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Digital Finance and Financial Inclusion: An Empirical Analysis

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Research Background

- Digital finance has transformed the delivery of financial services through online banking, mobile banking, e-wallets, digital payments, and related technologies.
- These services can improve the accessibility, convenience, and affordability of financial services, particularly for underserved groups.
- However, challenges such as security concerns, connectivity issues, transaction costs, and limited technological knowledge may limit adoption.

Research Objectives

- Analyze customers' usage of financial products and services in the context of increasing digitalization.
- Examine the impact of digital finance on financial inclusion,
- Identify customer-level challenges, and
- Propose recommendations for financial institutions, policymakers, and other stakeholders.

Theoretical Framework

- Previous studies indicate a positive relationship between financial inclusion, financial stability, and broader economic development.
- The literature also suggests that digital financial services can formalize economic activity, improve tax collection, and expand access to finance
- Financial literacy and accessibility remain important barriers to inclusion.

Research Methodology

- The study adopts an empirical research design based primarily on a structured survey of 200 respondents in Tamil Nadu, India, selected through convenience sampling.
- Data were analyzed using percentage analysis, the Mann–Whitney U test, the Kruskal–Wallis test, and Structural Equation Modelling.

Key Findings

- The study finds significant differences between male and female customers in the use of several digital financial services, although online and EMI payments did not differ significantly.
- Overall, digital finance has a significant impact on financial inclusion
- Customers continue to face concerns about password security, connectivity, security, and digital literacy.

Academic Contribution

- The study provides empirical evidence linking digital financial services to financial inclusion at the customer level, drawing on data from Tamil Nadu.
- It contributes by examining multiple dimensions of inclusion, including accessibility, affordability, quality, security, privacy, and knowledge.
- It also identifies practical barriers that need attention to strengthen digital financial inclusion.