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# Digital Payments Revolution in India : A Catalyst for Inclusive Economic Growth

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## Abstract

The rapid growth of financial technology (FinTech) has significantly transformed the delivery and accessibility of financial services across the world. In recent years, FinTech applications such as digital payment platforms, mobile banking, and online investment tools have gained immense popularity, particularly among the youth. These technologies offer convenience, speed, and accessibility, thereby reshaping the way individuals manage their financial transactions. Understanding the factors that influence the adoption of FinTech applications among young users is essential for promoting digital financial inclusion and sustainable economic development.The present study aims to examine the key factors influencing the adoption of FinTech applications among youth. The research focuses on aspects such as perceived usefulness, ease of use, security and privacy concerns, trust in digital platforms, and technological awareness. Primary data will be collected through a structured questionnaire distributed among 208 young individuals, particularly students and early-career professionals. The collected data will be analyzed to identify the major determinants that encourage or hinder the use of FinTech applications.The findings reveal that the adoption of FinTech platforms is primarily influenced by convenience, technological infrastructure, digital literacy, and trust in security systems, Easy accessibility, faster transactions, and the ability to perform financial activities anytime and anywhere significantly motivate users to adopt digital financial services.

It will also highlight the challenges faced by users while adopting FinTech platforms. The study may assist policymakers, financial institutions, and FinTech companies in designing more secure, user-friendly, and accessible digital financial solutions.

Overall, this research contributes to understanding the role of FinTech in shaping modern financial behavior and promoting a digitally inclusive financial ecosystem.

**Keywords**: FinTech, Digital Payments, Technology Adoption, Youth, Financial Inclusion.

## Introduction

Digital payment transformation has emerged as one of the most significant developments in the modern financial system. With rapid technological advancement, financial transactions are increasingly shifting from traditional cash-based methods to electronic and mobile-based payment systems. This transformation has been driven by the growing use of smartphones, internet connectivity, and innovative financial technologies that enable faster, safer, and more convenient transactions. In recent years, the Government of India has actively promoted digital payments to strengthen financial inclusion and reduce dependence on cash.

A major boost to digital payments came with initiatives such as Digital India, which aims to create a digitally empowered society and knowledge economy. Payment platforms like Unified Payments Interface (UPI), Immediate Payment Service (IMPS), and mobile wallets have made financial transactions quick, seamless, and accessible to a wider population. These systems allow individuals and businesses to transfer funds instantly using smartphones, thereby reducing the need for physical banking infrastructure.

The transformation toward digital payments has also contributed significantly to transparency, efficiency, and economic growth. It helps reduce transaction costs, improves financial record-keeping, and supports the formalization of the economy. Moreover, digital payment systems have expanded access to financial services for people in rural and underserved areas, thereby promoting inclusive development.

Overall, digital payment transformation is reshaping the financial landscape by integrating technology with banking services. As digital infrastructure continues to expand and awareness grows, digital payments are expected to play a crucial role in building a more efficient, inclusive, and cash-lite economy.

## REVIEW OF LITERATURE

Sreekanth .et.al (2026) reviewed “Digital India as a catalyst for inclusive financial growth”. A study The Digital India Programme has significantly promoted financial inclusion by expanding digital infrastructure and improving access to banking services. Studies highlight that initiatives like Pradhan Mantri Jan-Dhan Yojana have increased bank account ownership among rural and underserved populations. Digital payment systems such as Unified Payments Interface and Immediate Payment Service have made financial transactions faster, easier, and more transparent. Programs like Direct Benefit Transfer ensure that government subsidies reach beneficiaries directly, reducing corruption and leakages. Furthermore, platforms such as Aadhaar Enabled Payment System and RuPay have strengthened digital financial services across India. Existing literature suggests that these initiatives have improved efficiency, transparency, and accessibility in the financial ecosystem. However, researchers also emphasize the need for improved digital literacy, infrastructure development, and cybersecurity to ensure sustainable and inclusive digital financial growth.

Hariharan.et.al(2025) investigated a study on Digital Finance and Financial Inclusion in India: Transforming Access, Trust, and Economic Empowerment. The rapid growth of digital finance has significantly transformed the Indian financial system by improving the way individuals and businesses access and use financial services. Studies show that digital tools such as Unified Payments Interface, mobile banking, and fintech platforms have increased the accessibility and efficiency of financial transactions. Researchers highlight that government initiatives promoting digital finance have strengthened financial inclusion in India. Literature also indicates that digital finance helps build trust in financial services and supports economic growth. However, several studies point out challenges such as limited digital literacy, cybersecurity risks, and unequal access to technology among different socio-economic groups.

Bisht.et.al.(2025) studied “ CATALYZING CHANGE: UNVEILING THE DYNAMICS OF DIGITAL FINANCIAL INCLUSION IN INDIA” This study shows that digital technologies such as mobile banking and digital payment systems have made financial services more accessible, affordable, and convenient for people, especially in rural areas. Researchers highlight that global initiatives supported by the G20 have encouraged countries to strengthen policies for inclusive financial systems. In this study ,Literature is based on secondary data indicates that the increasing use of

digital payments has improved access to banking services among low-income groups. Studies also suggest that technological advancements have enhanced transparency, efficiency, and customer convenience in financial transactions. As a result, digital financial inclusion has contributed to better financial participation and improved quality of life for many people in India. Overall, existing research concludes that digital technology is an important driver of inclusive economic growth.

Kumar.et.al.(2024) analyzed a study on Assessing the Impact of Digital Initiatives on Economic Growth and Digital Inclusion. This study examines the role of digital initiatives in promoting digital inclusion and driving economic growth. Digital technologies such as e-governance platforms, digital payments, and online services have transformed economic activities by improving efficiency, productivity, and accessibility. The research highlights major government initiatives in India that aim to expand digital infrastructure, enhance financial inclusion, and support digital literacy. It also identifies key barriers to digital inclusion, including limited digital skills, affordability issues, infrastructural gaps, and socio-cultural constraints. The study further analyzes how digital transformation contributes to GDP growth, job creation, and improved economic indicators. In addition, it discusses factors that influence the sustainability and success of digital initiatives, such as scalability, funding mechanisms, and stakeholder engagement. The findings emphasize the need for strong policy frameworks, universal digital access, and continuous innovation to ensure inclusive and sustainable digital development.

Kale & Budgjar (2023) conducted a study on THE ROLE OF DIGITAL INDIA IN EXPANDING FINANCIAL INCLUSION. Financial inclusion ensures access to formal financial services for all sections of society, especially the poor and marginalized. Studies show that it helps in poverty reduction and promotes economic and social development. Digital technology plays a key role by reducing transaction costs and improving accessibility. In India, the Digital India Programme supports financial inclusion through digital infrastructure, digital identity, and digital payment systems. Overall, literature indicates that digital innovation strengthens inclusive and sustainable economic development.

Kumar & Manjula (2023) reviewed a study on Exploring the Dynamics of Digital Finance Penetration in India. Financial inclusion has been a major focus of public policy in India as it promotes inclusive growth and economic development.Literature suggests that financial inclusion also helps individuals cope with financial risks and unexpected events. With the rapid digital revolution, the banking and financial sector has experienced significant transformation through technological innovations. Developments such as credit cards, ATMs, and modern digital financial services have improved the accessibility and efficiency of banking services. In recent years, digital finance and fintech platforms have expanded rapidly in India, increasing the adoption of financial services. Studies highlight that initiatives like the Digital India Programme and the growth of systems such as the Unified Payments Interface have strengthened financial inclusion. Overall, literature indicates that digital finance plays an important role in promoting financial inclusion, economic growth, and addressing regulatory challenges in India.

s**RESEARCH OBJECTIVES**

- To identify the factors that influence the adoption of FinTech applications among young users
- To highlight the challenges faced by users while adopting FinTech platforms.

## RESEARCH METHODOLOGY

This chapter is the outline of the research methodology. This chapter describes the objective of the study, the Universe of the study, the Sample of the study, and the sources of data collection. It also explains the various statistical techniques used in the study.

### 1) OBJECTIVE OF THE STUDY

- To highlight the challenges faced by users while adopting FinTech platforms.
- To identify the key factors that influence the adoption of FinTech applications among young users.

**2) SAMPLE OF THE STUDY** In the context of research, the universe of the study refers to the entire population or group of individuals that the researcher aims to investigate or draw conclusions about. It represents the larger group from which the study sample is drawn. The universe of the study encompasses all the elements that possess the characteristics or attributes being studied.

The universe of the study is youngsters in Punjab . However, due to practical constraints, the study utilized a sample of 208 youngsters from various districts of Punjab.

**Sampling Technique** Convenient and judgmental sampling technique were used to collect the data. The study is primarily based on the primary data. The primary data was collected with the help of the questionnaire to analyze the work-life balance of the police officers.

3) **SOURCES OF DATA COLLECTION** Primary source of data is used to analyze the work-family balance among the Punjab Police personnel.

- **Primary Source** Primary data is the original or first-hand data. There are various sources through which primary data can be collected such as interviews, surveys, observation, focus groups, questionnaires, etc. Data for the present study has been collected through a web-based structured questionnaire.
- **Questionnaire** Keeping in view the objectives of the study a structured questionnaire was developed to obtain the information from the respondents. Questions were kept short and simple language was used. The questionnaire was designed with the help of various journals and research articles available on the internet and included close-ended questions and 27 statements related to five level agreement scale. The close-ended questions enabled to gather information related to ease of use, security and privacy concerns, trust in digital platforms, and technological awareness of youngsters at various districts in Punjab. The questionnaire was made through google forms and the link was sent through email and WhatsApp.

**4) ANALYSIS OF THE DATA** For analyzing the data, the following steps were undertaken:

- **Coding:** The data from the questionnaire was transferred to the coding sheet by assigning numerals to responses for tabulation and analysis of data.
- **Tabulation:** The data was transferred to the coding sheet. Tabulation was done by arranging the data in the form of tables.

**TOOLS AND TECHNIQUES FOR ANALYZING THE DATA**

The data collected through structured questionnaires were analyzed using the following tools and techniques :

I.Descriptives: Percentage Method

This method is used in almost all tables and the percentages are written in separate column or parenthesis along with the data in simple form.The most commonly used formula is :

$$\text{Percentage (\%)} = \frac{\text{Response for a Question}}{\text{Total number Of responses}} * 100$$

II. Factor Analysis: Exploratory Factor Analysis

Factor analysis a statistical instrument used to draw out the connections among extensive number of variables and explain these variables in terms of common underlying dimensions (factors).This method helps in reducing large number of variables into smaller set of dimensions with a minimum loss of information.

**Steps for Factor Analysis :**

**Step 1 :**Generate a Correlation matrix for all variables .

**Step 2 :**Estimates of initial factors are obtained using Principal Component analysis.

**Step 3:**Factors are rotated to make them more meaningful and easier to interpret (each variable is associated with a minimal number of factors.

**Step 4 :**The final decision about the number of factors to choose is number of factors for rotated solution that is most interpretable.

**FACTOR ANALYSIS -SCALE SCORE**

| | |
|---|---|
| Strongly Disagree | 1 |
| Disagree | 2 |
| Neutral | 3 |
| Agree | 4 |
| Strongly Agree | 5 |

After collecting the data it was recorded on the excel data , to analyse the data or to conduct factor analysis (factor analysis is a class of procedure primarily used for data reduction and data summarization relationshups among sets of many interrelated variables are examined and presented in terms of few underlying factors . Factor analysis is an interdependence technique in which an entire set of interdependent relationships is examined . SPSS has been used for same purpose . However , SPSS is specifically very effective and suitable for analyzing the complex behavioral relationship between variables.

**FACTOR ANALYSIS TECHNIQUE**

The data collected was analysid using factor analysis technique .Its statistical technique use to :

- Estimate factors or variables
- Reduce the dimensionality of a large number of variables into fewer number of factors.

STEPS IN FACTOR ANALYSIS

1) Bartlett's Test Of Sphericity
2) Kaiser Meyer Olkin Measure Of Sampling Adequacy
3) Method Of Factor Analysis

**Kaiser-Meyer-Olkin Measure of Sampling Adequacy**

It is a useful method to show the appropriateness of data for factor analysis. The KMO measure is used as an index of whether there are linear relationships between the variables and thus whether it is appropriate to run principal components analysis on your current data set. The KMO statistics vary between 0 to 1. Kaiser (1974) recommended that a value greater than 0.5 is acceptable. And to examine the factors affecting the fintech users in various districts of Punjab.17 statements have been framed. Data so collected subject to factor analysis to bring out the important factors influencing the preference.

**TABLE NO.1 KMO AND BARTLETT'S TEST**

**KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .844 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 6128.823 |
| | df | 253 |
| | Sig. | .000 |

The above table shows that KMO is > 0.5 i.e. 0.844. which means it is adequate and Bartlett's test of sphericity is significant. Thus the data is fit for factor analysis. The approximate Chi-square value is 6128.823 with DF (degree of freedom) 253 which is significant at .000 levels. These tests show that data is appropriate.

Further factor analysis was applied using SPSS. 27 statements that affect the fintech users of Punjab which was reduced to 4 factors.

**TABLE NO. 2 TOTAL VARIANCE EXPLAINED**

1. **Total Variance Explained**

| Factor | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 10.277 | 44.681 | 44.681 | 9.549 | 41.518 | 41.518 | 8.315 | 36.150 | 36.150 |
| 2 | 5.657 | 24.596 | 69.278 | 5.391 | 23.441 | 64.959 | 3.682 | 16.008 | 52.159 |
| 3 | 1.487 | 6.465 | 75.742 | 1.700 | 7.390 | 72.349 | 3.472 | 15.097 | 67.255 |
| 4 | 1.242 | 5.399 | 81.142 | 1.016 | 4.416 | 76.765 | 2.187 | 9.510 | 76.765 |
| 5 | .746 | 3.244 | 84.386 | | | | | | |
| 6 | .522 | 2.270 | 86.656 | | | | | | |
| 7 | .495 | 2.151 | 88.807 | | | | | | |
| 8 | .406 | 1.763 | 90.570 | | | | | | |
| 9 | .378 | 1.644 | 92.214 | | | | | | |
| 10 | .299 | 1.302 | 93.516 | | | | | | |
| 11 | .281 | 1.221 | 94.737 | | | | | | |
| 12 | .241 | 1.047 | 95.784 | | | | | | |
| 13 | .160 | .694 | 96.478 | | | | | | |
| 14 | .145 | .630 | 97.107 | | | | | | |
| 15 | .119 | .518 | 97.625 | | | | | | |
| 16 | .107 | .467 | 98.092 | | | | | | |
| 17 | .102 | .443 | 98.535 | | | | | | |
| 18 | .085 | .370 | 98.905 | | | | | | |
| 19 | .082 | .356 | 99.261 | | | | | | |
| 20 | .068 | .298 | 99.559 | | | | | | |
| 21 | .042 | .184 | 99.743 | | | | | | |
| 22 | .034 | .149 | 99.892 | | | | | | |
| 23 | .025 | .108 | 100.000 | | | | | | |

Extraction Method: Maximum Likelihood.

In the above table, factors have been drawn out and the total variance explained is76.765 cumulative. The remaining 23.235 is because of the remaining factors which are beyond the scope of the study

**TABLE NO.3 SUMMARY OF FACTORS EXTRACTED**

| Factor | Statements | Factor Loading | Eigenvalue | Variance Explained (%) |
|---|---|---|---|---|
| **Convenience and Use** | FinTech applications make financial transactions quicker and more convenient for me. | 0.960 | 2.914 | 58.28 |
| | I prefer using FinTech apps because they allow me to perform transactions anytime and anywhere. | 0.859 | | |
| | Using FinTech applications reduces the need to visit banks or ATMs. | 0.738 | | |
| | FinTech apps are easy to use for making payments, transfers, and other financial activities. | 0.668 | | |
| | FinTech applications help me manage my finances more efficiently. | 0.522 | | |
| **Infrastructure and Technological Support** | I have access to a reliable internet connection to use FinTech applications. | 0.783 | 4.883 | 69.757 |
| | My smartphone or device supports the smooth functioning of FinTech apps. | 0.756 | | |
| | The availability of digital infrastructure encourages me to use FinTech services. | 0.922 | | |
| | FinTech applications work efficiently without frequent technical problems. | 0.941 | | |
| | Adequate technological support makes it easier for me to use FinTech applications regularly. | 0.933 | | |
| | Improvements in digital technology have increased my use of FinTech services. | 0.877 | | |
| | Availability of secure digital payment systems motivates me to adopt FinTech applications. | 0.570 | | |
| **Digital Literacy** | I have the necessary digital skills to use FinTech applications effectively. | 0.751 | 3.476 | 49.657 |
| | I can easily learn how to use new financial technology applications. | 0.804 | | |
| | I am comfortable using smartphones or computers for digital financial transactions. | 0.583 | | |
| | I know how to download, install, and update FinTech applications on my device. | 0.600 | | |
| | I can understand the instructions and features provided in FinTech apps. | 0.595 | | |
| | I am aware of basic online safety practices | 0.759 | | |

| Factor | Statements | Factor Loading | Eigenvalue | Variance Explained (%) |
|---|---|---|---|---|
| | while using digital financial services. | | | |
| | My level of digital knowledge encourages me to use FinTech applications. | 0.801 | | |
| **Security and Trust** | I trust FinTech apps to protect my personal and financial information. | 0.763 | 2.698 | 67.45 |
| | The security features (OTP, passwords, and biometric authentication) make me feel safe while using them. | 0.864 | | |
| | I believe that FinTech companies follow proper security standards to protect users. | 0.828 | | |
| | My trust in FinTech applications increases when they provide transaction alerts and confirmations. | 0.828 | | |

**Findings of the Study**

The present study examines the factors influencing the adoption of FinTech applications among youngsters in Punjab using Exploratory Factor Analysis (EFA). The results of the statistical analysis reveal several important findings.

1. Adequacy of Data for Factor Analysis

The Kaiser–Meyer–Olkin (KMO) value of 0.844 indicates a high level of sampling adequacy, confirming that the data is suitable for factor analysis. Additionally, Bartlett's Test of Sphericity is significant ($p = 0.000$), which shows that the variables are sufficiently correlated to perform factor analysis.

2. Extraction of Key Factors

The factor analysis of 27 statements resulted in the extraction of four major factors influencing the adoption of FinTech applications among young users. These four factors together explain 76.765% of the total variance, indicating that they represent the major determinants affecting FinTech adoption.

3. Convenience and Use

The first factor highlights that ease of use and convenience are the most important drivers for adopting FinTech applications. Young users prefer FinTech platforms because they enable quick transactions, anytime and anywhere access, reduced need for visiting banks or ATMs, and efficient financial management.

4. Infrastructure and Technological Support

The second factor emphasizes the importance of digital infrastructure, including reliable internet connectivity, compatible smartphones, and efficient digital payment systems. Adequate technological support significantly encourages users to adopt and regularly use FinTech applications.

5. Digital Literacy

The third factor indicates that digital knowledge and technological skills strongly influence FinTech adoption. Users who are comfortable using smartphones, downloading applications, and understanding digital financial services are more likely to adopt and use FinTech platforms.

6. Security and Trust

The fourth factor shows that trust and security features play a crucial role in influencing FinTech adoption. Security measures such as OTP verification, passwords, biometric authentication, and transaction alerts increase users' confidence in digital financial services.

7. Overall Influence of Factors

Among all the factors, convenience, technological infrastructure, digital literacy, and security concerns emerged as the most significant determinants influencing the adoption of FinTech applications among youngsters.

## Conclusion

The study concludes that FinTech applications have become an essential part of the modern financial ecosystem, particularly among young users. The findings reveal that the adoption of FinTech platforms is primarily influenced by convenience, technological infrastructure, digital literacy, and trust in security systems. Easy accessibility, faster transactions, and the ability to perform financial activities anytime and anywhere significantly motivate users to adopt digital financial services.

However, despite the growing adoption of FinTech applications, several challenges still exist, including limited digital literacy, technological barriers, and security concerns. Addressing these challenges is essential for increasing user confidence and ensuring wider adoption of FinTech platforms.

Therefore, policymakers, financial institutions, and FinTech companies should focus on improving digital infrastructure, enhancing digital literacy programs, and strengthening cybersecurity measures. These initiatives will not only increase the adoption of FinTech applications but also contribute to greater financial inclusion and the development of a digital economy in India.

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