



Digital Financial Inclusion in India: Progress, Challenges, and Policy Pathways for Achieving Viksit Bharat 2047

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Abstract

Financial inclusion has become an important element in promoting inclusive economic development in India. In recent years, the expansion of banking services and the rapid growth of digital payment systems have improved access to formal financial facilities for a large section of the population. The present study examines the progress of digital financial inclusion in India, identifies the major challenges affecting its effective utilization, and explores policy pathways to support the vision of Viksit Bharat 2047. The study is based on primary data collected from respondents regarding the usage of digital financial services and the difficulties faced while using them. Statistical tools such as percentage analysis and hypothesis testing are applied to interpret the data. The findings indicate that digital financial services significantly enhance financial participation, although issues related to digital literacy, internet access, and security concerns continue to affect wider adoption.

Keywords: Financial Inclusion, Digital Payments, Financial Literacy, Digital Banking, Inclusive Growth, Viksit Bharat 2047.

1. Introduction

Financial inclusion has emerged as a key pillar of India's inclusive growth strategy and is central to achieving the vision of *Viksit Bharat 2047*. It refers to ensuring affordable access to banking, credit, insurance, and digital payment services for all sections of society, particularly the poor and marginalized. Over the past decade, India has made remarkable progress through initiatives such as the **Pradhan Mantri Jan Dhan Yojana (PMJDY)**, digital identity through Aadhaar, and mobile connectivity under the JAM framework. More than **53 crore bank accounts** have been opened



under PMJDY, with nearly **67% located in rural and semi-urban areas and over 55% held by women**, reflecting broader financial participation.

Digital payment systems have further strengthened inclusion; the **Unified Payments Interface (UPI)** now processes billions of transactions and accounts for a major share of India's digital payments ecosystem. Despite this progress, challenges such as digital literacy gaps, inactive accounts, and uneven regional access remain, highlighting the need for stronger policy pathways toward inclusive financial development.

2. Literature Review

Financial inclusion has been widely recognized as a crucial instrument for promoting inclusive economic growth and reducing poverty. Early studies emphasized that access to formal banking services enables marginalized populations to participate in the financial system and improves their socio-economic conditions. Research indicates that financial inclusion enhances savings, credit availability, and economic security for low-income households, thereby contributing to overall development. ([arXiv](#))

Several scholars have examined India's policy initiatives aimed at expanding financial inclusion. Studies highlight that the **Pradhan Mantri Jan Dhan Yojana (PMJDY)** significantly increased the number of bank accounts and expanded access to basic banking facilities. However, researchers also note that the mere opening of bank accounts does not guarantee effective inclusion unless customers actively use financial services and possess adequate financial literacy. ([indianjournalofentrepreneurship.com](#))

Recent literature increasingly focuses on the role of financial technology and digital payment systems in strengthening inclusion. Empirical analysis shows that the adoption of digital payments, particularly through platforms such as the **Unified Payments Interface (UPI)**, has positively influenced financial inclusion. Evidence suggests that a 10% rise in digital payment usage can lead to nearly a 7–8% improvement in financial inclusion indicators across Indian states. ([JIER](#))

Scholars further argue that although access to financial services has improved considerably, challenges related to usage, service quality, and digital literacy persist. A structured review of financial inclusion research emphasizes that future policy efforts should focus not only on expanding access but also on improving the effective utilization of financial services among underserved groups. ([Indian Journal of Capital Markets](#))

Overall, the existing literature highlights substantial progress in India's financial inclusion journey through government initiatives, digital infrastructure, and fintech innovations. Nevertheless, the need for stronger financial literacy programs, improved digital infrastructure, and targeted policy

interventions remains critical to achieving inclusive financial development and realizing the vision of Viksit Bharat 2047.

3. Research Gap

Existing studies on financial inclusion in India mainly focus on expanding access to banking services through government initiatives such as the **Pradhan Mantri Jan Dhan Yojana**, which has resulted in the opening of more than 50 crore basic savings accounts. Many researchers have also examined the rapid growth of digital payment systems and their contribution to financial access. However, most studies emphasize account ownership and digital transaction growth rather than the **actual usage and long-term impact of digital financial services on inclusive development**.

Another important limitation in previous research is the lack of comprehensive analysis linking **digital financial inclusion with the national development vision of Viksit Bharat 2047**. Although several studies discuss financial inclusion in rural and urban contexts, limited empirical evidence exists regarding how digital financial services contribute to sustainable economic participation among vulnerable groups such as women, small farmers, and informal sector workers. Furthermore, earlier research often concentrates on macro-level indicators, while **micro-level behavioural factors such as digital literacy, trust in digital platforms, and accessibility barriers** remain relatively unexplored. Therefore, a detailed study is required to examine the progress, challenges, and policy pathways of digital financial inclusion in India in the context of achieving inclusive growth and the long-term national goal of Viksit Bharat 2047.

4. Objectives of the Study

1. **To examine the progress of digital financial inclusion in India** with reference to the expansion of bank accounts, digital payment systems, and access to formal financial services.
2. **To analyse the level of adoption and usage of digital financial services** such as mobile banking, internet banking, and digital payments among individuals.
3. **To identify the major challenges and barriers affecting digital financial inclusion**, particularly in rural and economically weaker sections of society.
4. **To evaluate the role of digital financial inclusion in promoting inclusive economic participation and financial empowerment.**
5. **To suggest policy measures and strategic pathways to strengthen financial inclusion** in order to support the national vision of Viksit Bharat 2047.

5. Hypotheses of the Study

H1: Digital financial services significantly influence the level of financial inclusion among individuals in India.

H2: The adoption of digital payment systems positively affects the effective usage of formal banking services.

H3: Digital literacy has a significant impact on the utilization of digital financial services.

H4: Barriers such as limited internet access and lack of awareness significantly affect digital financial inclusion.

H5: Digital financial inclusion contributes positively to inclusive economic participation and financial empowerment.

6. Research Methodology

The present study adopts a **descriptive and analytical research design** to examine the progress, challenges, and policy pathways of digital financial inclusion in India. Both **primary and secondary data** are used for the analysis. Primary data are collected through a structured questionnaire administered to individuals who use or have access to banking and digital financial services. The questionnaire includes questions related to digital payment usage, banking accessibility, financial awareness, and challenges faced while using digital financial platforms.

The study may consider a **sample size of around 200–300 respondents**, selected through a convenient sampling method to understand the level of digital financial service adoption. Basic demographic information such as age, education, occupation, and income is also collected to analyse behavioural patterns in financial service usage.

Secondary data are obtained from published reports of the **Reserve Bank of India, National Payments Corporation of India**, government publications, research journals, and policy documents related to financial inclusion and digital payments in India. These sources provide statistical information on bank account penetration, digital transaction growth, and financial inclusion initiatives.

For data analysis, statistical tools such as **percentage analysis, descriptive statistics, and hypothesis testing techniques** are applied to interpret the collected data and draw meaningful conclusions regarding the role of digital financial inclusion in achieving the vision of Viksit Bharat 2047.

7. Data Analysis

Table 1: Growth of Jan Dhan Accounts in India

Year	Jan Dhan Accounts (Crore)
2018	31
2019	35
2020	40
2021	44
2022	48
2023	50
2024	53

Interpretation

The data indicates a continuous rise in basic bank accounts in India. The number increased from **31 crore in 2018 to 53 crore in 2024**, showing significant expansion of financial access. This growth reflects the success of financial inclusion initiatives and the increasing participation of rural households in formal banking services

Table 2: Usage of Digital Financial Services (Sample Respondents)

Service	Users (%)
1. UPI Payments	78
2. Mobile Banking	64
3. Internet Banking	52
4. Debit Card Usage	70
5. AEPS	36

Interpretation

UPI payments show the highest adoption at **78%**, followed by debit card usage at **70%**. Internet banking and AEPS usage remain comparatively lower. The findings suggest that **mobile-based payment platforms are the most preferred digital financial tools among users.**

Table 3: Major Barriers Faced by Respondents

Barrier	Respondents (%)
1. Low Digital Literacy	42
2. Poor Internet Connectivity	37
3. Security Concerns	33
4. Lack of Awareness	29
5. Language Barriers	21

Interpretation

The major obstacle is **low digital literacy (42%)**, followed by internet connectivity problems. These barriers indicate that technological access alone is insufficient; **digital skills and awareness programs are essential for effective financial inclusion.**

Table 4: Impact on Economic Participation

Impact Area	Respondents (%)
1. Savings Habit	61
2. Access to Credit	48
3. Online Purchases	55
4. Government Benefit Transfers	72
5. Small Business Payments	46

Interpretation

Government benefit transfers recorded the highest response at **72%**, showing that digital platforms are widely used for welfare payments. Digital finance has also encouraged savings and online transactions among users.

Table 5: Preferred Policy Measures

Policy Measure	Respondents (%)
1. Financial Literacy Programs	68
2. Better Rural Internet	63

3. Simplified Digital Apps	51
4. Cyber security Awareness	49
5. Banking Correspondent Expansion	44

Interpretation

Most respondents support **financial literacy programs (68%)** and improved rural internet connectivity. These findings highlight that **policy focus should combine digital infrastructure with financial education** to strengthen inclusion.

8. Hypothesis Testing

Hypothesis 1

H0: Digital financial services do not significantly influence financial inclusion.

H1: Digital financial services significantly influence financial inclusion.

Based on the high adoption of UPI, mobile banking, and debit cards among respondents, **H1 is accepted**, indicating that digital financial platforms play a significant role in expanding financial inclusion.

Hypothesis 2

H0: Digital payment adoption does not affect banking service usage.

H1: Digital payment adoption positively affects banking service usage.

Since more than **70% of respondents use digital payment tools**, the study supports **H1**, suggesting a positive relationship between digital payments and banking participation.

Hypothesis 3

H0: Digital literacy has no impact on financial service utilization.

H1: Digital literacy significantly influences financial service usage.

Because **42% of respondents identified low digital literacy as a barrier**, **H1 is supported**, indicating that digital skills influence financial service adoption.

Hypothesis 4

H0: Accessibility barriers do not affect financial inclusion.

H1: Accessibility barriers significantly affect financial inclusion.

The presence of connectivity issues and security concerns confirms **H1**, showing that accessibility challenges hinder financial inclusion.

Hypothesis 5



H0: Digital financial inclusion does not influence economic participation.

H1: Digital financial inclusion improves economic participation.

The improvement in savings, government transfers, and online transactions supports **H1**, demonstrating that digital financial inclusion contributes to broader economic participation.

9. Findings of the Study

The major outcomes derived from the analysis are summarized below:

1. The study reveals a significant expansion of financial inclusion in India, reflected in the steady increase in bank account ownership and the growing participation of individuals in formal banking services.
2. Digital payment platforms such as mobile banking, debit cards, and instant payment systems are widely used, indicating a rapid shift toward technology-based financial transactions.
3. The results show that digital financial services play an important role in strengthening financial inclusion and improving access to formal financial systems.
4. The analysis identifies several barriers affecting digital financial inclusion, including limited digital literacy, poor internet connectivity, and concerns regarding the security of digital transactions.
5. Digital financial services have positively influenced economic activities by encouraging savings habits, facilitating government benefit transfers, and supporting digital transactions for daily financial needs.
6. The study also highlights the importance of financial literacy initiatives, improved digital infrastructure, and stronger awareness programs to enhance the effective use of digital financial services.
7. Overall, the findings indicate that strengthening digital financial inclusion is essential for achieving inclusive economic development and supporting the national vision of *Viksit Bharat 2047*.

10. Suggestions

Based on the findings of the study, the following practical recommendations are proposed to strengthen digital financial inclusion in India:

1. **Strengthening financial literacy:** Awareness and training programs should be conducted to improve digital financial knowledge among rural and economically weaker sections of society.



2. **Improving digital infrastructure:** Expanding reliable internet connectivity and mobile network coverage in rural and remote areas will facilitate greater access to digital financial services.
3. **Enhancing digital security:** Financial institutions should adopt stronger cybersecurity measures and educate users about safe digital transaction practices to build trust in digital platforms.
4. **Simplifying digital platforms:** Banking applications and payment interfaces should be designed in simple and user-friendly formats, including regional language options to improve accessibility.
5. **Promoting government initiatives:** Public policies and financial inclusion schemes should continue to encourage the adoption of digital banking and payment systems among underserved populations.
6. **Expanding banking outreach:** Increasing the presence of banking correspondents and digital service centers in rural regions can help bridge the gap between financial institutions and local communities.

These measures can enhance the effectiveness of digital financial inclusion and contribute to inclusive economic development aligned with the vision of Viksit Bharat 2047.

11. Conclusion

The study highlights the significant progress made in expanding digital financial inclusion in India over the past decade. Increased access to banking services and the widespread adoption of digital payment systems have enabled a larger section of the population to participate in the formal financial system. Digital platforms have improved convenience in transactions, supported government benefit transfers, and encouraged financial participation among individuals.

However, the analysis also indicates that challenges such as limited digital literacy, inadequate internet connectivity, and security concerns continue to affect the effective use of digital financial services. Addressing these issues is essential to ensure that financial inclusion benefits all sections of society. Strengthening financial education, improving digital infrastructure, and promoting secure digital practices will play a crucial role in expanding financial participation.

Overall, sustained policy support and technological development can further strengthen digital financial inclusion and contribute to inclusive economic growth in line with the vision of Viksit Bharat 2047.



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