

DIGITAL FINANCIAL SERVICES FOR RURAL DEVELOPMENT

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ABSTRACT

Technological advancements have greatly improved people's quality of life. Financial institutions have begun to offer conventional banking and other financial services to people living in rural areas using digital platforms, thanks to the dramatic technological shifts occurring in the financial services industry. Also, many people who were previously unbanked have joined the formal financial system because to innovations in digital payments. Examining how the widespread use of digital financial services has affected rural residents' ability to make ends meet is central to this paper.

Keywords: Technology, financial services, rural development, financial system.

INTRODUCTION

The origins of social banking in India may be traced back to the establishment of cooperative banks in 1905 and the subsequent nationalization of the banking system in 1969. These programs sought to ensure that everyone could use a bank branch by increasing the number of branches in rural areas without any.

Hence, the nation's financial inclusion initiatives must be understood and acknowledged. For many low-income and disadvantaged people, "access to affordable financial services" means "financial inclusion" (Minarni, 2025). The states have taken the initiative to expand financial inclusion by collaborating with banks to reach the unbanked population.

In light of new technology possibilities, banks are adjusting their methods of functioning. Branchless banking is the most promising and rapidly expanding alternative to conventional banking (Ahmad, et al., 2025). One viable method for branchless banking services in most Sub-Saharan and African nations is the usage of credit or debit cards, point-of-sale (POS) transactions, online banking, mobile banking, and Automated Teller Machines (ATMs). According to Cruz (2024), Mittal (2025) and financial inclusion is a growth engine for developing economies, and disruptive innovations like mobile wallets and mobile banking would be driving forces.

INSTITUTIONAL ROLE IN ADVERTISING DIGITAL FINANCE SERVICES IN REMOTE AREAS OF INDIA

"Financial inclusion" is not a new idea in India. Many people may not have the means to participate in official financial systems due to issues such as low income, distance, expense, lack of proper identification documents, cultural norms, personal views, and lack of financial education. The Indian government and the Reserve Bank of India have implemented a number of reforms and initiatives in an effort to tackle one or more of these reasons. Among the most notable projects are the following: the 1950s rural cooperative structure, the 1960s nationalization of banks, the 1970s formation of specialized banks like NABARD and regional rural banks (RRBs), and the subsequent growth of the bank branch network. People have been brought into the formal financial system as a result of each of these initiatives. Financial inclusion, according to Ullah (2024), can be achieved through the use of cost-effective information and communication technology (ICT) solutions for financial institutions and services. Innovations in financial services technology have allowed us to push our efforts even farther, and they have paid off handsomely in closing the financial inclusion gap. Digital financial services have been strengthened in the country as a result of collaborative efforts by all parties involved in the ecosystem. The promotion of digital financial services has been greatly assisted by financial institutions and governmental authorities.

Economic, political, and social interactions provide the framework for an economy's incentive structure, and these limits are based on institutions. As it develops, it steers economic development

in a growth-oriented direction, which in turn influences the direction of economic development. An innovative theory of institutions based on an analytical investigation of the significance and logic of institutions was put out by Rudko (2025). Minimizing uncertainty through providing a stable environment for human interaction is the fundamental function of society's institutions. Opportunities are created by the institutional system for the benefit of humans.

The mission of financial inclusion has been propelled into high gear by digital finance. Opportunities for the distribution of monetary goods and services arise when internet and mobile phone penetration rates are high. Smartphones allow customers to conveniently make transactions from their bank accounts, and even the most basic text-based mobile phones can access mobile money accounts. People can't use digital financial services unless the necessary technology is available to them. In this setting, the number of people who have access to mobile phones and the internet is an important question. Customers' access to and usage of financial services has been radically altered by the proliferation of technology in this industry. One example is how a new category of payment services has been able to reach a formerly unreachable rural population, all thanks to the proliferation of mobile phones. Mobile phones are becoming increasingly important to the everyday lives of the impoverished. Many people think that mobile payment systems can help create a cheaper way to send money and that they can also back new financial innovations like mobile banking, electronic money, and micropayments (Atukunda; Kelikume; Elabidine, 2024). Formal financial services, such as savings accounts, loans, insurance, and mobile payment systems, have expanded access to capital in industrialized nations. Contrarily, formal financial access is still unavailable to the majority of adults in developing nations.

Mhlanga (2025) note that several Sub-Saharan African governments have found it challenging to bring the unbanked people into the existing financial system. More people in Sub-Saharan African countries have access to financial services thanks to technology innovations like mobile money services. Mobile money has recently gained popularity in South Asian countries, allowing a greater portion of the unbanked population to gain access to financial services.

NEED FOR THE STUDY

There have been numerous measures in India aimed at expanding access to credit. In 2014, the Reserve Bank of India granted licenses to a small number of corporations so they could function

as payment banks, in accordance with the recommendations made in the Mor committee report (Atukunda et al 2024). These payment banks will continue to operate independently of scheduled commercial banks and will be subject to their own regulatory framework. Establishing these payment banks mainly aimed to achieve financial inclusion by increasing the penetration of financial services to the unbanked. This setting was ideal for the growth of India's emerging mobile banking services. In November 2016, the two largest currency notes in circulation were removed from circulation, a process known as demonetization, in the Indian economy. In the months after demonetization, digital payment companies like Paytm and Airtel Money saw the most growth. Digital payments in India were boosted by demonetization. Paying one another directly was the initial functionality of the digital platforms. Payments to businesses, mobile recharges, and energy bills have all become more feasible as digital payment options have expanded. A plan to make India cashless was recently unveiled by the Reserve Bank of India (2019). A cash-lite economy is the goal of the vision for India. In this case, a cash-lite economy means that all domestic payments are processed digitally using the many digital channels that already exist for financial services in the country. To help individuals achieve their goals of increased engagement and financial security, the road map proposes digital banking services that are both accessible and easy to use. In general, people's lives have been significantly impacted financially by advancements in digital financial services.

Additionally, one of the primary motivations to use cashless/digital channels for financial transactions was the COVID-19 pandemic condition, which mandated digital payment adoption globally. Another motive is to follow the socially expected distance and refrain from physical touch. Mobile payment methods like Unified Payment Instruments (UPI) have gained popularity as a result of the COVID-19 pandemic's stringent lockdown and socially sanctioned rules of distance (Ho et al.,2024). A lot of stores have also started accepting payments through the Unified Payments Interface (UPI), which allows customers to pay with their mobile phones by scanning a QR code that is shown at the register. Banks and fintech's facilitated customers' adoption of contactless payments, and eventually, most micro and small companies began to advocate for their use instead of cash. Because of this, a plethora of fintech's, or providers of digital financial services, emerged in the industry.

In light of the foregoing, research on the effects of institutional support for digital finance on financial inclusion and well-being is necessary. Here, DFS in India is defined and evaluated using the results of three separate research projects. Finding out what digital financial services are and how widespread they are in India is the primary goal of the first study. Utilizing secondary data sources, the study assesses financial access and investigates the digital revolution of India's financial services. Institutional support for digital financial services in India is the focus of the second research project. The research here focuses on the institutional features and policy framework of digital money in India. Based on primary data, the third study explores digital financial services and their effects on people's financial well-being, as well as the factors that influence the adoption of digital finance technology.

OBJECTIVES OF THE STUDY

- The digital banking system, as well as the effects and uptake of digital financial services on rural residents' financial security, will be the focus of this research.
- To analyze the financial practices of rural people for various financial aspects.
- To assess financial well-being of the rural people after implementing the digital financial services.

METHODOLOGY

The qualitative research method is utilized in this study. Qualitative research, which seeks to understand and interpret how people build and maintain their social worlds via systematic investigation of socially important activities through direct comprehensive observation of environments in natural settings, makes use of the interpretive approach (Walsham, 1995). Because of the high degree of subjectivity inherent in the topic at hand, this study takes a qualitative approach to understanding the function of institutions in advancing digital finance for rural development. Here we see that the financial institutions under scrutiny are working on digital financial product development, digital financial service delivery, and digital financial system regulation with an eye toward improving India's rural areas.

ANALYSIS AND RESULT DISCUSSION

The section on financial behavior captures details of financial practices and perspectives on financial aspects. This survey inquired as to whether or not respondents keep a household budget. A home financial budget was found to be in place by approximately 62% of respondents. Additionally, we wanted to know who handles the household budget. When asked who handles the family's money, the majority of respondents said their wives. In addition, we inquired as to whether or not they had experienced any unexpected expenses in the past twelve months. Nearly 70% of them have never been in a monetary bind. Some 30% of people dealt with a financial emergency by tapping into savings, borrowing from family and friends, or charging up their credit cards.

Saving and Borrowing

We asked everyone who filled out the survey if they saved anything. The majority of them (71% to be exact) said they consistently cut costs. Additionally, we wanted to know how they cut costs. Nearly all respondents (92%) save their savings in a bank account, while 23% do it at home and 2% choose to pool their resources with friends and family. Using digital channels like smartphone applications or internet banking to save is something that only 7% of respondents said they do. Respondent savings information is displayed in Figure 1.1

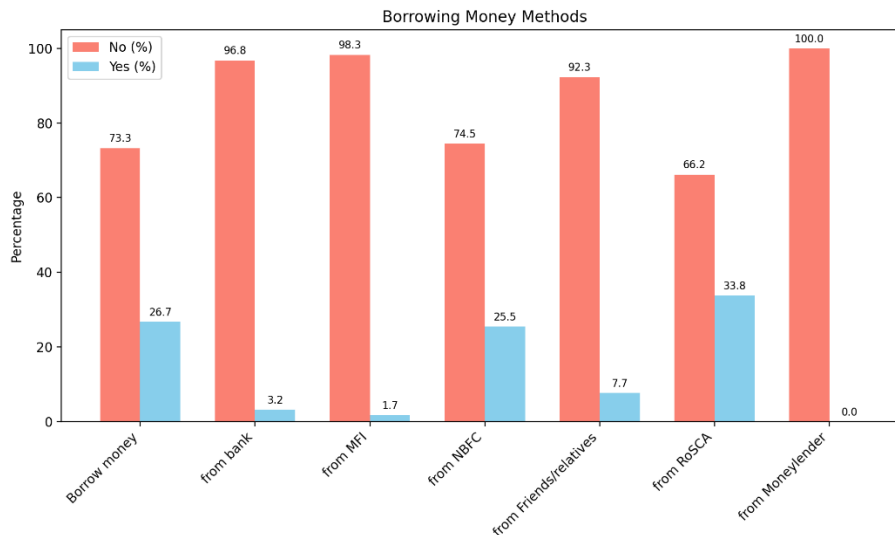


Source: Primary data

People who took out loans also disclosed where they got the funds. A mere quarter of those who took the survey actually took out a loan. Out of all the respondents, just 2% choose to borrow

money from banks, 3% from microfinance institutions, 26% from non-bank financial companies, 8% from friends and family, and 0% from moneylenders. The respondents' borrowing behavior is displayed in Figure 1.2.

Figure 1.2 Borrowing



Source: Primary data

Financial Behavior Measurement scale

In order to understand how the respondents handled their money, researchers utilized tests of financial literacy and behavior. Money administration, budgeting, understanding of finances, and comprehension are some of the theoretically separate realms upon which the OECD builds these measures. The financial behavior of respondents is analyzed using the Likert scale. A stacked graph is used to display the pattern of replies to these propositions (refer to Figure 1.3).

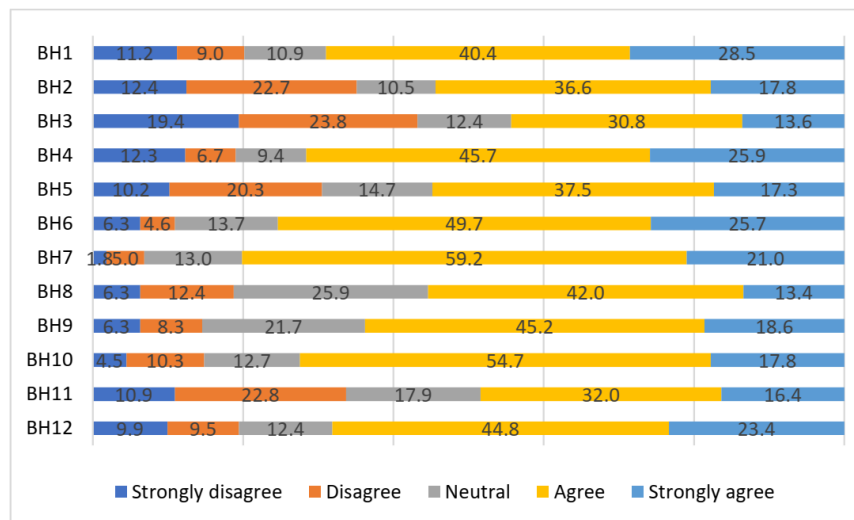
1.1 Financial Behavior Measurement Scale

BH1	prior to I buy somewhat, I vigilantly judge whether I can afford it
BH2	The future usually takes care of itself; I prefer to focus on the here and now.
BH3	Rather than putting money down for the future, I prefer to squander it.
BH4	I pay my bills on time
BH5	I am willing to put up some of my own cash to put it into savings or investments.

BH6	I diligently monitor my financial situation.
BH7	I plan for the future and work hard to reach my financial objectives.
BH8	To be spent is the purpose of money.
BH9	I can't do as much of what matters to me because of my financial circumstances.
BH10	Paying for basic living needs is something I sometimes stress about.
BH11	At the moment, my debt load is too high.
BH12	My current financial status is satisfactory.

Source: Adapted from (OECD 2018a)

Figure 1.3 Financial Behavior



Reasonable price

The statement regarding the behavior on affordability was recorded for all respondents. A clear majority of respondents (about 70%) stated that low prices are the deciding factor when purchasing things. Approximately one-third of people who took the survey felt that, if something is truly necessary, one should buy it no matter how much it costs. Concern for the Future We inquired as to respondents' spending patterns and if they would rather live in the present moment and allow tomorrow to sort itself out. More than half of those who took the survey expressed agreement with the comments, likely reflecting a concern about what the future holds.

Put Money Aside or Put It Down

The survey asked people to prioritize either spending their money now or saving it for later. Spending money quickly rather than saving it for the future was preferred by less than half of those who took the survey. Plus, the other half is more frugal because they are worried about the future.

Paying Bills on Time

Respondents who agreed or strongly agreed to pay bills on time accounted for over 71% of the total. When it came time to pay the bills, the other respondents discovered they were erratic.

Acts of Taking Chances

More than half of people who took the survey said they aren't afraid to take financial risks when saving or investing.

Keen oversight of fiscal matters

When it comes to money, about 75% of people who took the survey are very careful. Despite their differences, it is important to note that they are both thinking about money. Achieving a Financial Objective Nearly eighty percent of people who took the survey said they had set and worked tirelessly to achieve a financial objective.

Financial Planning

The responses to the issue regarding money were diverse across all respondents. People clearly have different views about money. It seems like some people were a little lost when it came to financial planning.

Situation Regarding Money

We wanted to know if anyone's financial situation makes it hard for them to take care of important matters. Nearly two-thirds of people who took the survey agreed with this assertion. Because of budgetary restraints, such limitations may be enforced.

Living expenditures

About 70% of people who took the survey mentioned that they consider living expenditures. We asked respondents how they felt about the burden of outstanding debt. Fast debt repayment was also achieved by more than 50% of respondents.

Status of Funds

Over 70% of people who took the survey are content with their current financial situation.

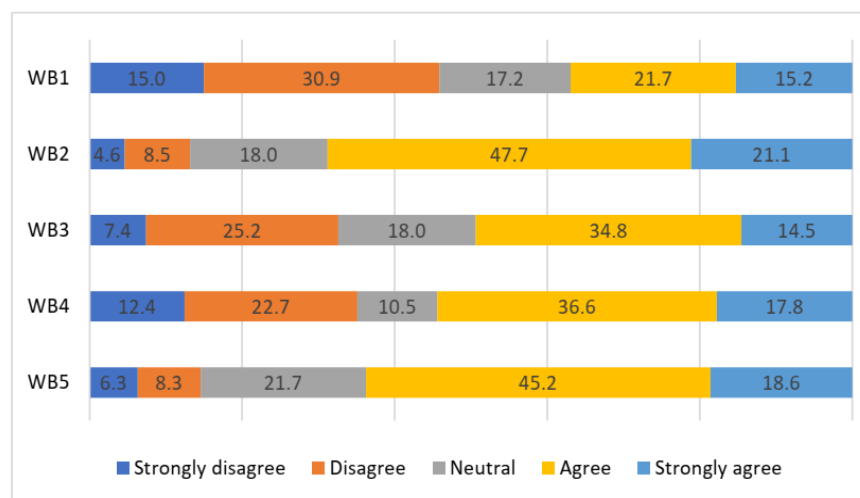
FINANCIAL WELL-BEING

In order to evaluate one's financial health, a scale that was published by the CFPB (2015b) was used. Table 1.2 shows the distribution of answers, while Figure 1.4 contains the components of the scale.

Table 1.2 Financial Well-being Scale

WB1	My current financial condition makes me feel like I'll never be able to enjoy life to the fullest.
WB2	I am barely making ends meet
WB3	My biggest worry is that the money I have saved up won't be enough to last.
WB4	At the month's conclusion, I still have some cash on hand.
WB5	Money rules my existence.

Source: adapted from CFPB (2015)

Figure 1.4 Financial Well-being Scale

The distribution of replies for the financial well-being statements is shown in the stacked bar graph above. The first statement gauges how people feel about their current financial circumstances and how it may affect their ability to enjoy life's little pleasures; the results are varied. Over 60% of people have said they are satisfied with their current financial situation. Nearly half are concerned that their current funds won't be enough to cover their monthly expenses, while over half report having some extra cash on hand. A whopping 60% said they feel like their money dictates

everything. Respondents' varied perspectives on their own financial status are indicated by the mixed response to the financial well-being scale.

RECOMMENDATIONS

Financial institutions provide their consumers with a variety of digital financial goods. The greatest way for implementing agencies to gain clients' trust and empower them to make smart financial decisions is to guarantee industry best practices.

In the realm of digital financial services, the user experience is paramount. Due to the improved efficiency, user-friendliness, and overall quality of digital financial products offered by modern fin techs, customers are fleeing from more conventional banks. In order to remain competitive, digital financial service providers must monitor industry trends and technological developments. In addition, they should give their clients a comprehensive manual on how to use the DFS.

Customers' engagement with the ecosystem of digital financial services can only be enhanced if they are financially literate. The development of successful financial literacy programs may be aided by collaboration among the many nodal agencies and important stakeholders. In the realm of digital financial services, the user experience is paramount. Due to the improved efficiency, user-friendliness, and overall quality of digital financial products offered by modern fin techs, customers are fleeing from more conventional banks. In order to remain competitive, digital financial service providers must monitor industry trends and technological developments. In addition, they should give their clients a comprehensive manual on how to use the DFS.

CONCLUSION

The advent of digital finance has revolutionized the banking sector. With digital finance, customers have more say over their own money, can make and receive payments quickly, and can make and receive larger sums of money. In this study, we will try to delineate how digital financial services have contributed to the progress of rural Dharmapuri and the surrounding region. Understanding the function of digital finance in Jharkhand's rural areas is the primary goal of this article. The paper's secondary objective is to shed light on how digital finance has contributed to the modernization of rural Ranchi and the surrounding region. This quantitative article examines the effect of online banking on the economic growth of the rural Dharmapuri district population. Since the study only covers Dharmapuri and the surrounding areas, it cannot be used to generalize the country as a whole. This study is highly significant for society and future growth because it is

quantitative and uses primary data to imply the implications of digital financial services in rural areas.

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