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UPI and Financial Inclusion: A Study of Usage in Semi-Urban and Rural India

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Abstract

In the recent years specially in India technology and digital innovation has changed the world and India and how people use money and digital methods in India. The main reason is not only the online transaction it is UPI (Unified Payments Interface). It lets person or user to transfer or to the transaction of the money instantly using the application or the device. Because of this, payments have become faster, easier, and more convenient. This study looks at how UPI helps people, especially in small towns and villages. In many of these places, people do not have easy access to banks. UPI helps solve this problem by giving a simple way to make digital payments using a smartphone and internet.

This research paper helps us to study and to know how many people use the online or app to do the transaction or the payments, why they use it, and what problems they face. To study this research the sample size which is collected is of 150 people using surveys and interviews. This helped to get both numbers and real-life experiences. The results show that UPI is very popular, it is popular and used on daily basis the users are in different age group but we can find traditional users as well and we can find the more users who know how to use digital as well as traditional method of the payment. People like UPI because it help us to make quick payment and transaction and we can send a money or do a transaction on the urgent basis or if someone need it in the emergency. It has reduced the need to c arry cash and made daily payments like shopping, bill payments, and money transfers much easier.

However, there are some problems. Many people in rural area are not aware about using digital apps properly. Poor internet connection is also an issue in some places. In some situations or cases people are no using digital method because of online fraud and security risks, so they not trust the digital payments methods.

In conclusion, UPI has made money transactions easier and improved financial access for many people. But there is still a need to teach people how to use it, improve internet services, and spread awareness about safe usage. If these issues are solved, UPI can help more people and make the digital reach or increase there reach and usage rapidly throughout the India .

Keywords: UPI; Financial Inclusion; Digital Payments; Rural India; Semi-Urban Areas; Digital Financial Services.

How to Cite This Article

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Introduction

In the recent years, way the people use money in India has changed a lot. Earlier, people mostly used cash or went to banks for sending money. Now, because of digital technology, things are much faster and easier. One big change is UPI (Unified Payments Interface), started in 2016. It helps people to do transaction in easier way and at any moment one can make the payment. It works all the time (24/7) and is very simple to use.

The term financial or finance involvement means that everyone should be able to use basic banking services like saving money, making payments, and sending money. But in many villages and small towns, people still face problems. Banks are far away, Still the people are not using the digital transaction ad also not aware , Few are aware and few are not aware about how to use digital systems, and banking processes can be confusing.

The digital transaction and the UPI has given the solution to the various issues . With just a smartphone and internet, people can send or receive money anytime without going to a bank. This is very helpful for shopkeepers, farmers, students, and workers because it saves time and effort. It also reduces the need to carry cash, making payments safer and easier. UPI has also incurred and increase the usage so the can use the UPI and banking digital services . Now, people use it for daily needs like paying bills, buying things, and sending money to family and friends.

This study tries to understand how UPI is helping people in villages and small towns. It looks at how people use UPI, what benefits they get, and what problems they still face, like poor internet, lack of knowledge, and safety concerns. This study helped us find the exact reason behind is the people really want to continue the payment from the UPI. Another thing is related to issues, are people aware about the pro and cons so this research paper will help us out to know the outcomes

Literature Review:

In the la few decades the researcher has already done a study and research on how digital payments are helping people in India. Most studies show that systems like UPI is moving quickly not throughout the India but every corner of the world and there are few changeless faced by the UPI.

A study by Sumathy and Vipin (2017) he realises that more people are aware and already understand about the digital payments. There are few users who are worried about safety and find it hard to use these apps. Because of this, some people do not use them regularly. In the same way, Sharma and his team (2022) said that UPI is helping people understand banking better, especially in rural areas, and more people are starting to use it.

Another study by Neema and Neema (2018) showed that many people in villages are not been aware and known about the digital and UPI Technology and how to use it. This is because they do not know how to use UPI and are not ware about the same. Similarly, Jadhav and Doke (2024) said that the technology and the Online made fast and easy way of transaction and it helped the people or users to provide the help of money in emergency basis. But still, lack of knowledge is a problem.

Few studies also refer that or claim that the people still want to use the cash for the saving or other purposes. This is due to safety concern they are used to it and feel it is safer. People are also afraid of fraud and do not fully trust online payments. Rastogi and others (2021) explained that trust, awareness, and a person's financial condition affect whether they use digital payments or not.

Infrastructure is also important. In many rural areas, internet is slow or not available, and some people do not have smartphones. This makes it hard to use UPI. However, The Indian government initiative i.e. digital India is awaking people to know the usefulness of digital payments and encouraging them to use them. In conclusion, most studies say that UPI can help improve financial inclusion in India. To increase the reach and usage government must work on to good access for he internet services, increase awareness, and build trust so that the reach of the digital payment method and UPI can be increased.

Research Model

The research paper provides insights on a conceptual model where several independent factors influence UPI usage and financial inclusion.

The Role of Independent Variables

Independent variables are factors which is based on use digital payments. These include digital knowledge, education, internet access, age, income, and trust.

Digital knowledge and education help people learn how to use apps correctly and safely. Internet is very important because digital payments need a good connection to work.

Age and income also matter. Young people usually use technology more easily. Income decides if a person can buy a smartphone and use these services often. To be a trustworthy partner is important due to which people will use digital payments only if they feel their money is safe.

Impact on Dependent Variables

Dependent variables show how people use digital payments in real life. These include how often people use UPI, and how frequently is user is making the payment or using digital method for the transaction, and how safe and are really they are willing while using or to make the payment, and if they are becoming part of the banking system.If people use UPI often and feel happy, it means they trust it and find it useful.

Methods

The research paper includes numbers and people's experiences. The number part it represent that how frequently user use UPI and their basic details. The experience part shows what people feel, think, and the problems they face. This helps to understand both data and real-life situations. We started collecting data with the help of google form and questionnaires and sharing the google form in form of questionnaire with people from the village side and semi-urban areas. Wit the help of secondary data like the user interface, active users the other research paper help us out to complete this research paper

This study includes 150 people. They were chosen based on easy availability and specific according to the recruitment and sample was collected as it was the only thing required to complete the study.

Analysis & Results

The data shows and clear insights about how people use UPI. About 76% of users are between 18–25 years old, so young people use UPI the most. People mainly use it to pay bills, send money, and shop online. Google Pay and PhonePe are the most used apps. Many people use UPI every day or every week.

The results also show that UPI has reduced the traditional banking method and made banking easier. Still we can find some issues especially in villages, like poor internet and lack of technical knowledge.

Independent Variables (Drivers)

Digital knowledge, education, internet, and income are important for using UPI. Without these, people find it hard to understand and use digital payments.

Dependent Variables (Outcomes)

Using UPI makes people more satisfied and helps them join the banking system. It makes accessing financial services easier and they not should not depend on the way of traditional banking.

Discussion

This research talks and give insights about that how UPI has helped their users to do or to perform transaction smoothly and in a mannered way, especially young and educated users. This will help users knowing about technology and being aware is very important for using digital payments.

But there is still a gap. Older people and those with less education often find it hard to use UPI. This means that having technology is not enough—people also need understanding and confidence to use it.

Another problem is infrastructure. In many villages, internet is weak, which makes using UPI difficult. In the era of digitalization, the people are more concern about the safety of the transaction and the money safety as well the users are not thinking about the fraud but more focused on the security and stability kind of things.

Suggestions

Improve Digital Literacy

A big problem in villages and small towns is about not knowing or not aware about how to use smartphones or digital apps. Even if they have a reach for the digital payment method, the people ore user may be aware about using or can have a knowledge of payment apps correctly. To solve this, simple awareness and training programs should be held locally. Schools, colleges, banks, and government groups can teach people how to download apps, send money, and use QR codes. These lessons should be in local languages so everyone can understand. Easy video tutorials, posters, and live demonstrations will be helpful for the users to learn step by step. When people understand and feel confident, they will use UPI more in daily life.

Better Internet Connectivity

UPI only works with the internet, so a strong and stable network is very important. In many villages, the internet is weak, so payments can be slow or fail. This makes people frustrated and they use cash instead. To fix this, telecom companies and the government should make internet better in these areas. Internet should also be cheap so more people can use it.With better internet, payments will be faster, problems will reduce, and people will trust digital payments more.

Increase Awareness about Safety

Many people do not use UPI because they not completely trust the process and likely the user are also known of fraud and online scams. Some users are not aware about the basic safety rules, so they can be tricked by fake calls, links, or OTP scams. To fix this, Government should demonstrate about how to stay safe while using the digital transaction or using UPI. They should know not to share their PIN, OTP, or personal details with anyone. Simple examples and easy tips can help them understand scams and avoid them. Banks and payment apps should also send regular safety messages in simple language. When people feel safe and informed, they will trust UPI more and use it regularly

Providing Multi-Language Support

India has many languages, and not everyone can use apps in English. This makes it hard for some people to understand instructions and use UPI. To fix this, UPI apps should be in local languages. Simple instructions, voice help, and easy design will be helpful to understand the usage of UPI. When people can use the app in the native language or the regional language the users will be more confident while using the UPI.

Support for Small Shopkeepers

The Shopkeepers are the main users who use the transaction or digital platform on regular basis and the interaction and payment from the customer is on the regular basis. But they are not aware about the safety and security checks while using the UPI.

To help them, simple training programs can teach how to accept payments using QR codes. Banks and Financial based company set it up and explain the benefits, like faster payments and less cash handling.

When more shopkeepers use UPI, customers will also use it more, and it will become a normal part of daily life.

Improve Customer Support Services

Many people face problems like failed payments, delays, or money taken without confirmation. When there is no help, they get frustrated and stop trusting digital payments. To fix this, UPI apps and banks should give quick and easy support. They can have helplines, chat, and simple ways to report problems. If users get fast help, they will be happy and will use digital payments more confidently.

Offer Incentives and Benefits

People try new technology more when they get some benefit. Cashback, discounts, and rewards can make people use UPI instead of cash. Banks and payment apps can give cashback on the first payment, rewards for using UPI often, or discounts on bills. These offers attract new users and make existing users use more.

Conclusion

UPI and digital transaction had made the payment made so faster that everyone is using it on daily basis and also finds it faster. The UPI has solved the issue of transferring the money and make it smoother (Receiving and sending the money), right from mobile phones. It helps people in villages and small towns use digital payments, like shopkeepers, farmers, and ordinary people. They can now keep track of their money more easily and don't need to carry much cash. The government's Digital India Initiative plan helped the users and aware the people about UPI and focus on the growth of the UPI . Some places have bad internet Connectivity. Some people don't know how to use UPI apps. Others worry about safety and fraud. This makes some people unsure about using it.

To make UPI useful for everyone, we need better internet, more awareness, and knowledge about safety. If the government, banks, and companies work together, these problems can be solved. UPI is a strong tool that can help more people join the financial system. With the right improvements, everyone, no matter where they live or how much money they earn, can use it easily and be part of India's digital future.

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