

**Two-Day National Conference on
"GST Reforms: Challenges, Opportunities, and Socio-Economic Effects in Telangana State"
on 09th & 10th June 2026**



CMR TECHNICAL CAMPUS

Department of MBA

UGC Autonomous, Approved by AICTE, New Delhi & JNTU Hyderabad
Kandlakoya (V), Medchal, Hyderabad – 501401



Exploring the Role of Digital Payments on Financial Inclusion in Hyderabad.

Authors Names:

Jandhyam Srinivasulu, Department of MBA, CMR Institute of Technology, Hyderabad.

Email id: srinivasulu2902@gmail.com

Under the esteemed guidance: Mrs. **Nutan Singh**, Assistant Professor, Department of MBA,
CMR Institute of Technology, Hyderabad.

Email id: nutansingh@cmritonline.ac.in

ABSTRACT

Digital Payments have become a key factor in promoting financial inclusion by providing easy, fast, and secure access to financial services. In India, digital payment methods such as UPI, mobile banking, internet banking, and digital wallets have enabled people to perform financial transactions conveniently without visiting banks. These technologies have helped bring unbanked and underserved populations into the formal financial system, especially in rural areas, while supporting government initiatives toward a digital economy.

Digital Payments improve financial inclusion by reducing transaction costs, increasing transparency, and enhancing access to banking services. They also facilitate direct benefit transfers and encourage financial participation among individuals and small business. However, challenges such as digital illiteracy, cybersecurity risks, and inadequate internet connectivity continue to affect their adoption. Overall, digital payments play a significant role in expanding financial inclusion and supporting India's economic development.

Keywords: Digital Payments, Financial Inclusion, Economic Development, Unified Payments Interface (UPI).

1.INTRODUCTION

Financial inclusion refers to the process of ensuring access to appropriate, affordable, and timely financial services to all individuals, especially the underserved and economically weaker sections of society. In India, where a lot of people were traditionally excluded from formal financial services, financial inclusion has emerged as a crucial national priority aimed at ensuring access to banking, credits, savings and other financial services for all sections of society.

In recent years, digital payments have emerged as a powerful tool in advancing financial inclusion. With the rapid growth of technology, increasing smartphone penetration, and supportive government initiatives such as National Payments Corporation of India systems like Unified Payments Interface. The introduction of schemes like Pradhan Mantri Jan Dhan Yojana, along with mobile banking and fintech innovations, has significantly expanded the reach of financial services. Even people in rural and remote areas can now access banking services through mobile phones, digital wallets, and Aadhar-enabled payment systems. This has not only improved accessibility but also enhanced transparency and reduced transaction costs.

STATEMENT OF THE PROBLEM

Financial inclusion is essential for achieving inclusive economic growth and reducing financial inequalities. Digital payment systems such as UPI, mobile banking, internet banking, and digital wallets have emerged as effective tools for improving access to financial services. However, the adoption and usage of these digital payment methods vary due to factors such as digital literacy, internet connectivity, awareness, security concerns, and technological infrastructure. The study aims to identify the benefits, challenges, and impact of digital payments of financial inclusion, particularly among underserved populations, and to suggest measures for enhancing their effectiveness in achieving inclusive financial development.

OBJECTIVES OF THE STUDY

1. To Study the concept and importance of financial inclusion in India.
2. To Analyse the Growth and Usage of Digital Payment System.
3. To Examine the role of Digital Payments in improving access to Financial Services.
4. To Identify the major benefits & challenges of using Digital Payment methods.

HYPOTHESIS

H₀ (Null Hypothesis): There is no significant relationship between digital payments usage and financial inclusion in Hyderabad.

H₁ (Alternative Hypothesis): There is significant relationship between digital payments usage and financial inclusion in Hyderabad.

SCOPE OF THE STUDY

This study focuses on examining the role of digital payments in promoting financial inclusion in India. It covers various digital payment methods such as UPI, mobile banking, internet banking, debit / credit cards, and digital wallets. The study analyses the growth, usage, benefits, and challenges of digital payment systems and their impact on improving access to financial services. It also explores how digital payments help individuals, particularly those in rural and underserved areas, participate in the formal financial system and contribute to economic development.

LIMITATIONS OF THE STUDY

1. Based on limited sample size / primary data.
2. The result of the study are based on the opinions and responses of the respondents
3. Lack of digital literacy data accuracy.
4. Rapid changes in technology may make results outdated quickly.

II. REVIEW OF LITERATURE

1. According to **Demirguc Kunt et al (2021)** in the Global Findex Report, digital payments speed up account ownership and financial inclusion around the world, especially during the COVID-19 Pandemic.
2. **Patel (2022)** showed that the digital wallets and mobile payment apps made finances more accessible and promoted cashless transactions, mostly in urban and semi-urban areas.
3. **Rani and Kaur (2022)** pointed out that using digital payments improves financial inclusion by providing safe and convenient services, yet noted digital literacy is still a big hurdle.
4. **Gupta and Verma (2023)** found UPI transactions played a key role in financial inclusion by boosting formal financial service use for small businesses and individuals.

5. **Mehta and Sharma (2025)** added that progress in fintech and digital payment setups in India keeps strengthening financial inclusion, but stress the need for better cybersecurity and digital awareness programs too.

III. RESEARCH METHODOLOGY

Data Collection

Primary data was collected using a structured questionnaire distributed digitally (Google Forms). The instrument was designed to assess respondents' financial knowledge, security awareness, and challenges in using digital Payments.

Secondary data was gathered from academic RBI publications to establish the theoretical framework and review existing literature on digital Payments.

Sample Design

The final sample size for the study consisted of 100 respondents (N = 100). These respondents mainly belonged to the age group of 18 to above 40 years, representing young adults & senior citizens who frequently use smartphones, internet services, and digital payment applications.

DATA ANALYSIS AND INTERPRETATION

Gender	Frequency	Percentage
Male	51	49.51%
Female	52	50.49%
Total	103	100.00%

Response	Frequency	Percentage
No account	3	2.90%
Recently opened (within 1 year)	16	15.50%
1-5 years old account	45	43.70%
More than 5 years	39	37.90%
Total	103	100%

Interpretation: Most respondents have had a bank account for 1-5 years, making up about 43.7% which shows that a large portion of people have moderate experience with banking services. Around 37.9% have been using a bank account for more than 5 years, indicating a significant number of long-term users. About 15.5% have recently opened a bank account within the last year, suggesting a growing number of new users entering the banking system. Only a very small percentage of respondents do not have a bank account, showing that almost everyone surveyed has access to banking facilities.

Response	Frequency	Percentage
Not aware	27	26.20%
Slightly aware	45	43.70%
Moderately aware	25	24.30%
Highly aware	6	5.80%

Interpretation: Most of the people have low to moderate awareness of government financial inclusion schemes. About 43.7% of respondents are slightly aware, showing limited knowledge about these schemes. Around 26.2% are not aware

at all, which means a significant number of people do not know about these programs. About 24.3% are moderately aware, meaning they have some understanding but not complete knowledge.

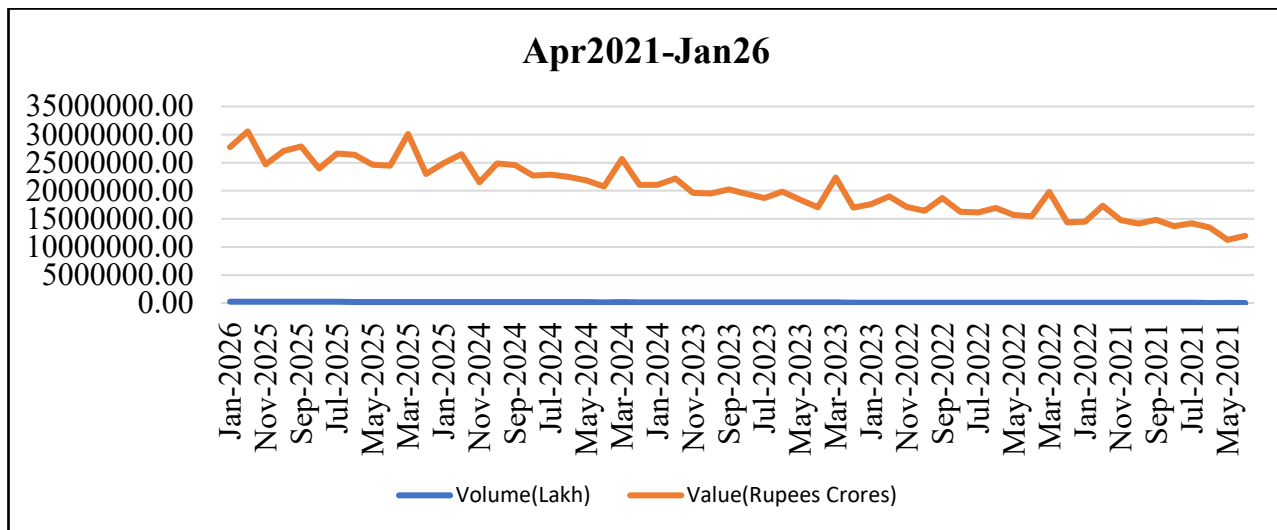
Only a small number of people are highly aware, showing that very few have strong knowledge of these schemes.

Response	Frequency	Percentage
No account	3	2.90%
Recently opened (within 1 year)	16	15.50%
1–5 years old account	45	43.70%
More than 5 years	39	37.90%
Total	103	100%

Interpretation: A significant portion of respondents 42.7% believe that both banks and FinTech services are preferable in terms of trust and security, making it the most common response. This suggests that Users see value in combining the reliability of traditional banks with the technological safeguards of digital platforms. Around 38.8% prefer banks, indicating that a large group still considers traditional banking institutions at the most trustworthy and secure option for financial transactions. About 17.5% choose FinTech services, showing that a smaller but notable segment trusts digital platforms for secure transactions. Only a very small percentage around 1% selected none, suggesting that nearly all respondents have confidence in at least one form of financial service when it comes to trust and security

Response	Frequency	Percentage
Savings account	90	87.40%
Current account	9	8.70%
Fixed Deposit (FD) account	0	0.00%
Salary account	4	3.90%
Total	103	100%

Interpretation: A majority of respondents 69.9% stated that they are satisfied with digital access to financial services, making it the most common response. This indicates that most users have a positive experience with the availability and usability of digital financial platforms. Around 17.5% reported being very satisfied, showing that a significant number of respondents are highly pleased with the convenience and accessibility of digital financial services. About 6.8% mentioned that they are very satisfied, suggesting that a smaller portion of users face major challenges or limitations while accessing financial services digitally. Only a small percentage of respondents selected dissatisfied, indicating that relatively few users are unhappy with digital financial service access overall.



Reverse Chronological Order: Just like the last chart, the x-axis goes left to right, but this time it shows the information in a reverse chronological order from the present. It starts from Jan-2026 (the most recent date) and runs back to Apr-2021.

Dual Data Series: This graph contains two different metrics in the legend:

Value (in Rupees Crores): The extremely unstable orange line.

Volume (Lakh): The flat blue line can be seen at the bottom of the chart. The “Volume” is shown in Lakhs (100,000), and “Value” is in Crores (10,000,000), with the maximum value on the y-axis being 350,000,000.00. Due to this scale, the line appears flat.

Continuous Growth Over Time: The orange line, which starts in April 2021 and ends in January 2026, shows a clear upward trend.

Over the course of five years, the value increases by nearly three times, moving from around 110,000,000.00 in April 2021 to approximately 120,000,000.00 in April 2021 and further reaching 300,000,000.00 by December 2025.

Seasonal Spikes Repeated Yearly: The orange line has several spikes, which indicate a yearly pattern.

As shown in the graph, there are increases during specific months each year, particularly in the spring months—around April 2022, April 2023, April 2024, and April 2025.

Highest Peaks: The highest point reached by the orange line is in December 2025, just after October 2025, hitting the 300,000,000.00 level.

After that, there is a slight decline, followed by a steady rise again in January 2026.

IV. RESULT OF HYPOTHESIS:

H₀ (Null Hypothesis): There is no significant relationship between digital payments usage and financial inclusion in Hyderabad.

Result: Rejected.

H₁ (Alternative Hypothesis): There is significant relationship between digital payments usage and financial inclusion in Hyderabad.

Result: Accepted.

FINDINGS

1. Financial inclusion is crucial to ensure that everyone, regardless of their background, can access banking and other financial services. This is particularly important for people living in remote areas or facing financial difficulties.
2. In Hyderabad, there has been a significant rise in the usage of digital payment methods like the Unified Payments Interface (UPI), mobile banking, internet banking, and digital wallets.
3. Digital payments have made accessing financial services easier by allowing fast and efficient transactions, which reduces the need to visit physical bank branches.
4. The growing availability of smartphones and internet services has made digital payments accessible to a larger population.
5. Both small businesses and individuals have benefited from digital payments due to the speed of transactions and the improved ability to manage their finances.
6. Rural areas often face greater difficulties in accessing digital payment systems compared to urban areas.
7. Overall, digital payments have become a vital tool in promoting financial inclusion and supporting economic growth.

V. CONCLUSION

Digital payments have emerged as an important means of ensuring financial inclusion through efficient, secure, and affordable means of accessing financial services. Digital payments have grown extensively in India through innovations like UPI, mobile banking, internet banking, and digital wallets, enabling individuals and organizations to carry out financial transactions in a convenient manner. This has ensured that the population residing in rural areas is reached out to in order to include them within the ambit of economic growth and development. Based on the findings, it may be concluded that digital payments have been instrumental in increasing the efficiency of accessing financial services, ensuring transparency, lowering transaction costs, and facilitating participation in the formal financial sector. However, certain challenges like low literacy levels, issues pertaining to cybersecurity, and poor digital infrastructure need to be taken care of before the benefits of digital payments can be fully realized. Nevertheless, digital payments can prove beneficial in enhancing financial inclusion in the future.

VI. REFERENCES

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