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Digital Banking: A Key Contributor towards Financial Inclusion in Rural Faridabad

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ABSTRACT

Digital banking has become an important part of India's financial system, especially in improving access to banking services for people living in rural areas. This research paper examines the role of digital banking in promoting financial inclusion in rural Faridabad, where limited banking infrastructure and physical distance from bank branches have traditionally restricted access to formal financial services. Financial inclusion aims to ensure that all individuals, irrespective of income level or location, can access essential financial services such as savings, credit, insurance, and secure payment systems.

The study focuses on the adoption and impact of digital banking services such as mobile banking, internet banking, Unified Payments Interface (UPI), Aadhaar-enabled Payment Systems and Direct Benefit Transfer (DBT) schemes in rural Faridabad. These services have made financial transactions easier and faster by reducing dependence on cash and minimizing the need for frequent visits to bank branches. Government initiatives such as Pradhan Mantri Jan Dhan Yojana, Digital India, and financial awareness programs have played a significant role in encouraging rural residents to open bank accounts and adopt digital modes of banking.

The paper also highlights the contribution of banks, business correspondents, and fintech companies in delivering digital financial services at the grassroots level. Despite visible progress, several challenges continue to limit the effective use of digital banking in rural areas, including low digital literacy, poor internet connectivity, fear of online fraud, and reluctance to adopt new technologies among elderly and less-educated populations.

The findings indicate that digital banking has positively contributed to financial inclusion in rural Faridabad by improving access to banking services, ensuring timely receipt of government benefits, and promoting cashless transactions. The study concludes that strengthening digital infrastructure, enhancing digital literacy, and building trust among rural users are essential for achieving sustainable and inclusive rural economic development through digital banking.

*Keywords***:** Digital Banking; Financial Inclusion; Rural Faridabad; Digital Literacy; Government Schemes; Rural Development.

1. INTRODUCTION

India's financial sector has seen major progress and transformation in the last ten years. One of the most noticeable developments has been the rise of digital banking. This growth has played a key role in bringing more people into the formal banking system. In rural places like Faridabad, which is part of the National Capital Region, digital banking is not just about new technology. For many residents, it has changed the way they handle money, make payments, and access banking services, especially those who were previously excluded from traditional banking facilities.

Financial inclusion simply means giving everyone a fair chance to use essential financial services at reasonable costs. These services include opening bank accounts, saving money, getting loans, and purchasing insurance. Across the world, financial inclusion is regarded as a crucial step toward reducing poverty and enhancing economic growth. The United Nations also recognizes its importance, as it supports several of the Sustainable Development Goals aimed at improving global living standards and promoting sustainable growth.

In India, financial inclusion has evolved from being a government initiative to a national effort. This progress has been made possible due to government support, clear rules from financial authorities, and the adoption of new technology. According to the Reserve Bank of India, the Financial Inclusion Index reached 67 in 2025. This shows a 24.3 percent increase compared to 2021. The improvement can be seen in three main areas: access to financial services, frequency of use, and the quality of those services. One of the main reasons for this growth is the expansion of digital banking facilities. New technologies have helped bring banking services to people who earlier did not have access to them. Services such as mobile banking, digital payment systems, and the Unified Payments Interface (UPI) have revolutionized the way people send and receive money. These digital services are especially helpful in

rural areas, where there are fewer bank branches and limited physical banking facilities.

Digital banking has expanded quickly in recent years, but many rural areas in India still find it difficult to use these services fully. People in cities have adopted digital banking faster, while rural communities often lag behind. This is mainly because of poor internet connectivity, low digital literacy, and worries about safety and trust.

The growth of digital banking platforms such as mobile banking apps, internet banking, UPI, and Aadhaar-based biometric authentication has changed how financial services are delivered. These tools allow people to access banking services anytime, make affordable transactions, and easily receive benefits from government programs. As a result, the reliance on cash and informal borrowing sources has gradually declined. The JAM initiative, which combines Jan Dhan accounts, Aadhaar, and mobile technology, has been effective in connecting individuals to formal banking systems and improving the distribution of welfare programs.

Faridabad is a valuable area to study because it has both growing urban regions and traditional rural communities. This mix helps in understanding how technology supports financial inclusion in different settings. Since nearly two-thirds of India's population lives in rural areas, studying how people adopt digital banking is important for ensuring equal access to financial services across the country.

Faridabad district in Haryana, which is part of the National Capital Region, combines industrial urban centers with agriculture-focused rural villages. Rural areas in the district often face challenges such as a limited number of bank branches, lower literacy levels in some communities, and a strong dependence on agriculture for livelihood. In rural Faridabad, a large share of the population depends on farming and informal economic activities. The introduction of digital financial services has helped reduce dependence on cash transactions and traditional moneylenders.

This study highlights digital banking as an important factor in promoting financial inclusion by making banking services more accessible, affordable, and easier to understand. Drawing on research regarding rural India, the paper reviews the benefits, obstacles, supporting evidence, and potential strategies for improvement. This study focuses on how digital banking helps enhance financial inclusion in rural Faridabad. It examines the current availability of digital financial services, the key factors that promote or hinder their use, and their impact on rural families and small

businesses. The research also looks at the role of government programs, financial institutions, and community involvement in encouraging the use of digital banking. The findings of this study can be beneficial not only for Faridabad but also for other regions in India with similar rural and urban characteristics that are gradually adopting digital financial services.

2. REVIEW OF LITERATURE

A literature review is important because it helps to understand what previous studies have found about the topic. It also shows the research gap and explains why the current study is necessary. Digital banking has been widely recognized as a driver of financial inclusion.

Singh, A. (2022) demonstrated that digital banking plays an important role in narrowing the financial gap between rural and urban populations by improving access to banking services and reducing dependency on traditional banking methods. The study highlighted the digital platforms help individuals perform transactions more easily, encourage savings, and promote participation in the formal financial system.

Raju et al. (2024) observed that a lack of trust and concerns about online security continue to limit the adoption of digital banking among rural customers. The research emphasized that fear of fraud, limited awareness about safe digital practices, and unfamiliarity with technology often discourage people from using digital financial services. It suggested that improving cybersecurity awareness and providing proper guidance could help increase user confidence.

Prasad et al. (2024) found that the adoption of digital payment systems has a positive effect on rural financial participation by making transactions faster, more convenient, and cost-effective. The study also noted that digital payments support small businesses by simplifying payment processes and improving financial record-keeping, which can contribute to better financial planning.

Aishwaryalaxmi and Rathod (2025) emphasized that internet banking supports rural economic transformation by encouraging better saving habits and improving access to formal financial services. Their study suggests that when rural customers actively use digital platforms, they

are more likely to participate in structured financial activities, leading to greater financial stability.

Khurana et al. (2025) further identified a strong relationship between the growth of fintech services and the rise in financial account usage. The researchers noted that innovative financial technologies simplify transactions, reduce operational costs, and make banking services more convenient, thereby attracting previously unbanked populations into the formal financial system.

Vani and Agarwal (2025) highlighted that inadequate infrastructure and low levels of digital literacy remain major barriers to digital banking adoption in rural areas. Their findings indicate that unreliable internet connectivity, limited access to smart devices, and insufficient technical knowledge often prevent rural users from fully benefiting from digital financial services.

Mookerjee et al. (2025) argued that financial capability is just as important as financial access for achieving true inclusion. According to their research, individuals must not only have access to banking services but also possess the skills and confidence to use them effectively for saving, borrowing, and managing money.

The existing literature highlights the growing importance of digital banking in promoting financial inclusion, particularly in rural areas where access to traditional banking services has historically been limited. Researchers widely agree that digital financial tools help bridge the gap between formal banking institutions and underserved populations

3. METHODOLOGY AND RESEARCH DESIGN

The present study adopts a descriptive and analytical research design. The descriptive component systematically portrays the current level of awareness, adoption, and usage of digital banking services, mobile banking, UPI, Aadhaar-enabled payments, internet banking, and DBT, among rural residents of Faridabad. It also documents the status of financial inclusion indicators such as account ownership, savings behaviour, credit access, and receipt of government benefits.
The analytical component examines cause-and-effect relationships and associations between variables. It investigates how factors such as digital literacy, internet connectivity, age, education, income, and awareness of government schemes influence the adoption of digital banking and the overall level of financial inclusion. This design enables both a clear

snapshot of the situation and deeper insights into how digital banking contributes to financial inclusion in the study area.

Objectives of the Study

- To assess awareness and adoption levels of digital banking among rural residents of Faridabad.
- To examine the relationship between digital banking usage and financial inclusion.
- To identify key barriers affecting digital banking adoption.
- To suggest policy measures for strengthening digital financial inclusion

Population and Sample Design

The universe of the study comprises all adult residents above 18 years living in rural areas of Faridabad district, Haryana. As per the Census updated projections indicate similar proportions the rural population of the district is 3.71 lakh, spread across villages in the three blocks: Faridabad, Ballabgarh and Tigaon.

A sample of 150 respondents was drawn using multistage stratified random sampling a method widely used in comparable Haryana-based studies.

Stage 1: All three rural blocks of Faridabad district were selected.

Stage 2: From each block 05 villages were randomly chosen total 15 villages to ensure geographical representation.

Stage 3: Within each village, households were selected randomly using the voter list village panchayat records.

Stage 4: From each household, one adult respondent preferably the primary financial decision-maker was interviewed.

This sample size ensures statistical reliability and allows meaningful subgroup analysis by age, gender, education, and income.

Primary Data
Collected through a structured, pre-tested questionnaire. The questionnaire contained five sections:

Demographic profile, Awareness and usage of digital banking services, Impact on financial inclusion and daily transactions, Challenges and barriers. Suggestions for improvement Data were gathered through face-to-face interviews with assistance from local business correspondents and village volunteers where needed to ensure higher response quality in rural settings. Primary data were collected between June 2025 and December 2025.

Secondary Data

Reserve Bank of India (RBI) reports, Financial Inclusion Index, PMJDY progress reports, and UPI transaction data (2021–2025). Government of India and Haryana government publications on Digital India and DBT. Annual reports of public-sector banks and regional rural banks operating in Faridabad, and Previous research studies and NABARD reports on rural financial inclusion.

Tools of Data Analysis

Data were analyzed using Microsoft Excel, Descriptive Analysis, Frequencies, percentages, means, Cross-tabulations and bar and pie charts to present adoption levels and demographic patterns
Chi-square test- to examine associations between education level and digital banking adoption, between age group and fear of fraud. Karl Pearson correlation - to measure relationships digital literacy score and the frequency of UPI usage. Multiple regression analysis - to identify the significant predictors of digital banking adoption and financial inclusion

Ethical Considerations

Informed consent was obtained from every respondent. Respondents were assured of confidentiality and informed that participation was voluntary. No personal identifiers were recorded.

Limitations of the Study

- The study is limited to rural Faridabad only; findings may not be fully generalised to other districts.
- Self-reported data may contain some response bias.
- Rapid changes in technology and government policies after the survey period may affect the long-term relevance of findings.

Data Analysis and Interpretation

The main goal of analyzing the collected data was to understand how digital banking is shaping financial inclusion in rural Faridabad. Information from 150 respondents was systematically arranged and examined using statistical techniques like percentages, averages, cross-tabulations, chi-square tests, correlation, and regression analysis. These methods helped identify trends, relationships, and the overall impact of digital banking services on rural households.

Demographic Profile

The respondents came from different age groups, educational backgrounds, and income categories. A large portion belonged to the 25 to 45 age group, indicating that working-age individuals were more involved in financial activities. The number of male respondents was slightly higher than female, but women's participation in digital banking is steadily improving. Most respondents had completed secondary or higher secondary schooling. A smaller percentage had primary education, while a few were graduates. This diversity helped assess how educational background affects digital banking adoption.

Awareness and Adoption of Digital Services

Adoption Levels: 68% of respondents reported using at least one digital banking service regularly. Key services include UPI with 62% adoption, AEP at 48%, mobile banking apps at 41%, and 75% for DBT receipts via digital channels among PMJDY holders. Only 22% used internet banking frequently due to device connectivity issues.

Effect on Financial Inclusion

Impact on Financial Inclusion: 71% strongly agreed that digital banking improved access to savings. Meanwhile, 82% reported timely receipt of government benefits through DBT for subsidies, 65% noted reduced cash dependence, and 59% reported better financial planning and record-keeping for small businesses and households.

The findings suggest that digital banking has positively influenced financial inclusion in the study area. Respondents noted that digital transactions are faster, simpler, and more convenient than traditional banking methods. Many mentioned that they now visit bank branches less often, saving time and travel costs.

The use of DBT has ensured that government benefits are credited directly into bank accounts without delays. Additionally, individuals who regularly use UPI and mobile banking tend to make more cashless

payments and maintain their accounts more often. This shows a gradual shift from informal financial practices to formal banking systems.

Influence of Education and Age

Statistical testing revealed a significant relationship between education level and the adoption of digital banking. Respondents with higher educational attainment were more confident and capable of using digital platforms. Age was also an important factor; younger respondents showed greater interest and comfort with mobile applications, while older individuals often expressed concerns about fraud and online security risks.

Link between Digital Literacy and Usage

The correlation analysis showed a positive connection between digital literacy and how often digital payments were used. Individuals with better knowledge and skills related to digital tools were more active users of UPI and other digital services. This highlights the importance of promoting digital education to enhance financial participation in rural communities.

Major Determinants of Adoption

The regression results identified several factors significantly influencing digital banking usage, including education, digital literacy, internet access, awareness of government schemes, and income level. Among these, digital literacy and stable internet connectivity were the most influential. This suggests that improving digital skills and strengthening infrastructure can greatly expand financial inclusion.

Challenges and Barriers

Despite encouraging progress, certain obstacles continue to affect adoption. Some respondents reported limited technical knowledge, unreliable internet services, and fear of cyber fraud. Many participants, particularly elderly individuals, preferred assistance from Banking Correspondents rather than conducting transactions independently. These findings indicate that while digital banking is growing, supportive human interaction remains essential in rural areas.

4. CONCLUSION

The analysis shows that digital banking has made a significant contribution to improving financial inclusion in rural Faridabad. Digital

banking has become a key driver of financial inclusion. It has made banking services more accessible, supported better saving practices, and lowered the expenses associated with financial transactions. However, its overall effectiveness is limited by challenges like low digital literacy, weak technological infrastructure, and limited knowledge of advanced digital features. To achieve broader financial inclusion, policymakers must strengthen digital education, improve rural infrastructure, and continue awareness and outreach efforts

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