be successful in overcoming these challenges, we must not only make investments in infrastructure but also implement continuing capacity-building initiatives that will assist people living in rural areas in becoming more financially literate and technologically savvy.

To summarise, the expansion of digital financial services has the potential to change the economy of rural India by promoting inclusive growth and giving the people of the region more influence. By making it simpler for small farmers to get loans, boosting the number of women who are active in financial concerns, and assisting micro-entrepreneurs in reaching a greater number of clients, the Department of Finance and Social Services is bringing about a change in the way people in rural regions earn a livelihood. It is imperative that policymakers, financial institutions, and development practitioners have a comprehensive understanding of the impact that digital financial services (DFS) have on rural financial inclusion. This understanding is necessary in order to ensure equitable and sustainable growth as India transitions to a digitally empowered economy.

OBJECTIVE

1. To investigate how digital banking might improve financial inclusion in India's rural areas.
2. To examine the main elements influencing rural populations' acceptance of digital banking services.

RESEARCH METHODOLOGY

This study makes use of a quantitative research approach in order to analyse the ways in which the advent of digital banking has an effect on the financial inclusion opportunities available in rural India. For the purpose of gathering primary data, a structured survey was administered to a total of 120 individuals residing in rural areas. The selection of the sample is undertaken with great care to guarantee that all socioeconomic categories are adequately represented.

Sample Size and Sampling Technique

A pool of possible candidates with a variety of ages, genders, incomes, and levels of education was utilised to choose 120 respondents using stratified random sampling. These respondents were chosen randomly from the pool. The vast majority of the sample is comprised of individuals who have either used or had access to internet banking. These individuals include members of rural households, owners of small companies, and farmers.

Data Collection

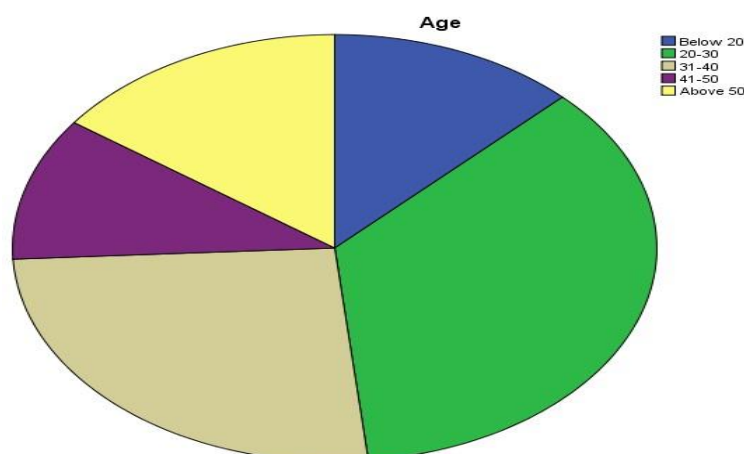
The collection of primary data was accomplished via the use of a structured questionnaire that included both open-ended and closed-ended questions, in addition to Likert scales. The survey emphasised a number of factors, including the respondents' level of financial inclusion, their knowledge with digital banking, the frequency with which they use it, the benefits and drawbacks they perceive, and how often they use virtual banking. The secondary data that was gathered from academic publications, policy papers, and official government reports served to enhance the empirical study that was conducted.

RESULT AND DISCUSSION

Previous research on the uptake of digital banking and financial inclusion provided as the foundation for the validated scales that were included in the questionnaire. During the discussion, topics such as digital literacy, trust, usability, security, and government initiatives were brought up. Through the use of reliability and validity testing, each and every response was double-checked to ensure that it was right and consistent.

Table 1 Age Distribution

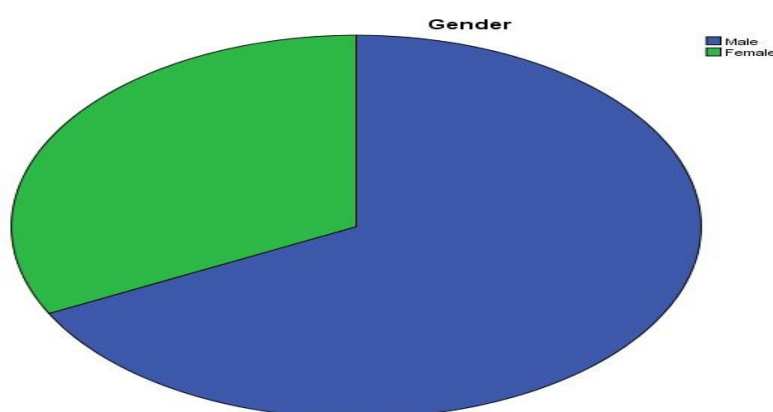
Age					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20	15	12.5	12.5	12.5
	20-30	43	35.8	35.8	48.3
	31-40	31	25.8	25.8	74.2
	41-50	13	10.8	10.8	85.0
	Above 50	18	15.0	15.0	100.0
	Total	120	100.0	100.0	



For respondents, the age range of 20–30 years old is the most prevalent (35.8%), followed by the age range of 31–40 years old (25.8%). 10.8% of the population is comprised of people aged 41 to 50, while 15% of the population is comprised of those aged 50 and over.

Table 2 Gender

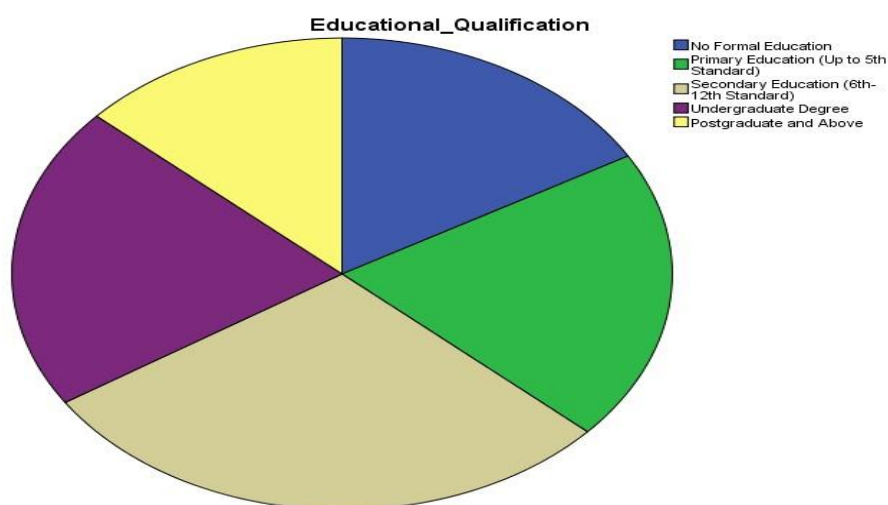
Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	81	67.5	67.5	67.5
	Female	39	32.5	32.5	100.0
	Total	120	100.0	100.0	



There are 67.5% more men in the sample than there are females, which accounts for 32.5% of the total.

Table 3 Educational Qualification

Educational Qualification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Formal Education	20	16.7	16.7	16.7
	Primary Education (Up to 5th Standard)	24	20.0	20.0	36.7
	Secondary Education (6th-12th Standard)	35	29.2	29.2	65.8
	Undergraduate Degree	25	20.8	20.8	86.7
	Postgraduate and above	16	13.3	13.3	100.0
	Total	120	100.0	100.0	

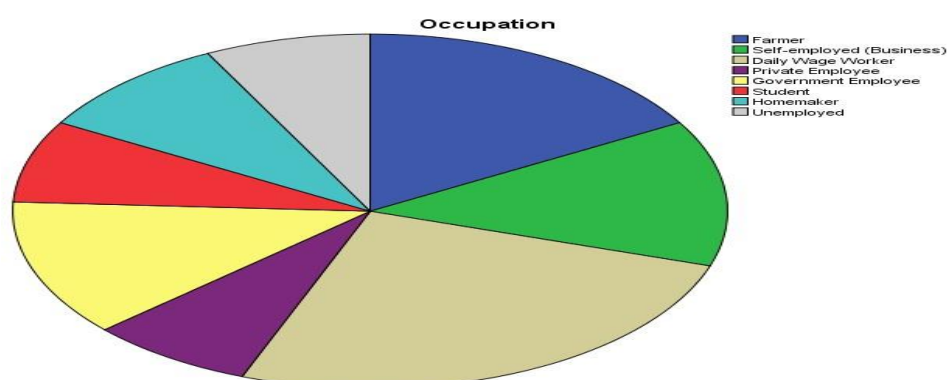


There are 29.2% of those who have completed their secondary education. On the other hand, 16.7% of people have no degree at all, while just 13.3% have finished postgraduate courses.

Table 4 Occupation

Occupation				
	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	Farmer	20	16.7	16.7	16.7
	Self-employed (Business)	16	13.3	13.3	30.0
	Daily Wage Worker	31	25.8	25.8	55.8
	Private Employee	9	7.5	7.5	63.3
	Government Employee	15	12.5	12.5	75.8
	Student	9	7.5	7.5	83.3
	Homemaker	11	9.2	9.2	92.5
	Unemployed	9	7.5	7.5	100.0
	Total	120	100.0	100.0	

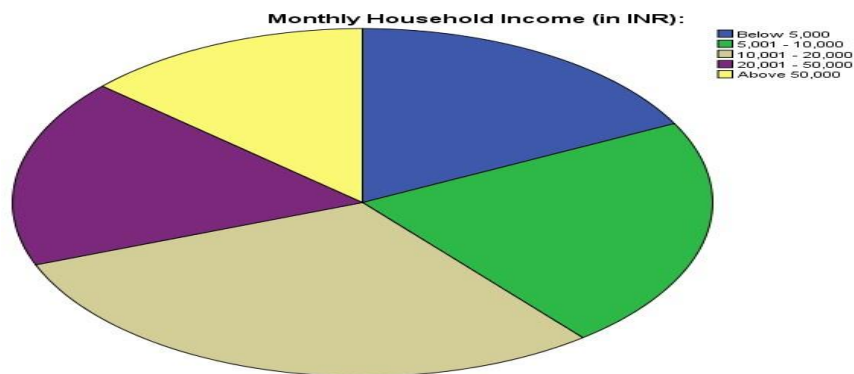


25.8% of those who work in this sector do so on a daily basis for the purpose of receiving a pay cheque. Other noteworthy groups include those who are self-employed (13.3%) and those who are farmers (16.7%). Those who are employed in the private sector and students both have the lowest share, which is 7.5%.

Table 5 Monthly Household Income

Monthly Household Income (in INR):					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5,000	21	17.5	17.5	17.5
	5,001 - 10,000	26	21.7	21.7	39.2

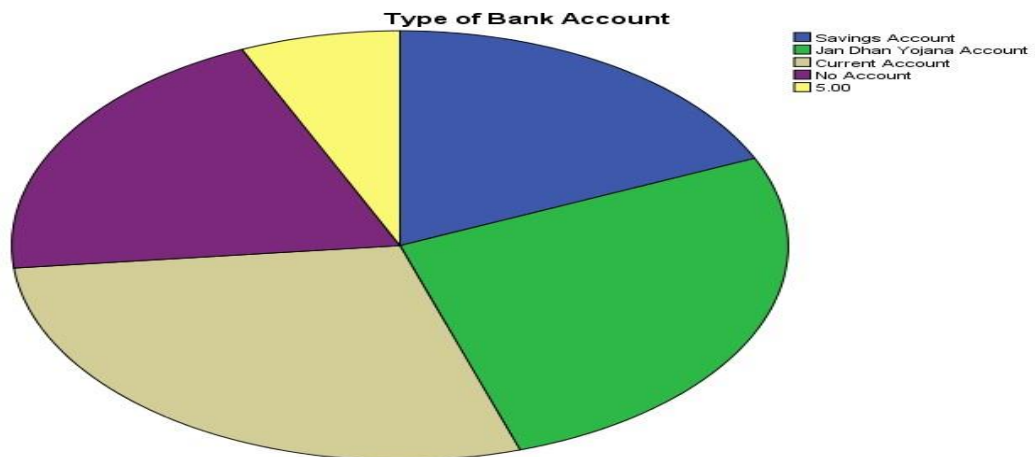
10,001 - 20,000	36	30.0	30.0	69.2
20,001 - 50,000	21	17.5	17.5	86.7
Above 50,000	16	13.3	13.3	100.0
Total	120	100.0	100.0	



This wage band, which ranges from 10,001 to 20,000 Indian Rupees, accounts for the largest percentage, which is thirty percent. The fact that 39.2% of respondents reported an income of 10,000 Indian Rupees or less indicates that a significant percentage of the population is experiencing financial difficulties. Only 13.3% of people earn more than 50,000 Indian Rupees.

Table 6 Type of Bank Account

Type of Bank Account					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Savings Account	22	18.3	18.3	18.3
	Jan Dhan Yojana Account	32	26.7	26.7	45.0
	Current Account	34	28.3	28.3	73.3
	No Account	24	20.0	20.0	93.3
	5.00	8	6.7	6.7	100.0
	Total	120	100.0	100.0	



28.3 percent of accounts are current accounts, and 26.7 percent are Jan Dhan Yojana accounts. These are the sorts of accounts that are most often used. Two percent of people who participated in the poll do not make use of their bank accounts.

Table 7 Accessibility of Digital Banking:

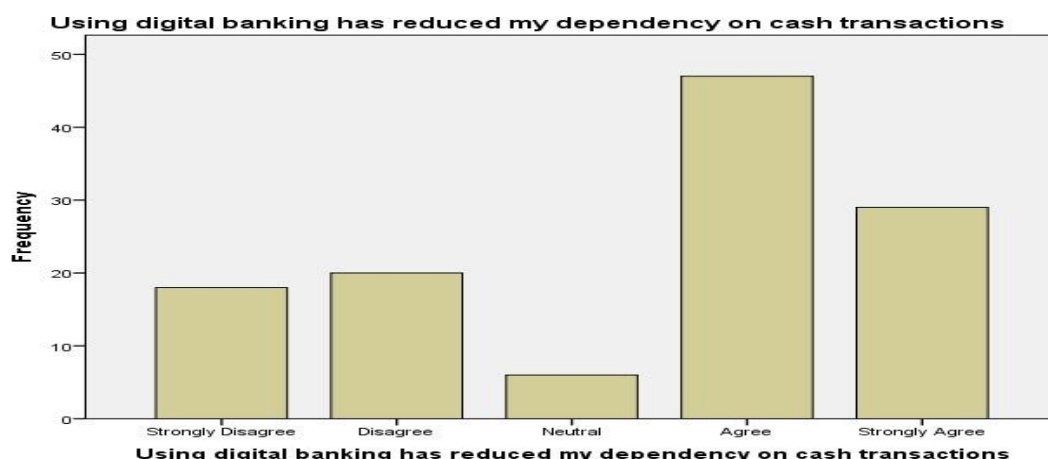
Digital banking has made financial transactions more accessible in rural areas.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	36	30.0	30.0	30.0
	Disagree	4	3.3	3.3	33.3
	Neutral	6	5.0	5.0	38.3
	Agree	74	61.7	61.7	100.0
	Total	120	100.0	100.0	



Most people, 61.7%, are in agreement that the advent of digital banking has made transactions more accessible in rural regions. On the other hand, thirty percent of respondents strongly disagree, which indicates that there are impediments to digital adoption.

Table 8 Reduction in Cash Dependency:

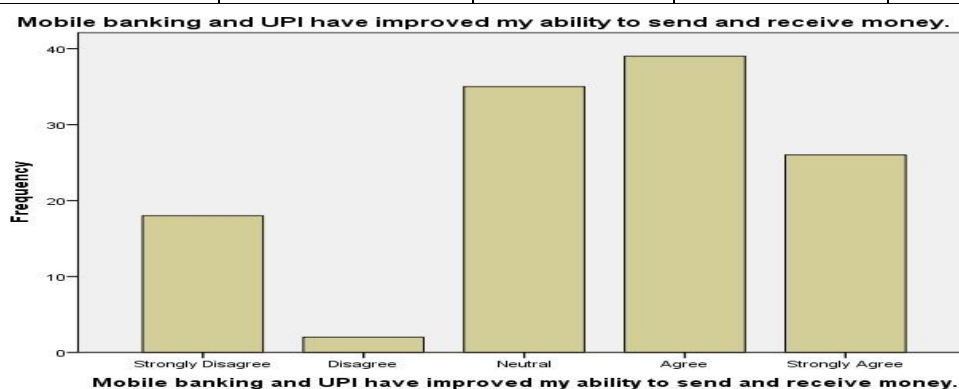
Using digital banking has reduced dependency on cash transactions.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	18	15.0	15.0	15.0
	Disagree	20	16.7	16.7	31.7
	Neutral	6	5.0	5.0	36.7
	Agree	47	39.2	39.2	75.8
	Strongly Agree	29	24.2	24.2	100.0
	Total	120	100.0	100.0	



As a consequence of utilising digital banking, 39.2% of respondents are in agreement, and 24.2% are very much in agreement, that they depend less on cash. 31.7% of respondents, on the other side, hold opposing perspectives, either by disagreeing or strongly disagreeing with the statement.

Table 9 Mobile Banking

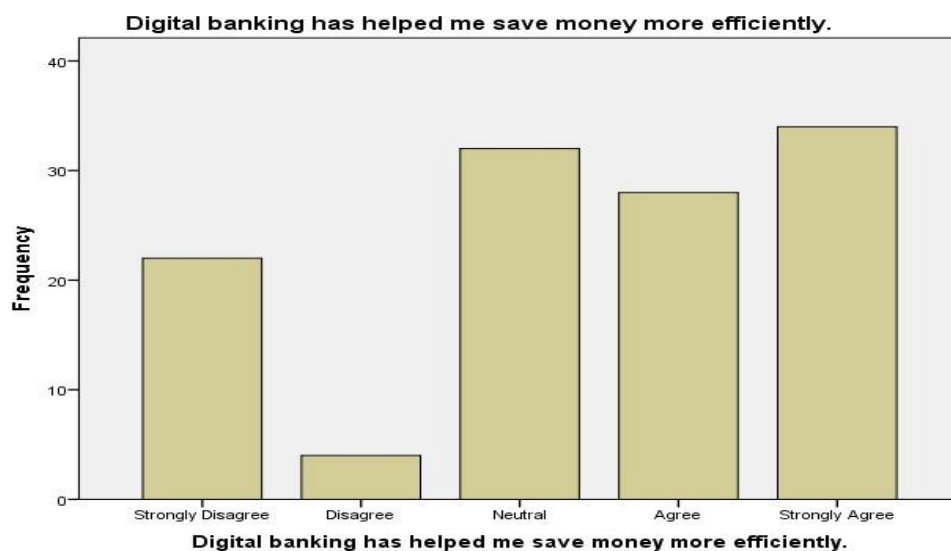
Mobile banking and UPI have improved the ability to send and receive money.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	18	15.0	15.0	15.0
	Disagree	2	1.7	1.7	16.7
	Neutral	35	29.2	29.2	45.8
	Agree	39	32.5	32.5	78.3
	Strongly Agree	26	21.7	21.7	100.0
	Total	120	100.0	100.0	



32.5 percent of respondents agree, and 21.7 percent strongly agree, that the usage of mobile banking has expanded the capacity to transfer money. This is in reference to the use of the Unified Payments Interface (UPI). It is possible that they are unwilling or ignorant, as shown by the fact that 29.2% of them feel ambivalent.

Table 10 Savings Efficiency through Digital Banking

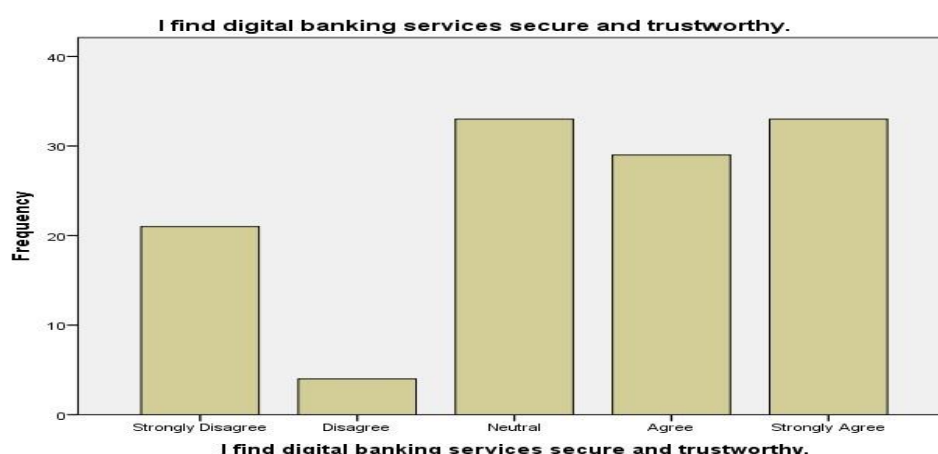
Digital banking has helped save money more efficiently.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	22	18.3	18.3	18.3
	Disagree	4	3.3	3.3	21.7
	Neutral	32	26.7	26.7	48.3
	Agree	28	23.3	23.3	71.7
	Strongly Agree	34	28.3	28.3	100.0
	Total	120	100.0	100.0	



There are 28.1 percent of individuals who have been able to save more money thanks to online banking, with 23.3 percent agreeing and 28.1 percent strongly agreeing with this statement. The remaining 26.7% are agnostic, while 18.3% are adamantly opposed to the idea.

Table 11 Trust in Digital Banking Security:

Find digital banking services that are secure and trustworthy.					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	21	17.5	17.5	17.5
	Disagree	4	3.3	3.3	20.8
	Neutral	33	27.5	27.5	48.3
	Agree	29	24.2	24.2	72.5
	Strongly Agree	33	27.5	27.5	100.0
	Total	120	100.0	100.0	



When asked if they have faith in digital banking, 27.5% agree and 24.2% strongly agree with the statement. Due to the fact that 27.5% of people are still neutral, there is a need for further education and trust-building.

CONCLUSION

As a result of overcoming the long-standing challenges of distance, cost, and accessibility, digital financial services (DFS) have emerged as a powerful facilitator of financial inclusion in rural areas of India. Mobile technology, platforms that are connected to Aadhaar, and innovative payment systems like as the Unified Payments Interface (UPI) are making banking, credit, insurance, and savings facilities more accessible to rural communities. This modification encourages economic empowerment, particularly for women, small-scale farmers, and micro-entrepreneurs, while simultaneously boosting the openness and efficiency of

welfare distribution. Specifically, this adjustment is beneficial to women. It is vital to take coordinated legislative initiatives, awareness efforts, and technological improvements in order to overcome persistent challenges such as digital illiteracy, infrastructure limitations, and security difficulties. This will enable the Department of Finance and Security to fulfil its full potential. Expanding digital financial services to rural areas of India is a significant step towards the creation of an economy that is inclusive, resilient, and empowered by technology. In the big scheme of things, this is a key move.

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