



# “Impact of Digital Payment Systems on Financial Inclusion at Rural Area with reference to Mysore District”

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## Abstract

Financial transactions in India have been completely transformed by digital payment methods, particularly in the aftermath of government programs like Jan Dhan Yojana and Digital India. The impact of digital payment methods on financial inclusion in Mysore District's rural communities is examined in this study. Accessibility, utilization trends, difficulties, and socioeconomic consequences associated with digital financial services are the main topics of the analysis. This study investigates how digital payment methods affect financial inclusion in Karnataka's rural Mysore District. The emergence of digital platforms such as Aadhaar-enabled payment systems, mobile banking, and UPI has enhanced access to formal financial services for rural areas. The study looks at awareness, adoption trends, usage patterns, and the socioeconomic advantages and difficulties of digital financial services. It is based on a sample of 150 respondents from chosen villages. Although issues like digital illiteracy, inadequate internet infrastructure, and security concerns still exist, the results show a strong positive association between the use of digital payments and increased financial accessibility. In order to promote equitable financial growth in rural Mysore, the study ends with practical suggestions for improving digital literacy, infrastructure, and trust.

## Keywords

Digital Payment Systems, Financial Inclusion, Rural Development, Mysore District, UPI, AEPS, Digital Literacy, Financial Access, Digital India, Mobile Banking, DBT, Rural Economy

## INTRODUCTION

Fair economic development is greatly aided by financial inclusion, especially in rural areas where access to traditional banking and financial services has historically been restricted. It includes the availability, usability, and accessibility of reasonably priced financial services like credit, insurance, savings accounts, and payment systems. Particularly in emerging nations like India, digital payment systems have become a game-changing instrument for expanding financial inclusion in recent years.

To encourage digital transactions and integrate the unbanked population into the official financial system, the Indian government has started a number of programs, including the Unified Payments Interface (UPI), Jan Dhan Yojana, and the Digital India Mission. Digital payment platforms are now widely used, especially in cities, as a result of these initiatives. Nonetheless, the rural environment presents particular difficulties such as low smartphone adoption, restricted internet connectivity, and low digital literacy.

Karnataka's Mysore District makes a strong case for researching this shift. A sizable section of the population lives in rural areas and relies on agriculture and unofficial economic activity, despite the country's expanding metropolitan centers. These communities now have access to digital payment systems because of government and private sector initiatives over the last ten years. But little is known about how much these platforms have actually aided in financial inclusion.

In order to improve financial inclusion in the rural areas of Mysore District, this study aims to comprehend the function and efficacy of digital payment systems. It looks into the socioeconomic effects and current obstacles to digital financial integration in addition to the degree of adoption and usage.

## OBJECTIVES

- To assess the awareness and usage of digital payment systems in rural Mysore.
- To examine the role of digital payment systems in promoting financial inclusion.
- To identify challenges faced by rural residents in using digital financial services.

## REVIEW OF LITERATURE

**Chakrabarty (2011)**, This study stated that process of providing vulnerable groups with fair, transparent, and reasonably priced access to the right financial products and services is known as financial inclusion. The author highlights how important technology is to reaching underprivileged groups with financial services.

**Demirgüç-Kunt et al. (2018)**, According to the Global Findex Report, digital payment solutions, particularly for rural and underprivileged groups, greatly enhance financial inclusion by cutting down on transaction costs and time.

According to their research, using digital payments was frequently the initial step toward using financial services more widely.

**NITI Aayog (2017)** revealed that millions of people have joined the formal banking environment because to programs like the Aadhaar Enabled Payment System (AePS), Bharat Interface for Money (BHIM), and Unified Payments Interface (UPI). These systems are easy to use and have made it possible for recipients to receive government subsidies straight into their bank accounts.

**Reserve Bank of India (2020)** added that digital payments increase transaction transparency and traceability while lowering reliance on cash. But the research also issued a warning about issues including digital illiteracy, ignorance, and cyber security threats.

### Need for the Study

The need for this study arises from the growing significance of digital payment systems in driving financial inclusion, especially in rural areas where access to traditional banking services has long been limited. Mysore District, with its mix of semi-urban and rural populations, presents a valuable case for evaluating how digital financial technologies are transforming economic behavior, enabling access to financial services, and reducing dependency on cash transactions. Despite nationwide initiatives like Digital India and Jan Dhan Yojana, rural adoption rates of digital payments remain inconsistent, often influenced by socio-economic, educational, and infrastructural factors.

## RESEARCH METHODOLOGY

- **Study Area:** Selected rural taluks of Mysore District.
- **Sample Size:** 150 respondents from villages such as Hunsur, T. Narasipura, Periyapatna, and Saragur.
- **Data Collection:** Primary data through structured interviews and questionnaires; secondary data from government reports, RBI, NPCI, and digital India portals.
- **Tools for Analysis:** Descriptive statistics.

### Key Findings

**a. Adoption Rate:** 65% of respondents have used at least one form of digital payment, primarily UPI and mobile wallets.

**b. Access to Banking:** Post-2016, rural banking access has improved due to AEPS (Aadhaar Enabled Payment Systems) and CSPs (Customer Service Points).

**c. Usage Purpose:** Mobile recharges, utility payments, and government DBT (Direct Benefit Transfer) schemes were the main uses.

## Challenges Identified

- Low digital literacy (especially among older adults).
- Erratic internet connectivity.
- Fear of fraud and lack of trust.
- Limited smartphone access.

## Benefits Noticed

- Reduced travel time to banks.
- Quicker access to government subsidies.
- Increased financial independence among women.

## IMPACT ON FINANCIAL INCLUSION

Digital payment systems have directly contributed to:

- Increased bank account penetration
- Improved access to formal credit (via micro-loans and SHG linkages)
- Growth of micro-entrepreneurship (mobile payments for kirana stores, etc.)
- Greater transparency in transactions (especially government schemes)

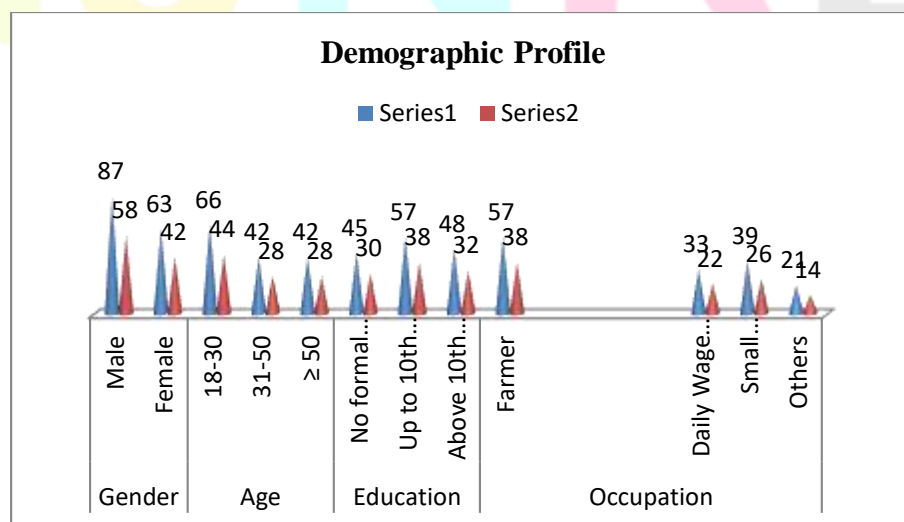
## GOVERNMENT INITIATIVES SUPPORTING FINANCIAL INCLUSION

- Pradhan Mantri Jan Dhan Yojana (PMJDY).
- Direct Benefit Transfer (DBT).
- Digital India Programme.
- UPI, BHIM, and AePS platforms.
- Rural Wi-Fi and BharatNet Projects.

**DATA ANALYSIS AND INTERPRETATION**

Analysis section tailored for your study on the Impact of Digital Payment Systems on Financial Inclusion in Rural Areas with Special Reference to Mysore District. This version is presented in a textual format assuming basic survey data collected from 150 respondents in selected rural areas.

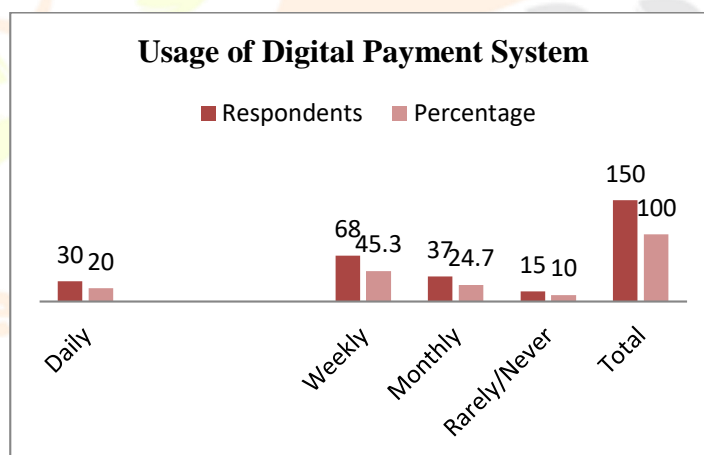
Demographic Factor	Category	Frequency	Percentage
Gender	Male	87	58
	Female	63	42
<b>Total</b>		<b>150</b>	<b>100</b>
Age	18-30	66	44
	31-50	42	28
	≥ 50	42	28
<b>Total</b>		<b>150</b>	<b>100</b>
Education	No formal education	45	30
	Up to 10th Standard	57	38
	Above 10th Standard	48	32
<b>Total</b>		<b>150</b>	<b>100</b>
Occupation	Farmer	57	38
	Daily Wage Laborer	33	22
	Small Business Owner	39	26
	Others	21	14
<b>Total</b>		<b>150</b>	<b>100</b>



**Interpretation:** The data shows a fairly balanced gender distribution, with a slight male majority (58%). Most respondents (48%) fall within the 31–50 age group, which is typically active in economic and household decision-making. Educational attainment is modest, with 45% having completed up to 10th standard. A significant portion (38%) is farmers, highlighting the agrarian nature of the rural Mysore economy. This demographic profile indicates that any financial inclusion strategy must consider educational and occupational backgrounds for effective outreach.

### Usage of Digital Payments

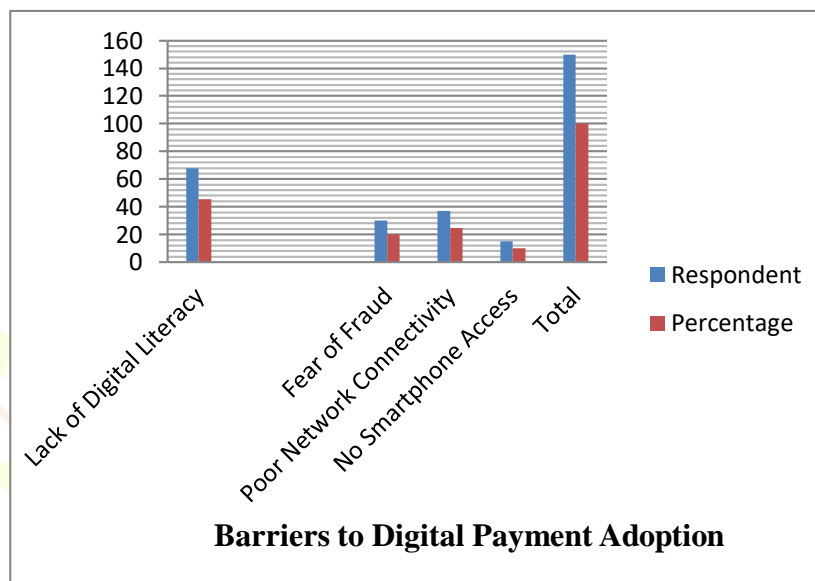
Usage Frequency	Respondents	Percentage
Daily	30	20
Weekly	68	45.3
Monthly	37	24.7
Rarely/Never	15	10
<b>Total</b>	<b>150</b>	<b>100</b>



A majority (45.3%) of respondents use digital payments on a weekly basis, suggesting that digital transactions are becoming part of their routine, particularly for regular household or business expenses. 20% of respondents use digital payments daily, indicating a segment of highly engaged users - likely more tech-savvy or involved in business/commercial activities. 24.7% use digital payments only monthly, possibly for fixed bills like electricity, rent, or school fees - indicating less dependency or confidence in digital transactions for daily use. A small but significant 10% still rarely or never use digital payments, highlighting a digital exclusion gap that may be caused by lack of access, skills, or trust in the system.

## Barriers to Digital Payment Adoption

Barrier	Respondent	Percentage
Lack of Digital Literacy	68	45.3
Fear of Fraud	30	20
Poor Network Connectivity	37	24.7
No Smartphone Access	15	10
<b>Total</b>	<b>150</b>	<b>100</b>



The most significant barrier is lack of digital literacy (45.3%), which suggests that many rural users either don't know how to use digital payment platforms or are uncomfortable navigating them. This highlights the need for targeted digital education programs in local languages. Poor network connectivity (24.7%) is the second major challenge. Despite mobile penetration, inconsistent internet access - especially in remote or interior parts - hinders digital payment usage. Fear of fraud (20%) shows that a notable portion of users are concerned about safety and security, possibly due to limited understanding of digital safety or past negative experiences. Building trust through awareness and secure systems is key. No smartphone access (10%) is a lesser but still relevant issue, indicating that while phone penetration is high, affordability or familiarity with smartphones is still a barrier for some.

### Findings and Suggestions

- Male respondents constitute 58% (87 individuals), while female respondents make up 42% (63 individuals).
- A younger population (18–30) forms the largest group of users (44%), suggesting a higher probability of digital adoption due to greater tech familiarity.
- 30% have no formal education, which could be a barrier to understanding and using digital payments, especially apps with English-only interfaces.

- Farmers (38%) form the largest occupational group, followed by small business owners (26%) and daily wage laborers (22%).
- Weekly Usage Leads: Nearly half of the respondents (45.3%) use digital payments on a weekly basis, showing that digital payment systems have become a part of regular financial activities in rural Mysore.
- Daily Users: About 20% of the respondents use digital payments daily, indicating a committed group of frequent users who rely on digital transactions for day-to-day needs.
- Monthly Users: Approximately 24.7% use digital payments once a month, suggesting limited or occasional reliance on digital platforms, possibly for paying bills or larger purchases.
- Rare/Never Users: A smaller segment (10%) rarely or never uses digital payments, highlighting a digital divide that may be due to lack of access, literacy, or trust issues.
- Nearly half of the respondents (45.3%) identified lack of digital literacy as the main obstacle to using digital payment systems.
- About 24.7% of respondents cited poor or unreliable internet connectivity as a significant challenge, especially in rural or remote areas where infrastructure is limited.
- A notable 20% of users are hesitant to adopt digital payments due to concerns over security and potential fraud. This reflects the need for increased awareness and trust-building measures.
- About 10% of respondents do not have access to smartphones, restricting their ability to participate in digital payments which largely depend on mobile apps.

## Suggestions

- Implement community-based training workshops in local languages to teach basic digital payment skills.
- Focus especially on women, older adults, and those with low education levels to bridge the digital knowledge gap.
- Collaborate with telecom providers and government agencies to expand reliable mobile internet coverage in rural areas.
- Explore offline or low-data digital payment solutions to accommodate weak network regions.

## Conclusion

According to the survey, digital payment systems have significantly improved access to financial services and ease for many people in rural Mysore. However, obstacles including insufficient connectivity, a lack of digital literacy, and a fear of fraud prevent wider acceptance. Financial inclusion can be accelerated by addressing these issues through focused training, infrastructure development, and trust-building initiatives, enabling rural communities to fully engage in the digital economy.

Digital payment systems have the potential to become a crucial component of rural financial life, promoting economic growth and decreasing reliance on cash, if players from the public, commercial and community sectors continue to work together.

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