

FinTech and Financial Inclusion: The Role of Digital Payments in Emerging Markets

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Abstract- For emerging markets in general and India's in particular, this study reviews the impact of digital payments on financial inclusion. Researchers learned what encourages the adoption of digital payment systems like Google Pay, PhonePe, and Paytm by giving a questionnaire to over 100 people and investigating how and why they use such systems. According to the results, younger people living in cities are the main people who use these services often. Even with wide acceptance, there are still cybersecurity issues, not enough understanding of money matters, and people are not aware of integrated financial tools, which holds back the sector. From the study's findings, it is clear that targeting policy, adding educational resources, and beefing up security will improve digital financial inclusion and strengthen the move to a cashless system in emerging markets.

Keywords- Digital payments, Financial inclusion, Cashless economy, Emerging markets, User behaviour, Financial literacy, Cybersecurity.

I. INTRODUCTION

Because of the fast development in FinTech, digital payment systems are changing the way financial services are given to customers. The technologies mentioned above have allowed emerging markets that have low amounts of banking infrastructure to include more people in financial services. Because India is among the fastest developing nations in digital business, it is leading the shift to cashless paying through programs such as UPI, mobile wallets, and other electrical ways to pay. By moving towards digital payments, this trend helps ordinary consumers and increases the number of people using important financial services, allowing for a fairer economic growth. Even so, there are still major concerns about infrastructure, digital knowledge, security, and users' trust that have to be handled to achieve large-scale and lasting adoption.

This study addresses a particular issue that affects the area. Although digital payment services are developing fast and could help more people have access to finance, various issues continue to stop them from being fully successful in emerging countries. One important issue is that many people in rural areas cannot use the Internet much or the latest smartphones, which prevents them from accessing the Internet. Also, many people do not feel secure to use these services because they are not well informed about them. Because of threats to their privacy as well as concerns about hacking, some people hesitate to fully use social networks. In addition, differences in people's age, line of work, and neighborhood cause some people to be less likely to adopt, which leads to certain groups being left out. The research is aimed at exploring the issues from users' points of view, ascertaining the main reasons for the rise of digital payments, and measuring how digital payments are helping more people in India secure financial services.

The purpose of this research is to accomplish certain objectives.

The goal of this study is to find out the importance of digital payments in bringing financial offerings to people in emerging countries, especially in India. The purpose is to achieve this through the study's methodology.

Look at the things that affect how people bear up using digital payments.

Check what platforms are used most by people for paying and transferring funds.

Look into the main reasons why people either accept or reject using digital means to pay.

Check how people's shopping habits and financial handling have been changed by digital payments.

Investigate the challenges that keep many users from choosing cashless payment methods, for example, the security issues they may encounter and the problems caused by technology.

Suggest practical steps that will help government bodies, lending institutions, and FinTech companies raise the use of online payments and include more people in financial services.

Making research questions your first priority helps you establish the main issue to examine.

This research work is based on these questions:

In these countries, which factors among the population strongly affect people's use of digital payments?

What payment platforms are used by users the most, and why do people like them?

How do electronic methods of payment influence people's use of money and money management?

Which are the primary problems that make it hard for people to use digital payment methods?

How can authorities in policymaking and various financial sectors handle these barriers to help more people join the digital economy?

The research has certain relevance regarding the study of science.

Its findings reveal important facts about the process of digital payments catching on in developing countries, since this area has immense opportunities for growing the economy and

reducing poverty. Referring to users' actions and needs, the research provides vital help for those who design financial policies meant to reduce unfairness created by the digital gap. If financial institutions and FinTech firms know the needs and challenges of their users, they are more able to improve their services and make them secure. Through combining demographic analyses with examining behaviours and technologies, this study covers an unmet empirical research need for digital payments in an emerging market. These observations give useful advice to those aiming to promote cashless transactions around the world.

This study looks at certain aspects, but some aspects can't be addressed.

For this investigation, individuals who make payments in urban and semi-urban Indian towns using Google Pay, PhonePe, and Paytm will be studied in the main part. The findings look into people's behavior, their preferred platforms, and their thoughts about security and simplicity. The study was conducted with almost 100 people chosen this way, which lets us know how digital payments are used today but may not be useful everywhere. There is not much information about people living in rural areas in this study, as they represent a big part of the population but are faced with specific digital inclusion concerns. Besides, the study is partly dependent on data provided by users, which at times can be faulty. As data is taken at one point, the study does not show how user perspectives change or keep changing over a period of time. Nevertheless, the discoveries give a basic knowledge of the reasons for changes in digital payments and financial inclusion in developing countries.

II. LITERATURE REVIEW

The way FinTech is boosting financial inclusion in emerging countries has caught the attention of many researchers recently. Many consider digital payment systems, an important part of FinTech, as very useful for helping underserved people improve their banking. D'Souza (2018) believes that digitalization has basically made it possible for people to take care of financial transactions online, getting rid of earlier restrictions based on time and distance. This is particularly true in India, where having to go far and the lack of branches have usually prevented many people from reaching financial institutions. Platforms for payments such as UPI, mobile wallets, and prepaid instruments now provide financial services to a wide group, which includes city professionals as well as street-side vendors (Kumari & Khanna, 2017). Both the Reserve Bank of India and the Indian government's initiatives have made it easier and faster for people to accept digital technologies (RBI, 2020). According to Rogers, innovation theory from 1995, new technologies are adopted in society thanks to other people's influence and by seeming useful to users. According to studies, people adopt digital payments mainly because of the importance given to technology, social and economic situations, and evaluation of risk (Gautam & Rawat, 2017). Even so, digital payments help the economy by making transactions more effective and less expensive, but they are still not widely available, as there are problems related to understanding personal finance, poor internet setups, and people not trusting these systems (Zandi et al., 2016; Paul & Friday, 2012). As cybercrime and privacy concerns still develop, they prevent many users from expressing confidence in using such services (Joshi & Desai, 2017). According to these results, how good financial inclusion policies are implemented along with advances in

technology and user-related challenges are important in guiding the services provided to clients.

There are certain problems in these markets that make it difficult for digital financial services to grow and be sustained. While there has been an increase in how many and how much people pay on their phones, issues such as few telecom services and lower digital understanding in rural areas cause people who rely on them in rural locations to end up on the margins (TRAI, 2021). The 2017 Global Findex Report stated that several Indians are either unbanked or use their accounts very little for banking needs. Studies prove that urban and young individuals tend to get used to digital tools for making payments, but because of familiarity with cash, non-access to technology, and security worries, older and rural users avoid them (Nielsen Report, 2016, and Kumar, 2017). It is mentioned in literature that up-to-date user information and targeted education are necessary to tackle barriers caused by people's actions and thinking (Pearson, 2010). Besides, laws should enable business advancement and keep consumer interests secure to garner trust and avoid risking on fraud (PWC, 2016). If digital payments are combined with other financial services such as credit, savings, and insurance, it is easier for populations in need to use them completely (World Bank, 2018). Examples of how Kenya (through M-Pesa) and Bangladesh (with bKash) have succeeded in giving access to mobile technology to many people are valuable for us to follow (Sharma & Sahoo, 2019). The merging of Aadhaar-based e-KYC with the NPCI's systems has quickly encouraged many people in India to start using digital payments (NPCI, 2020). Still, it is necessary to carry out more studies longer-term to discover how digital payment use benefits different people, fairness among genders, and the involvement of micro-enterprises in the industry.

III. RESEARCH METHODOLOGY

The authors use a descriptive research design to look closely at digital payment systems in developing countries, giving special attention to India. It is preferable to use this method because it explains users' behaviors, interests, and views while avoiding changes in variables, which means we can study what digital payments are used for within the group we are interested in. People aged 18 or more and who regularly depend on Google Pay, PhonePe, or Paytm are considered part of the target population for the study. Since it was difficult to get access to all respondents and the resources available were low, convenience sampling was selected so that over 100 participants mostly from urban and semi-urban places could be studied. Even though the method makes it hard to generalize, it gives a useful picture of users' experiences and the influence of demographics in digital payments. A questionnaire was shared online through Google Forms and popular apps like WhatsApp, Instagram, and LinkedIn, so that many people could respond easily. The first part of the questionnaire was about demographics (including age, occupation, region), the second section covered how and how often digital payments were used, the third focused on the effects of digital payments, and the last part gathered users' opinions about digital payments. The research instrument collected numerical data with multiple choices and scales along with in-depth qualitative answers for an in-depth view. Before carrying out the questionnaire with the full group, a sample group was used to check the clarity and relevance so that some of the questions and the order were adjusted slightly. Both descriptive and inferential statistical techniques

were used in the analysis of data. Useful tools were frequency counts, percentages, and graphs called pie charts and bar graphs to present demographics and pattern of use. To investigate interactions among different categories, Chi-Square tests were applied, for finding differences in awareness among different jobs, ANOVA was used, and Pearson correlation gave the strength of relationships between perceived usefulness and user satisfaction. The study findings gained additional support and rigour owing to researcher's ability to test and find important patterns using these methods. All responses were confidential, and no one's personal data was taken since everyone gave their informed consent digitally and took part of their own choice. Even though the research method used provides important findings, some disadvantages are admitted. The decision to use convenience sampling results in some bias, since rural users and people in older age groups are not properly represented. Because the data is collected only at one point, it is hard to notice how people or policies have developed. In addition, answers to self-report surveys could be affected by social desirability and people's memory of events, making replies look more positive than the truth. Since attention is given to main digital platforms, other services that operate locally or are new are not considered. Yet, the way the research was done supports our understanding of why digital payment adoption is higher among India's youth and offers important facts worth studying and using for government, industry, and academic purposes. Studies in the future could include employing random sampling that groups populations, researching rural and remote areas, carrying out interviews, deploying small groups for discussions, and using longitudinal methods to observe how people's use of financial technologies is shaped and continues.

IV. DATA ANALYSIS AND INTERPRETATION

The chapter gives a thorough overview of the findings from more than 100 respondents on how emerging markets, principally India, have started using digital payments. Basic data analysis techniques were used to find out what the sample looks like and certain views about digital payments. The following tables have been chosen as the most important for displaying this study's main findings.

Table 1: Demographic Profile of Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Age	18–25 years	60	60
	26–35 years	25	25
	36–45 years	10	10
	46 years and above	5	5
Gender	Male	55	55
	Female	45	45
Occupation	Student	40	40
	Working Professional	35	35
	Entrepreneur	15	15
	Others	10	10
Geographic Location	Urban	70	70
	Semi-Urban	20	20
	Rural	10	10

Graph 1: Age-wise Distribution of Respondents (Bar Graph)

Interpretation:

Most of the participants (60%) belong to the 18–25 age range, prosecuting that digital payment services are mostly used by younger adults. The next biggest participation belongs to people ages 26–35 at 25%, while those over 35 take part in elections much less. Even though men make up 55% of the sample, the number of women is almost the same. Almost half of all users (40%) are students, almost as many as the professionals (35%), indicating youth and professionals play a big role in using digital payment options. Digital payment penetration is found to be much higher in the cities since three out of every four surveyed participants were from cities. The numbers here agree with what experts have said, underlining that young people in big cities lead the rate of fintech adoption (Kumari & Khanna, 2017; RBI, 2020).

Table 2: Frequency of Digital Payment Usage

Frequency	Number of Respondents	Percentage (%)
Daily	75	75
Several times a week	25	25
Once a week	0	0
Occasionally	0	0
Never	0	0

Graph 2: Frequency of Digital Payment Usage (Pie Chart)

Interpretation:

Many of the respondents, or almost three-quarters, use digital payment platforms every day, while the rest use them a few times per week. No one mentioned using digital payment options only occasionally or not at all, so it seems they have easily embraced them in their daily financial activities. Such high use of digital payments is seen in literature because users trust digital services as they are easy to use and easily accessible (Gautam & Rawat, 2017). This common use of fintech signals that people trust them more and use them daily, which is a good sign for financial inclusion via the Internet.

Table 3: Preferred Digital Payment Platforms

Platform	Number of Respondents	Percentage (%)
Google Pay/Amazon Pay	35	35
Paytm	30	30
PhonePe	20	20
Bank Official Apps	10	10
Others	5	5

Graph 3: Platform Preference Distribution (Bar Graph)

Interpretation:

Most users of digital payment systems make Google Pay/Amazon Pay their choice, with it used by 35%, and Paytm being selected by 30%. It seems that 20% of users prefer PhonePe, while bank official applications and other platforms get fewer selections. As this shows, competition in India's digital payments space depends on things such as how easy the application is to use, available discounts, compatibility, and the brand's popularity (RBI, 2020; Sharma & Sahoo, 2019). The rise in popularity of Google Pay is connected to the fact that using it is convenient because of UPI integration and its user-friendly interface. It appears that how easy it is to

use a platform and its marketing tactics play a major role in influencing business choices in emerging areas.

V. DISCUSSION

The study discovers important details about digital payment systems in emerging markets and in India, these details fit well with general knowledge in the field. The findings confirm that digital payments are mainly used by younger people in cities, as prior research also mentioned how youth play a major role in bringing new financial technologies to the market (Kumari & Khanna, 2017; Gautam & Rawat, 2017). The reason for this is that this group has tech-savvy people, high numbers of mobile phones, and is exposed to technology more often. This means that having more students and working professionals using banks means they have to use digital modes more often as they encounter plenty of structured situations and transactions. Even though a large number of people use digital services, the fact that only a few rural and senior adults have digital access shows that there is still a significant digital divide mentioned by both the Global Findex Report (2017) and by TRAI (2021). Digital payments being used by many on a daily basis is proof that they are deeply linked with people's daily financial activities, in accord with what Zandi et al. (2016) have found. While cashless payments are essential in keeping the business going, this habit may spark concerns related to overspending and forgetting how much people have or spend because people often use digital ways to pay, as pointed out by Joashi and Desai's 2017 research on digital money's impact on people. From what we studied, the digital payment market contains a number of players, but most of the transactions are processed by Google Pay and Paytm, likewise reported by RBI (2020). Making fintech user-friendly and trustworthy helps, which is why promoting it using incentives is key in today's fintech market (Sharma & Sahoo, 2019). The positive signs aside, cybersecurity concerns, people not knowing about all available financial management tools, and infrastructure problems are serious obstacles to everyone using digital payment services. The results show the important role of technology diffusion, social aspects, and government policy as stated in many related studies (Paul & Friday, 2012; Pearson, 2010). These observations prove that special policies are needed to enhance digital knowledge, safety, and the availability of financial services in parts of the country that do not have many resources. Furthermore, it is important for government authorities, financial companies, and fintech innovators to team up so they can guarantee safe, seamless, and accessible payment services. According to this discussion, digital payments are helping to achieve financial inclusion, but fully using their benefits requires both easing technical issues and adjusting solutions to fit people's needs in emergent markets. Therefore, future research should mainly focus on tracking user behavior as time goes on, examine if there are gender differences in using these services, and check what happens to MSMEs as a result, to ensure proper growth and sustainability of digital finance.

VI. CONCLUSION AND RECOMMENDATIONS

It proves that digital payment methods have played a significant part in spreading financial services to underbanked countries, showing India as an important example of that change. A lot of young, urban people using smartphones illustrates that technology, being digitally literate, and government support have greatly helped today's economy. The results prove that being able to use it easily, placing trust

in technology, and being influenced by peers are important for consumers to choose cashless payments, while their preference for a payment app depends mostly on how satisfied they are with it and how much they are lured by deals and bonuses. Still, while things are moving in the right direction, some serious challenges could prevent everyone from accessing the digital financial system. People living in rural and semi-urban areas who are not familiar with using technology and money continue to find it hard to use digital payments. Besides, people are hesitant to use fintech platforms because they fear their information won't be safe, which is why policymakers and fintech providers should focus on these matters fast. Therefore, the study suggests encouraging improved digital skills through campaigns, investing more in good telecom networks where they are needed, and stepping up protection of digital payment services through reliable security measures. Laws and regulations should aim to support innovation and at the same time make sure to have clear policies and procedures for settling consumers' issues. The involvement of government agencies, financial groups, information technology providers, and civil society is very important to make sure interoperability, worthwhile services, and user-friendly solutions are accessible to all, no matter who they are. Firms in FinTech need to focus on easy-to-use interfaces and personal services for all kinds of people, helping FinTech grow and become accessible to more customers. Also, for future studies, it is suggested to study the changes over time in using digital payments, look at matters related to gender, and assess how digital payments impact micro, small, and medium businesses in emerging markets. To sum up, digital payment services have greatly progressed financial inclusion, but it is important to address certain problems and keep efforts going to guarantee all parts of society can equally benefit from digital financial advances.

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