

A STUDY ON THE ROLE UPI IN ENHANCING FINANCIAL INCLUSION AMONG RURAL CONSUMERS WITH REFERENCE TO BELTHANGADI TALUK

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ABSTRACT:

The unified payment interface has its digital transactions in India, but it's adoption among rural consumers is incompatible. This study focuses at the impact of UPI on financial inclusion in Belthangadi Taluk, Karnataka, with embassy, awareness, adoption, trends, and critical challenges. While UPI as a Contributed to transaction, convenience, banking, accessibility, and business efficiency, its adoption is a hindered by low Digital literacy, Limited, internet connectivity, security concerns, and a strong preference for cash transactions. Small companies' owner claim, increased sales and decreased cash depends, demonstrating UPI potential for economic growth. The report emphasises the need of targeted digital literacy initiative, increased security measures, and improve infrastructure in driving greater usage of financial inclusion in rural regions.

Keywords: UPI, Financial Inclusion, Digital Payments, Rural consumer

INTRODUCTION

Financial inclusion broadens the resource space of the financial system by developing a culture of saving amount last segment of rural population In rural regions, 86% of consumer with accounts still prefer to visit bank offices for their financial prerequisites, regardless the explosion of digital payments. This indicates that physical banks are still seen as reliable for significant transactions and loans, regardless of whether UPI provides ease.

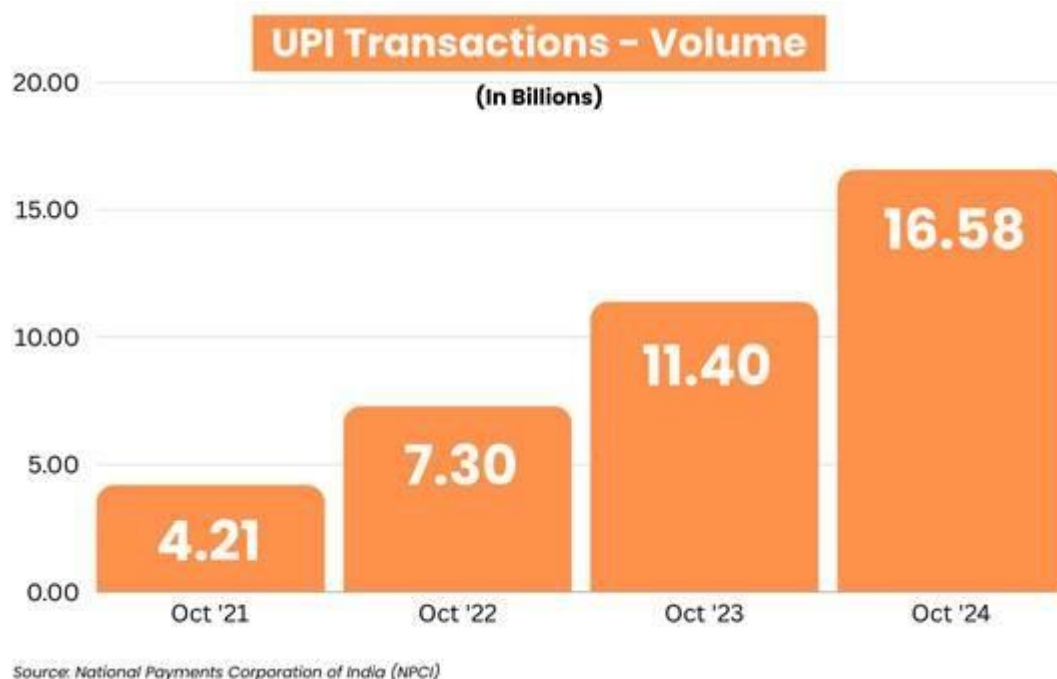
Unified payment interface, (UPI) has rapidly transformed financial transactions, particularly in rural and semi urban India. According to recent EY-CII report, UPI adoption has surged, with 38% of rural and semi urban respondents choosing UPI has their primary payment method. Respondents in age between 18 and 35. Had a preference for UPI. Where is 19% respondents preferred cash only, and only 11% did not prefer UPI as a mode of payment .This reflects a significant shift in how this region are embracing digital payment.

In October 2024, unified payment interface achieved a milestone by processing 16 .58 billion financial transaction in a single month, underscoring, it's pivotal role in India's digital transformation. UPI has contributed to the nations transformation to a cashless economy by promoting citizens, start-ups, and merchant, in addition to ensuring financial transaction, swift, secure and uncomplicated. This

exceptional milestone illustrates India's commitment to leveraging technology to foster economic prosperity and inclusive growth.

UPI in numbers: In October 2024, UPI executed 16 .58 billion financial transaction representing ₹23.49 crores, a improvement of 45% over the 11 .40 billion transactions in October 2023. The surge in occupancy along with 632 banks link to its platform, illustrate a UPI's emerging dominance in India's payment market. The increasing volume and value of transaction emphasise UPI vital role in encouraging the nations shift to a cashless Society has more individuals and enterprise embrace the convenience and safety of online transactions.

UPI has which the gap between banked and unbanked population, promoting financial inclusion across the country.



2.STATEMENT OF THE PROBLEM

UPI processor 16 .58 billion Indian banking transaction in October 2024. In Dakshina Kannada, 1.2 million UPI's have been adopted, the despite the fact that 88.62% of the population is literate which is higher than the Karnataka average literacy rate of 75.36%. However, Belthangadi Taluk has not yet been the site of any investigation on the UPI penetration in this area. Despite India's digital financial services, explosive expansion, financial inclusion is severely hampered in rural areas like Belthangadi Taluk.

3.SCOPE OF THE STUDY:

In Belthangady Taluk, Dakshina Kannada, this research reporter, evaluate how UPI could enhance financial inclusion by saying it's a adoption, challenges and impact on banking, access and economic consumption. It analysis the roles of banks, fin tech companies, and the government in the promoting digital payment while considering at significant barriers such as cash, dependency, digital literacy, connectivity, challenges, and security issues. The study intends to offer helpful recommendation for improving a digital infrastructure, raising financial awareness, and advancing UPI usage in order to increase economic mobility in rural regions.

4.OBJECTIVE:

- To access the awareness and adoption of UPI among rural consumers.
- To identify the challenges and barriers faced by the rural consumers in adopting the UPI.
- To analyse the impact of UPI on financial transactions and accessibility to businesses.
- To examine the role of UPI in promoting the financial inclusion.

5.LITERATURE REVIEW

The Unified Payments Interface (UPI) has emerged as a transformative tool in promoting financial inclusion, particularly in rural India. Research highlights its role in enhancing economic stability, increasing banking accessibility, and reducing dependency on cash transactions. Mahamad (2023) emphasizes UPI's effectiveness in fostering financial inclusion while identifying barriers such as lack of awareness and trust issues. Meganathan (2023) further explores UPI's impact on rural consumers, acknowledging its benefits in reducing cash reliance but pointing out challenges like poor digital infrastructure and low literacy rates. Similarly, Avernani, Ashish, and Sai (2023) discuss UPI's economic influence since its introduction in 2016, noting its role in increasing transparency and financial empowerment despite persistent infrastructural challenges. In the context of Belthangady Taluk, Martis (2023) evaluates banking penetration and financial inclusion efforts, highlighting the need for enhanced financial literacy and improved infrastructure. Kumari (2023) examines financial literacy's effect on UPI adoption, suggesting that security concerns and connectivity issues hinder usage, while Subbulakshmi (2023) underscores UPI's role in fiscal integration despite challenges like digital illiteracy and security risks. Additionally, Singh Gautam and Rastogi (2023) analyze fintech's impact on digital literacy, revealing that socioeconomic factors moderate its effectiveness. Overall, these studies demonstrate UPI's crucial role in financial inclusion while highlighting gaps in research on its effects on specific demographics such as women, the elderly, and economically disadvantaged groups. Addressing these challenges through targeted policies, digital literacy initiatives, and infrastructure improvements is essential for maximizing UPI's impact on financial inclusion.

6. RESEARCH GAP

Despite substantial study on UPI's involvement in financial inclusion, major gaps still exist. Existing research focuses mostly on its economic advantages, adoption difficulties, and digital literacy issues, with little attention paid to its influence on specific demographic groups such as women, the elderly,

and economically poor individuals. Furthermore, there is a scarcity of in-depth research on the efficacy of government policies and activities in encouraging UPI use in rural communities. Furthermore, although studies focus on infrastructure and security problems, there has been little research on real-time transaction failures, network challenges, and their impact on user trust. Addressing these deficiencies through targeted research can improve the effectiveness of UPI in promoting financial inclusion.

Research Methodology

- **Research Design:** The study follows a descriptive research design to analyze UPI adoption and its role in financial inclusion among rural consumers in Belthangady Taluk.
- **Data Collection:** Primary data was collected through a structured questionnaire distributed to rural respondents, while secondary data was gathered from journals, reports, and government publications.
- **Sampling Method:** A convenience sampling method was used to select respondents based on their accessibility and willingness to participate.
- **Sample Size:** The study surveyed a total of 40 respondents from different demographic backgrounds.

7. DATA ANALYSIS & INTERPRETATION

Demographic Insights:

Category	Details
Total Respondents	40
Age Range	18-24 years (34), 25-30 years (6)
Gender	Male (16), Female (24)
Education	Graduate and above (33), Higher Secondary (5), Secondary (2)
Occupation	Students (29), Private Sector Employees (9)
Monthly Income	Below ₹5,000 (20), ₹10,001 - ₹50,000 (few)

- **Age:** The majority of respondents (34) are aged 18-24 years, followed by 25-30 years (6 respondents).
- **Gender:** The survey has 24 female respondents and 16 male respondents.
- **Education:** Most respondents (33) have a graduate or higher qualification, while only a few have higher secondary (5) or secondary education (2).
- **Occupation:** A large number of respondents (29) are students, while 9 are private-sector employees.
- **Monthly Income:** The majority (20) earn below ₹5,000, while a few earn between ₹10,001 - ₹50,000.

UPI's Role in Financial Inclusion

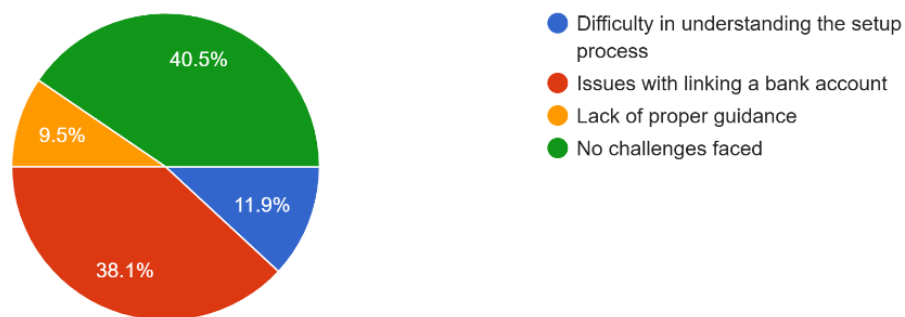
- 70% of respondents believe UPI has improved financial access, making transactions easier and reducing reliance on cash.
- 30% still prefer cash or traditional banking, mainly due to habit, security concerns, or lack of trust in digital transactions.
- Interpretation: UPI has played a significant role in financial inclusion, but additional efforts are needed to gain trust and improve accessibility for rural consumers.

UPI Challenges Faced by Users:

- Poor internet connectivity (28 responses) is the biggest barrier to UPI adoption.
- Fear of online fraud (21 responses) is another significant challenge.
- Technical issues (15), lack of digital literacy (13), and trust issues (10 responses) also limit UPI usage.

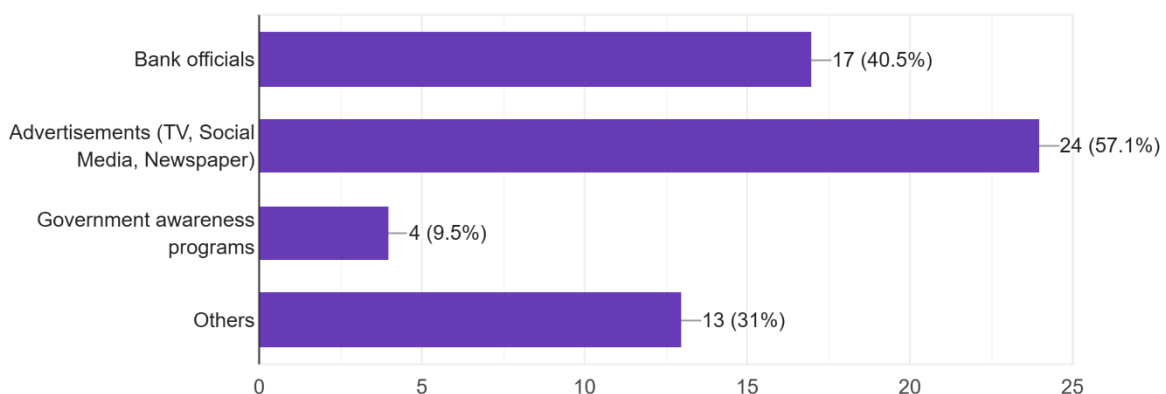
10.What difficulties did you face while registering for UPI?

42 responses



8. How did you learn about UPI and it's usage?

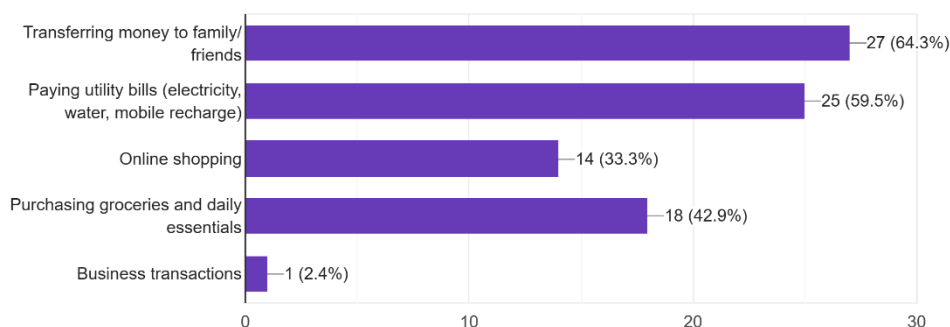
42 responses



A large number of respondents are aware of UPI and its specific features, suggesting that digital payments have become common in rural areas. Word-of-mouth, banking promotions, and initiatives from the government have been accountable for the high level of awareness. However, awareness does not always translate into active usage, as some individuals may still prefer cash transactions. A significant number of respondents use UPI regularly, indicating its growing acceptance. The ease of transactions and accessibility have contributed to its frequent use. However, those who use it less frequently may face issues like internet connectivity or trust concerns. Key issues include frequent server downtimes, which disrupt transactions and lead to frustration among users. Additionally, poor digital literacy in rural regions makes it difficult for consumers to understand and use UPI efficiently. Many users also struggle with inconsistent internet connectivity and a lack of trust in digital financial systems, fearing fraud and security breaches. Moreover, some merchants in rural areas still prefer cash transactions due to uncertainty in digital payment reliability.

13. What are the primary purposes for which you use UPI?

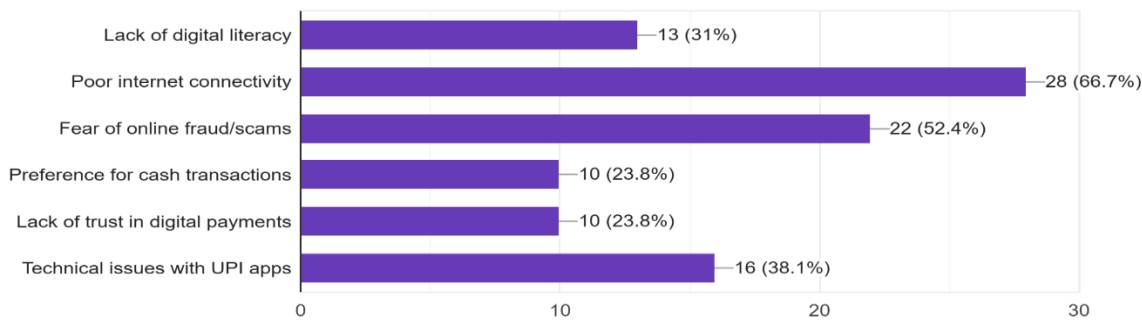
42 responses



Most individual respondents find UPI more convenient than traditional banking. Unlike banks, the UPI system enables quick and easily transactions without going a branch. However, for larger transactions, some users may still choose traditional banking due to believed security. The important factors driving UPI adoption include ease of use, transaction speed, and cost-effectiveness. The ability to create instant payments without extra fees is a significant advantage. However, enhancing awareness and trust among unwilling users remains a challenge. Cashback offers and bonus have impacted UPI usage for many respondents. Marketing offers support frequent transactions and loyalty to particular apps. However, some users may shift platforms depending on better rewards, emphasizing the importance of continuous incentives.

20. What are the key challenges you experience while using UPI? (Select all that apply)

42 responses



Some respondents do not use UPI due to lack of trust, technical problem, or preference for cash transactions. Concerns over security breaches and internet fraud deter some users. Providing better security assurances and awareness programs could encourage wider adoption. Users reported challenges like server issues, security risks, and poor internet connectivity. Transaction failures can discourage users and impact trust. Addressing these issues through good infrastructure and security enhancements is essential.

Trust Impact Due to Server Downtime:

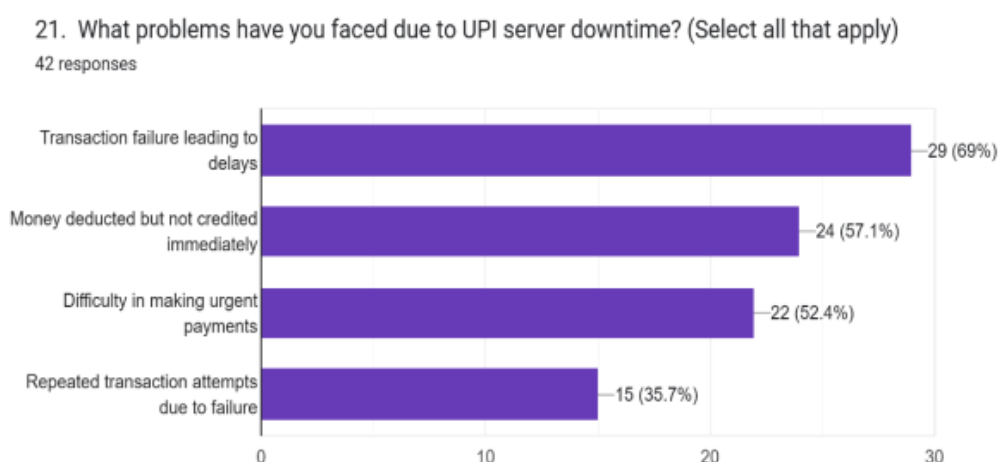
- 21 respondents say downtime makes them cautious but they still use UPI.
- 13 respondents stated that downtime severely reduces their trust, leading them to prefer cash transactions.

Impact of Server Downtime on UPI Transactions:

- Transaction failures causing delays (28) and money deductions without immediate crediting (23) are common issues.
- Difficulty in making urgent payments (21) and repeated transaction attempts (15) frustrate users

Some individual respondents faced issues while linking their bank accounts to UPI, mainly due to verification errors or network issues. These challenges can discourage first-time users from continuing with digital payments. Simplifying the linking process could improve user experience. Also the server downtime effects transaction failure almost 69% as per the survey . This makes users to hesitate from using UPI transaction and prefer cash transactions.

Most respondents believe that UPI usage will continue to grow due to its convenience and government support. The increasing integration of UPI with other financial services further strengthens its position. However, addressing challenges like security risks and digital literacy is essential for sustained. To enhance UPI adoption in rural regions, infrastructure improvements such as better internet connectivity and stronger banking networks are crucial. Conducting financial literacy programs and awareness



campaigns can help build user confidence and promote digital transactions. Moreover, technical enhancements to reduce server downtime and improve transaction success rates will be essential in fostering trust and expanding the reach of UPI in rural India.

Overall Interpretation and Key Insights

- UPI adoption is highest among educated youth, but older and less-educated individuals face challenges in usage.
- Financial literacy plays a key role in determining how effectively individuals can use digital payment platforms.
- Security concerns and poor internet connectivity remain major barriers that need immediate attention.
- UPI is contributing significantly to financial inclusion, but further steps like awareness campaigns, better infrastructure, and fraud protection mechanisms are necessary.

8. Suggestions for UPI Improvement in Rural Areas:

- Better internet connectivity and digital infrastructure development were frequently suggested.
- Merchant adoption of UPI, increased security measures, and better training programs were also recommended.
- **Improve Digital Infrastructure:** Enhancing internet connectivity in rural areas will ensure seamless UPI transactions.
- **Increase Financial Literacy:** Awareness programs should educate users on UPI's security measures and benefits.
- **Strengthen Security Features:** Addressing concerns about fraud and unauthorized access will increase trust in digital payments.
- **Ensure Reliable Server Performance:** Reducing UPI downtime and technical failures will enhance user experience and adoption.
- **Expand Awareness Campaigns:** Government and financial institutions should promote digital payments to rural consumers.

9. Findings

- UPI adoption is high among young, educated individuals, particularly students.
- Internet connectivity and technical issues are major hurdles in rural UPI adoption.
- Server downtime significantly affects user trust, with some shifting back to cash transactions.
- Awareness programs and merchant adoption of UPI can improve digital transactions in rural areas.

10. Limitations

- The study is limited to Belthangady Taluk and may not represent other rural areas.
- Findings are based on self-reported data, which may introduce response bias.
- The research captures UPI adoption at a specific time without tracking long-term trends.
- Key rural segments like farmers and daily wage earners are underrepresented.
- Connectivity and digital infrastructure challenges are identified but not deeply analyzed.
- Fraud and cybersecurity concerns are noted but not extensively explored.
- The influence of government and banking policies on UPI adoption is not thoroughly examined.

CONCLUSION

The study on the role of UPI in enhancing financial inclusion among rural consumers in Belthangady Taluk highlights the transformative impact of digital payment systems on financial accessibility. The findings indicate that UPI has significantly reduced dependency on cash transactions, improved banking accessibility, and facilitated seamless financial transactions. However, challenges such as digital illiteracy, poor internet infrastructure, and security concerns continue to hinder its widespread adoption. Despite these obstacles, the increasing awareness and trust in UPI suggest a positive shift toward financial inclusion. To further strengthen UPI adoption, targeted initiatives such as digital literacy programs, enhanced security measures, and infrastructural improvements are essential. The study underscores the need for continuous efforts from financial institutions, policymakers, and technology providers to bridge the digital divide and ensure inclusive financial growth in rural areas.

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