

## DIGITAL PAYMENT IN RURAL AREAS

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### ABSTRACT

This study analyses the effect of digital payment systems on rural financial transactions in terms of accessibility, transparency, and efficiency. The research assesses the contribution of Non-Banking Financial Companies (NBFCs) towards increasing digital financial inclusion and the role of digital payments in economic growth. Through the analysis of social impact, income differences, and financial conduct of borrowers, this study identifies the potential of digital payment solutions in revolutionizing rural economies.

Also, a closer analysis of incomes real and presumed opens up lessons of financial upward movement, and demonstrates enhanced ability to earn, alongside income source diversification following lending. This investigation also addresses problems and potential with digital payment adaptation, its capabilities in efficient Ning financial movements as well as weakening reliance on physical cash.

The key conclusions highlight the rising use of digital payments, financial literacy improvement, and the necessity for enhanced digital infrastructure in rural areas. The study ends by offering suggestions for increasing digital financial services and maximizing their effect on rural economies.

**Keywords:** Digital Payments, Financial Inclusion, Rural Economy, Digital Transactions, NBFCs

### 1. INTRODUCTION

Availability of financial services in rural regions has always been limited owing to infrastructural and economic limitations. With the introduction of digital payment methods and financial services offered by NBFCs, rural economies have been transformed towards financial inclusion. This paper examines the use of digital payments, their effect on financial literacy, and how they promote business growth and economic development.

Studies indicate that electronic payment systems increase financial security, lower the cost of transactions, and increase the efficiency of financial transactions (Kumar & Mishra, 2020). Research points to the contribution of NBFCs towards the encouragement of digital payments as a substitute for cash transactions, providing a secure and efficient way of carrying out financial transactions (Chakraborty et al., 2021).

In spite of the advantages, hindrances like poor internet connectivity, poor digital literacy, and resistance to digital payments continue to exist in rural regions (Rao et al., 2018). Nevertheless, there is evidence that with effective awareness programs and technological improvements, digital payments can fill the financial gap for rural populations, leading to long-term economic stability (Yunus, 1999).

### 2. RESEARCH METHODOLOGY

Mixed-methods research was conducted to evaluate the effect of digital payments in rural communities:

**Primary Data Collection:** Interviews and surveys were carried out among borrowers utilizing digital financial services. The sample consisted of small business, agricultural, and other micro-enterprise individuals.

**Secondary Data Collection:** Literature, financial reports, and previous studies were examined to provide additional information.

**Informal Interviews:** Informal discussions with financial specialists and representatives from NBFCs gave insights into operating difficulties and policy landscapes.

**Focus Group Discussions:** Group-level discourses helped assess the overall influence of digital payments on financial inclusion.

**Data Analysis:** Descriptive statistics and thematic coding were applied to examine quantitative and qualitative data, showing the link between adopting digital payments and economic empowerment.

### 3. DATA ANALYSIS & INFERENCE

Are u aware of Digital Payments	No.of Borrowers	Percentage of Borrowers
Google Pay	102	99.02%
Phone Pe	1	0.98%
Total	103	100%

### Mode of Payment

#### Interpretation

Most of the people knows how to use UPI payments.

#### Awareness of Digital Payment

Are you aware of digital payments?	No. of Borrowers	Percentage of Borrowers
Yes	102	99.02%
No	1	0.98%

#### Interpretation

The level of awareness digital payment is represented by the pie chart, with 99% of borrowers knowing about digital payments and 1% not knowing about them.

#### Age Groups of the Population

Distribution of age group	No. of Borrowers	Percentage of Borrowers
18-25	9	9%
26-35	39	38%
36-45	49	48%
49	1	1%
50	3	3%
51	1	1%
55	1	1%
Total	103	100%

#### Interpretation

The above bar graph displays the various age categories 48% of people involved in the survive fall into the 36–45 age group category, and 38% fall into the 26–35 age groups.

#### Family Size of the People

How many family members are there in your family?	No. of Borrowers	Percentage of Borrowers
2	23	22%
3	40	39%
4	34	33%
5	4	4%
6	2	2%
Total	103	100%

#### Interpretation

The above table shows that 39% have three family members, 33% have four family members, and 22% have two family members.

#### Occupation of the Person

What is your primary source of income?	No. of Borrowers	Percentage of Borrowers
Cows(Milk)	13	13%
Employee	4	4%
Coconut business	1	1%
Farming	21	20%
Fishing	8	8%
Goats	3	3%

Handloom	6	6%
Hotel	2	2%
Husband (Labour)	4	4%
Husband (Driver)	4	4%
Husband (JCB driver)	2	2%
Pavilion Business	2	2%
Power loom	18	17%
Small stores	5	5%
Tailoring	9	9%
Tuition and tutorial	1	1%

#### Interpretation

The above table shows, that 20% of work in farming, 17% operate power looms, and 13% work with cow.

#### Age Group of the people has handlooms and power loom

Age Group of borrowers	No. of borrowers	Percentage of borrowers
18-25	1	4%
26-35	4	17%
36-45	16	67%
More than 45	2	8%
50	1	4%

#### Interpretation

The above table, 67% of people are between the ages of 36 and 45, 17% are between the age of 26 and 35, and 8% are over the age of 45.

#### Types of looms

Type of loom	No of Borrowers	Percentage of borrowers
Power loom	18	75%
Handloom	6	25%

#### Interpretation

The above table shows that 75% of the are having Power loom, and 25% of borrowers are having Handloom.

#### Number of Looms

No of Loom	No of borrowers	Percentage of borrowers
1	5	29%
2	18	57%
4	1	14%

#### Interpretation

The above table shows 57% of own three looms, 29% own two looms, and 14% own one loom.

#### Productivity of the people

On weekly	No. of Borrowers	Percentage of borrowers
7days	4	17%
6days	20	83%

### Interpretation

The data shows that most borrowers 83% work six days a week. Only 17% of the work every day.

### Productivity based on Hours

In a day (How many hours they will work)	No.of Borrowers	Percentage of borrowers
12h	1	4%
8h	16	67%
7h	5	21%

### Interpretation:

The data shows that the majority of 67% work 8 hours a day. Another 21% work 7 hours daily, and only 4% work 12 hours a day. This indicates that most borrowers have a standard 8-hour workday.

### Source of Raw Material

Source of raw material	No of borrowers	Percentage of borrowers
Local vendors	13	54%
Local vendors or contractors	11	46%

### Interpretation

The data shows that 54% of get their raw materials from local vendors, while 46% obtain them from either local vendors or contractors. This indicates that the majority of borrowers rely on local vendors for their raw materials.

## 4. DISCUSSION

The transformation of rural payments to digital has opened up vast economic opportunities and posed special challenges. The ubiquity of digital transactions has made operations more efficient, minimized cash dependence, and given rural citizens access to more secure and transparent financial systems. Yet, the success of digital financial services heavily relies on the availability of internet connectivity, mobile coverage, and digital literacy.

One of the strongest findings from this research is higher financial literacy among rural borrowers who regularly utilize digital payment platforms. Several of the participants reported greater knowledge of money management tenets, better record-keeping strategies, and increased confidence in managing digital transactions. This indicates that digital payments act as an instrument of education, allowing people to learn fundamental money skills.

Despite such positive changes, certain barriers continue to persist. Insufficient internet connectivity was widely identified by respondents as a critical constraint, especially in far-flung locations where digital payment systems are yet to take shape. Lack of knowledge of digital financial tools has also bred resistance across sections of society, notably older groups and technology-primitive populations. These issues will be addressed through specialized education programs, improved network facilities, and local support services to help people accommodate digital transactions.

The second important finding from the research is the contribution of digital payments towards improving business activities. Small firms, especially in agriculture and micro-enterprises, have seen streamlined financial transactions, enhanced customer trust, and efficiency. Digital payments have lowered the cost of transactions, eliminated errors, and enabled business owners to access financial services more easily. Despite this, businesses continue to experience challenges like cyber fraud threats, unreliable banking services, and limited access to formal financial institutions.

In order to achieve the maximum potential of digital payments in rural regions, policymakers and financial institutions need to pay attention to bridging the education and technology gap. Rural digital infrastructure investment, organizing financial literacy sessions, and implementing strong cyber security measures are key to achieving sustainable digital financial growth.

### Implication

The findings of this research have implications for policymakers, financial institutions, and rural communities. The results underscore the need for strategic investment in digital infrastructure to facilitate smooth digital payment uptake. The government and financial institutions should join hands to offer focused financial literacy programs to bridge the rural population and technology gap.

For rural small businesses and entrepreneurs, the adoption of digital transactions can bring more financial autonomy, increased business efficiency, and a better-organized financial system. More adoption of digital payments can also enhance creditworthiness, allowing easier access to formal financial institutions for business growth.

On a larger level, the encouragement of electronic transactions in rural areas can help overall economic growth in the nation. By promoting financial inclusion and digital literacy, rural populations can become more integrated into mainstream economic activity, narrowing income gaps and enhancing national economic resilience.

## 5. CONCLUSION AND RECOMMENDATIONS

The growth in digital payments for rural regions has been a primary driver of deeper financial inclusion and economic development. But to unleash its full potential, efforts will have to focus on building up digital literacy levels, developing infrastructures, as well as initiatives on financial literacy. Future research will have to look at sustainable changes in consumers' behavioural responses to financial activity and scalability in digital payment alternatives for rural economies.

## 6. LIMITATIONS & DIRECTIONS FOR FUTURE STUDIES

Although this research offers meaningful insights into how digital payments are affecting rural communities, there are some inherent limitations that need to be recognized. First, the study is based mostly on survey answers and interviews, which can suffer from response bias. Second, the analysis is conducted within a specific geographic location, restricting generalizability of the results to wider rural populations.

Another limitation is the fast-changing nature of digital financial services. Policy and technology changes can impact digital payment uptake in the future, so continuous assessments are important.

Longitudinal studies are the areas to be researched in the future to evaluate the long-term impact of digital payments on rural economies. Comparative analysis among various rural economies and developing countries can also help in understanding the scalability and sustainability of digital payment systems. Analysis of the emerging technologies like blockchain and artificial intelligence in rural financial inclusion would be another key area for future research.

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