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IMPACT OF DIGITAL SYSTEM ON FINANCIAL INCLUSION

A Study with Special Reference to Young Adults

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ABSTRACT

In recent years, digital payment systems have significantly transformed the financial landscape by providing faster, safer, and more convenient methods of financial transactions. The rapid growth of technologies such as Unified Payments Interface (UPI), mobile wallets, debit and credit cards, and internet banking has increased accessibility to financial services. These digital platforms play a vital role in promoting financial inclusion by enabling individuals to access formal banking services and participate in the financial system more efficiently. This study aims to examine the impact of digital payment systems on financial inclusion among individuals. The research adopts a descriptive research design and primary data was collected through a structured questionnaire from selected respondents. Statistical tools such as percentage analysis and chi-square tests were used to analyse the collected data. The findings of the study indicate that digital payment systems have improved access to banking services, increased financial participation, and encouraged cashless transactions among individuals. However, factors such as digital literacy, internet connectivity, and security concerns continue to influence the adoption of digital financial services. The study emphasizes the need to promote digital awareness and financial education programs to strengthen financial inclusion and encourage responsible usage of digital payment systems.

Keywords: Digital Payment Systems, Financial Inclusion, Young Adults, UPI, Mobile Wallets, Digital Banking, Cashless Transactions, Financial Access, Digital Literacy.

I.INTRODUCTION

The rapid growth of digital technology has significantly transformed the global financial system. Digital payment systems such as mobile banking, UPI, internet banking, debit and credit cards, and digital wallets provide faster, safer, and more convenient financial transactions.

Financial inclusion ensures that individuals have access to essential financial services like banking, savings, credit, and insurance. Digital payment systems support financial inclusion by reducing dependence on cash and enabling easier access to formal financial services.

In India, initiatives such as Digital India, Pradhan Mantri Jan Dhan Yojana (PMJDY), and UPI have promoted the adoption of digital payments. However, challenges such as limited digital literacy, security concerns, and poor internet connectivity still affect full financial inclusion. Therefore, this study examines the role of digital payment systems in improving financial inclusion and the factors influencing their adoption.

II. REVIEW OF LITERATURE

No	Author(s)	Country	Research Approach	Sample Size	Main Finding
1	Minarni (2025)	Developing Economies	Literature Review	Secondary Sources	Digital payments improve financial access and efficiency for SMEs.
2	Siddik & Kabiraj (2019)	Emerging Economies	Conceptual Review	Secondary Sources	Digital finance promotes poverty reduction and inclusive growth.
3	Osuma (2025)	Sub-Saharan Africa	GMM & Quantile Regression	28 Countries	Digital financial services reduce poverty effectively.
4	Ibrahim et al. (2022)	Africa	Conceptual Review	Secondary Data	Digital banking supports socio-economic inclusion.
5	Nnaomah et al. (2024)	USA & Nigeria	Comparative Analysis	Secondary Data	Mobile payments improve financial inclusion.

III. RESEARCH METHODOLOGY

The research design adopted for this study is descriptive in nature to examine the relationship between digital payment systems and financial inclusion.

- Area of Study: Coimbatore
- Sample Size: 86 respondents
- Sampling Technique: Convenience Sampling
- Data Source: Primary data collected through structured questionnaire.

The questionnaire consisted of questions related to demographic profile, awareness of digital payment systems, and financial inclusion.

Statistical Tools Used

- Percentage Analysis
- Chi-Square Test
- Correlation Analysis

The collected data were analysed using Microsoft Excel and SPSS software.

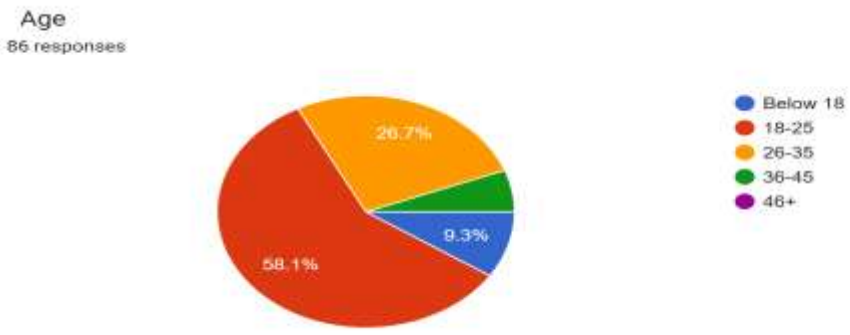
IV. RESULTS AND DISCUSSION

4.1 Demographic Profile

Table 4.1 Demographic Profile

Age Group	Frequency	Percentage (%)
Below 18	12	14.12
18-25	47	55.29
26-35	21	24.71
36-45	5	5.88
Total	86	100

Chart 4.1 Demographic Profile



INTERPRETATION

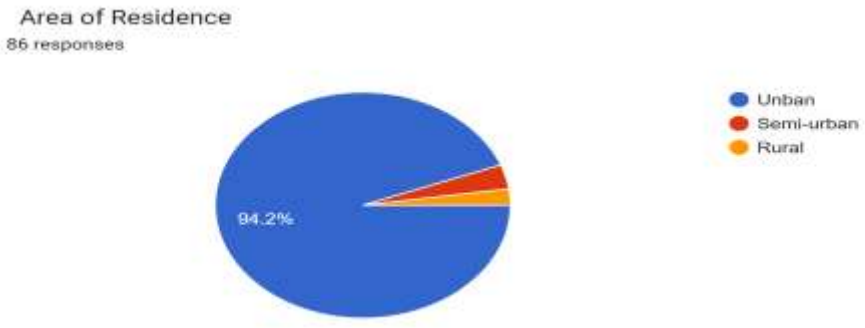
The majority of respondents belong to the **18–25 age group (55.3%)**, indicating that the survey mainly represents the views of young adults, particularly students and early-career individuals. The **26–35 age group (24.7%)** forms the second largest category, reflecting the participation of young professionals. A smaller proportion of respondents are **below 18 years (14.1%)** and **36–45 years (5.9%)**, showing limited representation from adolescents and older adults. Overall, the findings mainly reflect the perspectives of the **18–25 age group**, and the views of older age groups are less represented.

4.2 Area of residence

Table 4.2 Area of residence

Area of Residence	Frequency	Percentage (%)
Rural	2	2.35
Semi-urban	3	3.53
Urban	80	94.12
Total	86	100

chart 4.2Area of residence



INTERPRETATION

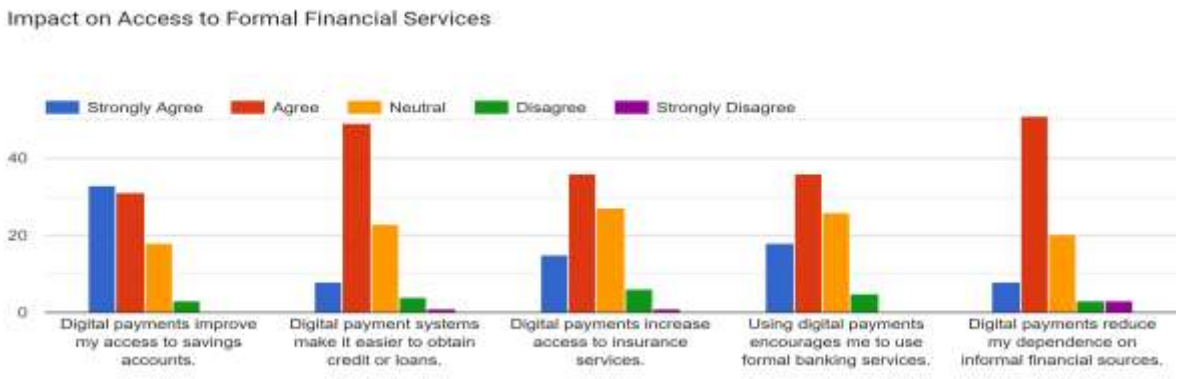
1. The majority of respondents (94.1%) belong to urban areas, showing that the sample is mainly urban-based.
2. Rural (2.35%) and semi-urban (3.53%) respondents are very few, indicating low representation from these areas.
3. Therefore, the results of the study mainly reflect urban perspectives and may not fully represent rural populations.

4.3 Impact on Access to Formal Financial Services

Table 4.3 Financial Services

strongle agree	agree	nentral	disagree	strongly disagree	total
34.9	38.4	19.8	3.5	0	100
9.3	51.2	29.1	7	1.2	100
16.3	44.2	25.6	11.6	1.2	100
23.3	43	24.4	7	0	100
10.5	59.3	19.8	4.7	3.5	100

Chart 4.3 Financial Services



4.5 CHI SQUARE TEST

Variable Tested	P-value	Result
Digital Payment Usage and Access to Financial Services	0.0002	Since the p-value is less than 0.05, the null hypothesis is rejected. There is a significant relationship between digital payment usage and access to financial services.

The chi square test revels:

- The Chi-square test reveals that the p-value (0.0002) is less than 0.05, so the null hypothesis is rejected.
- It indicates a significant relationship between digital payment usage and access to financial services.

4.6 ANOVA ANALYSIS

Variable	P-value	Interpretation
Impact of Digital Payment Systems on Financial Inclusion	0.28765	The p-value (0.28765) is greater than 0.05, so the null hypothesis is accepted. Hence, there is no significant difference between the groups.

The ANOVA result show:

1. The p-value (0.28765) is greater than 0.05, so the null hypothesis is accepted.
2. The result shows that there is no significant difference in the level of financial inclusion among Rural, Urban, and Semi-Urban respondents.

V. LIMITATIONS OF THE STUDY

1. The study is limited to respondents in Coimbatore, so the findings may not represent other regions.
2. The sample size is small due to time constraints.
3. The research is based on self-reported responses, which may include personal bias.
4. Convenience sampling was used, which limits the generalization of the results.

VI. CONCLUSION

The study concludes that digital payment systems play an important role in promoting financial inclusion among young adults. Digital platforms such as mobile payments, online banking, and UPI have improved access to financial services and encouraged cashless transactions. However, factors like digital literacy, awareness, and internet connectivity still influence the effective use of these systems. Improving financial education and strengthening digital infrastructure can further support the growth of digital payments and enhance financial inclusion.

VII. FUTURE WORK

Future research can focus on a larger sample size and include respondents from different regions to obtain more comprehensive results. Further studies can also examine the impact of emerging technologies such as fintech applications, digital security systems, and government initiatives on financial inclusion. Additionally, research can explore ways to improve digital literacy and build trust in digital financial services among users.

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