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Assessing the Impact of Financial Inclusion Programs on Digital Banking Adoption: A Case Study of Nagpur District

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Abstract

Now, the development of the digital banking is considered to be one of the noticeable consequences of the efforts to promote financial inclusion as targeted at the population that has no access to financial services. This paper conducts a pilot study on the extent that various financial inclusion programmes might help promote digital banking in the Nagpur district of Maharashtra. Using both primary and secondary sources, the study identify how government schemes, informational campaigns on financial literacy, banking correspondents/ banks and technology all affect the consumer behavior towards adopting Fintech. The research also looks into factors such as age, education, income and rural/Urban area that influence the degree of digital banking. It is as a result of this study that there is consistency in the increase in financially inclusion and the usage of digital banking services though inequities across the different social classes. This paper is concluded by providing suggestive measures for the policymakers and the financial institutions to achieve better outcomes in the implementation of inclusion programs and for providing equal opportunity especially for the consumers to get the benefits from the digital banking in this region.

Keywords: Financial Inclusion, Digital Banking Adoption, Nagpur District, Financial Literacy, Government Schemes, Banking Correspondents, Digital Transformation

INTRODUCTION

When discussing the contemporary progress of the process of financialization and the increase in the role of finance within the social and economical life of the contemporary world, the issue of financial inclusion constitutes one of the most important concerns for the effective development of the society. Financial inclusion has been on the international and national agenda as the dispersal of the right, timely and affordable products and services to the society. In the last two decades, India being a developing country, to improve its economy, Government ruled and financial authorities have started many programs and policies to fill this gap such as Pradhan Mantri Jan Dhan Yojna, direct benefit transfer, digital India, etc. It has now become a means to an end since the introduction of smartphones, internet, and account-opening and other banking technologies. Mobile banking, internet banking and other types of Banking such as digital wallet and UPI has remarkably revolutionized the old banking channel easing the flow of financial inclusion especially in semi urban and rural regions.

Nagpur district in the Indian state of Maharashtra is a suitable context for analyzing the connection between FI and the usage of digital banking. Being one of the developing urban cities lying in the area surrounded by rural areas, Nagpur possesses the heterogeneity in people across the class of economic inclusion. As

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mentioned earlier, financial modernization's progress has improved the application of the three dimensions, but digital literacy, infrastructure, socio-economic status, and technological change limitations and other factors hinder its overall effectiveness. It is thus important to identify the effects of these financial inclusion programs on the use of digital banking within a regional level such as Nagpur to help in formulation of adequate strategies in the future.

To achieve the objective of the present research, it is imperative to estimate the effects of providing overall financial access to the extent that it has contributed to the use of modern banking sectors among the residents of Nagpur district. Therefore, the research aims to delve into both the account ownership regarding quantitative data as well as digital transaction frequency and service use and the perceptions, attitudes and barriers regarding the situation. Mukherjee offers special focus on the discussion on financial literacy and awareness creation campaigns, the involvement of banking correspondents, influence of policy makers and policy formulation and impact of technology on base of the pyramid individuals to adopt the facility of digital banking services. Also the demographic factors like the age, gender, income, educational levels and area of residence are examined so as to establish the gap in the adoption behavior.

The importance of this study is apparent since it contributes to providing an understanding of how policymakers, financial institutions and technology providers can work together to build an inclusive digital financial service system for the citizens of the country. With India on its way to transform into a digitally charged economy, the mordant issue that arises now is to elongate the banking sectors and their fruit to every citizen including the less privileged. This research does not only extend knowledge available to scholars and students but offers strategic data helpful for resolving socio-economic issues in Nagpur district, as well as in other areas of the country with similar conditions. Thus, advancing a sustainable and comprehensive approach towards financial inclusion through digital banking is more than a technological process but, it is a process of trust building and delivery of economic power to the populace that has remained at the periphery of the financial system.

LITERATURE REVIEW

There has been increased interest in the topic of digital financial inclusion in literature in the last few years analyzing its effect on the economic development, eradication of poverty, economic innovation and even financial stability in any economy. For supporting the first hypothesis Ahmad et al., (2019) used provincial data of China that also reveals positive and significant impacts of DFI on economic growth through the provision of financial services to users who were hitherto financially excluded. Furthermore, Ji et al., (2016) pointed out that digital financial inclusion contribute positively to inequality between urban and rural income, in this context, they stressed the importance of entrepreneurship as the moderating component. Shen, Hueng, and Hu (2015) also provided evidences for these findings establishing that managing and employing advanced digital technologies in the unbanked areas increases financial access in China.

Bachas et al. (2018) defined the manner in which reducing the cost of transacting reduces the number of barriers to usage and increases the uptake of financial services through digital technologies. Identifying the daily experiences of paratransit workers in India, Baker (2017) elaborated how despite the availability of money through digital modes, socio-economic factors still influenced the possibilities and possibilities of digital participation. Ozili (2018) has further gone further to analyse the dynamics between digitalisation of finance, financial inclusion and stability and established that while digital finance enhances, it's also associated with regulatory and systemic risks that require consistent intervention. In another study focused on applying the concept of digital finance, Ozili (2020) opposed to the notion that digital finance is able to solve all problems confronting the poor called for adoption to the different contexts.

As for the robo-advisors, Dai (2017) paid much attention to the supervision and the development of robo-advisors stating that this tool falls within the framework of the digital financial inclusion, so that these tools should be more regulated and controlled to deliver the maximum of their effective in the complex forms of the financial system. Lu, Guo, and Zhou (2016) have earlier studied the effect of digital finance on the investment decision of the household and concluded that with the availability of digital finance services the ability of the household to diversify their portfolio and minimize the risk of extreme loss is enhanced. Similarly, Senou, Ouattara, and Houensou (2019) considered the dynamics of the WAEMU's financial inclusion committee and determined that the original link to the online finance community was a digital form of technology.

Therefore, Sun et al., (2015) explored the effects of financial inclusion in the digital environment for business competition, focusing on R&D work, which revealed that the levels of coverage of digital finance in the society have a positive association with innovation capability. Last but not the least, Wang and Fu (2015) concluded that digital financial inclusion is an effective tool, which can help to minimize rural households' risk of poverty as they proved it in the case of rural China with reference to digital accesses as a source of financial coping during the economic difficulties.

Overall, the reviewed literature has it that digital financial inclusion has immense potential in bringing changes to the existing socio-economic fabric of society. Still, it also reveals the potential constraints onto the digital literacy, the regulatory constraints, and socio-cultural constraints that may inhibit the depth and the sustainability of the digital banking. These insights are important when considering the current study wanting to evaluate the effectiveness of such financial inclusion programs to increase use of digital banking in Nagpur district from the socio-economic stand point.

OBJECTIVES OF THE STUDY

1. To examine the role of financial inclusion programs in promoting digital banking adoption in Nagpur district.

2. To analyze the socio-economic factors influencing digital banking usage among the population.

3. To assess the awareness and utilization of digital banking services resulting from financial inclusion initiatives.

Hypothesis

H_0 (Null Hypothesis): Financial inclusion programs have no significant role in promoting digital banking adoption in Nagpur district.

H_1 (Alternative Hypothesis): Financial inclusion programs have a significant role in promoting digital banking adoption in Nagpur district.

RESEARCH METHODOLOGY

The research design for the present study is descriptive and analytical in nature, and the study tries to fill the gap in understanding the flow as to how the financial inclusion programs support the adoption of digital banking in Nagpur district. The primary data was gathered with the help of a structured questionnaire given to the customers of banks in both urban and semi urban of Nagpur. In order to get the sample, simple random sampling technique was used and the sample received was further stratified for socio-economic status, age, sex and income. Therefore, secondary data was obtained from documents such as government reports, RBI publications and journals, bank records, and research papers done in the past focusing on the areas of financial inclusion and digital banking. Closed-ended and Likert scale questions were asked with an objective of establishing the level of awareness, their usage, various experiences encountered and perceived effects of financial inclusion initiatives.

Section of the analysis done was descriptive statistics and correlational analysis and simple regression analysis to test the formulated hypothesis. Measures of ethics that included permission, confidentiality, and voluntary participation were embraced in the course of the study. This methodological approach will entitle an empirical and inclusive understanding of the role that financial inclusion plays in the digital banking of the residents of the Nagpur district.

Analysis of Descriptive Statistics

The descriptive statistics reveal valuable insights into the relationship between financial inclusion programs and digital banking adoption in the Nagpur district. The total average score on self-reported awareness of the financial inclusion programs for the respondents is 3.85 out of 5. This indicates that financial inclusion campaigns have gone a long way in targeting a good number of people. The mean usage score for digital banking services is 4.10 out of 5 and indicates the degree of adoption and signifies that, the awareness of the subject with regard to the financial inclusion programs is indeed taking up the services accessible on digital banks. The perceived ease of use and perceived financial benefits the two factors had the mean score of 3.90 and 4.00 respectively suggesting that the users find the services easily accessible and economical. On the other hand, the mean score as regards to the challenges faced during the implementation of digital banking is slightly lower at 2.45 thus despite of the existence of some challenges most customers do not find it challenging to engage in digital banking. A stability in responses is assumed by the generally low values of standard deviations given on all the variables investigated. The descriptive analysis goes in support of H_1 – namely that there is a positive an significant involvement of financial inclusion programs in promoting the usage of digital banking in Nagpur district.

Analysis of Hypothesis Testing

The hypothesis testing was conducted using the Pearson correlation test in order to determine the existence of correlation between the awareness of financial inclusion programs and usage of digital banking services by the respondents in Nagpur district. The X and Y values obtained have shown that there exists a high positive correlation, the coefficient being 0.652 and significance level of <0.01 and 2 tailed. This implies that with an increase in the level of knowledge with regards to the existence of the financial inclusion programs there is likely to be a corresponding increase in the use of digital banking services. Since the p-value is concluded to be less than 0.01, the null hypothesis (H_0) is rejected while accepting the stand taken by the alternative hypothesis (H_1) and this, therefore, gives credence to the argument that financial inclusion programs have a part to play in supporting the advancement of digital banking in the region. The study further stresses that the measures designed to increase knowledge about personal finance and improve access to cash products can effectively support the increased speed of people's transition to digital banking.

DISCUSSION

Based on the hypothesis testing techniques and descriptive analysis, the study affirms indeed that programs that encourage financial inclusion are the driving forces towards the use of digital banking in the Nagpur district. The fairly high and positive coefficient of 0.652 on the variable assessing the participant's awareness of financial inclusion initiatives and the usage of the digital banking services demonstrates that participants who have better awareness of financial inclusion programs are more likely to engage in the use of digital banking services. This is in line with other prior studies by Bachas et al. (2018) who described the need to cut down transaction costs and inefficiency while boosting financial literacy as being favorable forces towards development of digital financial services. These are in sync with the other studies such as Ahmad et al., (2019) and Ji et al., (2016) stating that increase in awareness and financial products that are offered electronically, leads to both improved individual's financial performance and that of the entire financial sector.

Moreover, the perceived financial benefits and easy to use are acceptable meaning that the respondents view the digital banking as a useful service, supporting the hypothesis that digital finance inclusion is relevant to facilitate the adoption. The challenges faced average score is relatively low at 2.45; this reflects that there are not much perception of high difficulties in technology in embracing the digital banking, where the problem of the financial inclusion might have solved this problem.

However, while the results are positive, it is vital to obtain information about some limitations that may be present, including low digital literacy levels and limited access to Internet and other resources among some members of society and groups, as well as other socio-economic factors. Baker (2017) and Ozili (2018) note that such barriers may limit access to financial inclusion in an area of service such as banking through the usage of digital technology. Hence, though with the expansion of the development of digital banking, such challenges need further efforts to be overcome in order to achieve effective financial inclusion for the targeted and marginalized groups.

Therefore, the paper has established that FTM strategies have a positive association with digital banking services' usage in the Nagpur district. Besides, these programs contribute to other realisation of economical goals by increasing availability of digital financial instruments. However, it is important to adapt existing barriers in order to encourage a topically, adequately capitalized, and policy-tweaked steady, indispensable development in the field of digital banking.

CONCLUSION

The study establishes strong recommendation that shows that financial inclusion programmes are key in influencing people's use of digital banking in Nagpur district. The positive and significant relationship between awareness of financial inclusion interventions, as well as the use of digital banking services reflects on the posited impacts of the programs in fostering the improvement of financial education and usage of banking services. This research implies that with more awareness from the programs, carryout on the solutions provided more persons would be adopting the use of digital banking services as the fruits of mobile money towards general financial support for individuals and group make up progress.

In addition the perceived attributes of digital banking like easy and financially efficient enhance its popularity as adopted by the people. Overall it is understood that there are more supporting factors which are favourable for the further advancement of digital banking in the given area though there are a few obstacles which include issues of digital literacy and digital infrastructure. It also discovered that great improvement has been made in the fight to enhance financial inclusion but more improvement is still needed to ensure marginalized population especially those in the rural areas are included.

Therefore, it is safe to conclude that financial inclusion programs play an essential role in the intervention and promotion of adoption of digital banking facilities. These programs play not only the role of narrowing the digital divide but also the one aimed at promoting the financial and overall economical well-being at the individual and community level. The future policies should aim at resolving these challenges and extend the means of these solutions to all the parts of the community in order to use the digital banking for the benefit of all divided into layers of the society, especially the least privileged one.

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