United International Journal of Multidisciplinary Research (UIJMR) An International Peer-Reviewed and Refereed Multidisciplinary Journal
ISSN: 3048-6726 Impact Factor:6.934(SJIF)Volume-3, Special Issue-11

Growth of Digital Finance and Its Impact on Indian Economy

Dr. P. Padma
Asst prof of Economics, Pingle Government college for Women (A) Hanamakonda. Telangana. Mail-padmapanjala8008@gmail.com
DOI:10.37854/UIJMR.2026.311.18

Abstract
Digital finance played crucial role towards the economic growth for the country. It provides a secured platform in which everyone can make safe transaction. For increasing the Financial literacy among the citizens government need to focus more in the rural areas and among the old age people because there are huge group of old people who completely unaware about digital finance, they are having bank accounts but for every transaction they are very concerned to visit bank without having confidence on digital finance. So government should target that group of society for creating more awareness. This study is based by undertaking some practical situation from the surrounding and makes reader to focus up on some lighting over digital financial literacy and its urgency. The findings of the study found that Usability, Convenience, Accurate timing, and easy interbank account facility has positive impacts on Mobile banking, Low service charge and accurate timing has significant impacts on mobile wallets even Low service charge has positively impacted on the credit card.

Keywords: - Financial literacy, Determinates, Empowerment, Digital finance, Financial Products.

Introduction -Financial Literacy

Financial literacy has been defined as a combination of financial awareness, knowledge, skills, attitude and behaviours necessary to make sound financial decisions and ultimately achieve individual financial well-being. Financial literacy has also been linked to financial capability, which is the ability of consumers to use the acquired financial literacy to make better-informed decisions about managing their finances. From day-to-day expenses to long-term budget forecasting, financial literacy is crucial for managing these factors. It is important to plan and save enough to provide adequate income in retirement while avoiding high levels of debt that might result in bankruptcy, defaults, and foreclosures. In India, a wide variety of digital financial services have been designed and launched and they are being utilized by the customers, thanks to the technology adoption mind-set of the customers and the efforts of the Government of India. Unified Payment Interface (UPI) Bharat Interface for Money (BHIM), Bharat Quick Response (QR) code, National Automated Clearing House (NACH), Rupay cards, National Electronic Toll Collection, and Aadhaar Enabled Payment Services are a few digital financial services that are available in India.

Objects of the study

With the increase in the usage of digital technologies, it is important to create awareness among the citizen about digital education. Education not only means explaining something but it means making an individual able to understand and practicing regularly upon the based information .This study is based by undertaking some practical situation from the surrounding and makes reader to focus up on some lighting over digital financial literacy and its urgency.

Research methodology

This descriptive research aims to identify, measure, and validate the determinants of digital financial literacy of users. Present study of the data it required to collect information from the secondary sources. Studies, books, journals, press releases and article published in newspapers and websites of governments of India and Telangana.

Need for Financial Literacy

India, with its diverse population and varying levels of financial awareness, has long grappled with the challenge of ensuring that individuals have the knowledge and skills to navigate the complexities of personal finance. Many Indians lack basic financial literacy, leading to a lack of awareness about investment options, retirement planning, and even basic budgeting. This knowledge gap often results in individuals making uninformed decisions that can have long-term negative consequences.

Financial Literacy in the Digital Age: Empowering Indian investors through Fintech Education Only 27% of Indian adults – and 24% of women – meet the minimum level of financial literacy as defined by the Reserve Bank of India. The Indian financial sector is undergoing rapid changes, and one of the most noteworthy developments is the emergence of fintech platforms that are transforming how individuals access financial services and information. At the heart of this transformation lies a crucial component – financial literacy. In the nexus of technology and finance, fintech platforms are now playing a vital role in providing financial education and literacy to Indian investors, thereby enabling them to make well-informed choices and manage their finances effectively.

Importance of Digital Financial Literacy

Digital and financial literacy are essential in this modern era, especially for teens and young adults. Here are three reasons why digital financial literacy is necessary.

1. Investment and savings options are becoming more diverse and complex. Digital finance has created numerous ways in which people can invest or save money. Today, digital finance products are way more complex than in the past. One minor mistake can have a significant impact on your finances. Digital financial literacy helps you make informed decisions, leading to a positive effect on your finances.

2. It helps you avoid fraud and costly blunders Digital financial literacy provides consumers with a higher level of financial and digital expertise. This way, you can efficiently identify risks such as phishing

or password theft. Furthermore, you can take appropriate steps to protect your financial information and funds.

3. It promotes better money management skills .The use of digital consumer services such as remote shopping and online gambling can lead to frivolous spending. However, learning digital financial literacy can help you develop money management skills. When done right, buying online can also save you money. Buying from reputable vendors or high-volume sellers like Amazon may save you many dollars compared to your local store. By using the right strategies, you can manage your finances well and create a better future for yourself.

Challenges of digital finance:

While digital payments have been successful in India, there are still several challenges that need to be addressed. One of the main challenges is the lack of digital infrastructure in rural areas, where a significant portion of the population still relies on cash transactions. The government has launched several initiatives to address this issue, such as the Digital India program and the Pradhan Mantri Jan Dhan Yojana, which aims to provide banking services to every household in the country.

Another challenge is the issue of cyber security and fraud, which is a major concern in digital transactions especially amongst the rural population and the marginal segments of society. The government and financial institutions have taken several measures to address this, such as the implementation of two-factor authentication and the introduction of fraud detection systems.

Production of digital finanance:

Online Banking: This is important facilities given by the financial institution because this facility ultimately reduces the burden of visiting banks for every small work. This feature almost saved a lot of time of abuser and well as institutions. Regularly different features have been introduced by different website for using online banking. Nowadays banks are offering digital services to meet every requirement of customer with immediate response and high quality technical solutions with fast and easy. Below mentioned are few of the services that banks are providing to its customers without any charges.

Opening Accounts
Money transfer
Withdrawal
Deposits
Transfer Money
Checking account balance
Mini statements
Loan management
Bill payments
The following are some of Apps available for UPI transaction
• BHIM• Cred• PhonePe• Google pay• Amazon pay

Finance Planning: With the era of digital money the banking sectors are also in a competition to provide more and more facilities to customers for their convenience. They offer various tools analysing investments, savings, tax calculation, loan calculations, and interest rates finance budgeting, different schemes of government.

Digital Wallet: We can also say this term as pocket wallet or mobile wallet. Earlier we used to visit bank or ATM to withdraw cash for utilizing it for shopping or anything we want to purchase. Best innovation for digital chronically anytime anywhere without investing time on personal visit in the banks. Platform after demonetization was digital wallet which can be used by smart phones. Millions of users are being very familiar by using digital wallets. Have a look on different digital wallet available:

Bill Payments: This is time saved measures initiated by electronic money apps through which regularly users will get notifications to ditch recharge, mobile recharge, water bills, electricity bills, loan payments, mortgage rents, insurance installments.Secured Message

Alerts: This as a features availed to every users of digital banking by providing time to time alerts for their every transaction. This provides more secured means of transactions for every single activity and makes customer confidence. This will also help to make aware of frauds. Message alerts are sent to customers

Payments: Electronic money, mobile phone wallets, crypto assets, remittance services;

Asset management: Internet banking, online brokers, robot advisors, crypto asset trading, personal financial management, mobile trading;.
Efforts of central Government for promoting Digital Financial Literacy: The Digital India programs by Government of India focus with the vision of transforming India into a Digital era empower society and knowledge economy. Paperless and cashless is the main focus of digital India. For Indian Government of India the main priority is to promote digital payments and bring each and every segment of country under a single format. The Vision is to provide facility of seamless digital payment to all citizens of India in a convenient, easy, affordable, quick and secured manner. Honrable Finance Minister, in his budget speech announced several activities for the promotion of digital payments including setting a target of 2,500 crore digital payment transactions in through Unified Payments Interface (UPI), Aadhar Pay, Immediate Payment Service and Debit Cards. Ministry of Electronics & Information Technology (MEIT) has been entrusted with the responsibility of leading this initiative on Promotion of Digital Transactions including Digital Payments. MEIT is working on various strategies, ideation with multiple stakeholders including Banks, Central Ministries/ Departments and States, to create an ecosystem to enable digital payments across the country.

Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA).
This scheme was introduced by Modi Government to connect every rural person with digital platform. It aims to act as linking bridge between government and every section of society by making them digitally literate.

Pradhan Mantri Jan-Dhan Yojana (PMJDY)
This is the most popular and effective plan initiated to connect every person of the country with banks. This plan facilitates opening bank account of every person with zero balance. Earlier for opening a bank account certain amount of deposit was compulsory to the account. But thanks to this scheme of Government through which every weaker section of the society was able to connect and Open a bank account without any minimum balance. Crores of bank accounts are being opened under this yojana. It is the best initiates ever in the Indian history to connect ever one with banks. It is a National Mission

for financial inclusion for all the households of the country. This initiative engaged to provide all governments benefits directly to the beneficiaries' accounts. Bharat Interface for Money (BHIM) it is an application which is used for making financial transaction easy, faster and quick with Unified Payments Interface. It facilitates the customers to use the application by providing bank linked mobile number with banking details. It facilitates transfer money to any bank account anytime and anywhere. Crop Insurance Mobile App This is useful app for farmers which focus to provide crop insurance, loans. It is also used to provide details of normal sum, extended sum insured, premium details and subsidy information.

DigiLocker: It is a digital wallet used to kept authentication of important documents electronically. This system is to empower every citizen digitally. This Digilocker is created for paperless work and putting the documents safely for longer period of time. It had helped to decrease the number of frauds. Under this sharing and verification of An Overview of Digital Financial Literacy..

Effect of Digital Finance Literacy on Indian Economy:

The adoption of digital payments has had a significant impact on the Indian economy. It has led to a reduction in the use of cash, which has several benefits such as reducing the cost of printing and transporting currency notes, curbing black money, increasing tax compliance and of course, convenience in financial transactions and payments . Digital payments have also provided a boost to the fintech industry, creating new job opportunities and driving innovation in the sector. The image below demonstrates how cash usage has substantially dropped over the last 5 years. Furthermore, digital payments have enabled financial inclusion by providing banking services access to a larger section of the population. According to a report by the World Bank, India has made significant progress in financial inclusion, with the number of bank accounts increasing from 65% of the adult population in 2021 to 100% in 2024.

Impact on the Economy:

• Increase speed of public sector services rendered to citizens of the country.

• Decrease documentation.

• Provide an easy to manage online storage to store all documents.
• Provide simple and easy to use cloud space for convenience use of application.
• Improved technical tools for speed up of usage.

For increasing the Financial literacy among the citizens government need to focus more in the rural areas and among the old age people because there are huge group of old people who completely unaware about digital finance, they are having bank accounts but for every transaction they are very concerned to visit bank without having confidence on digital finance. So government should target that group of society for creating more awareness.

Conclusion:

The success of digital payments in India has been remarkable, driven by the government's push towards a cashless economy and the adoption of UPI. Digital payments have had a positive impact on the economy, leading to financial inclusion, reducing the use of cash, and boosting the fintech industry. However, there are still several challenges that need to be addressed, such as the lack of digital infrastructure in rural areas and the issue of cyber security and fraud. The government and financial institutions need to continue working towards creating a secure and accessible digital payment ecosystem that benefits all sections of society. Improving financial futures of individuals and families lies in digital financial literacy coupled with sound financial decision-making for securing economic well-being. As adult learners seek out more financial answers, well-designed educational options are essential for 21st -century learning on financial literacy.

References:

https://receivablesinfo.com/2023/03/01/the-importance-of-digital-financial-literacy/
https://teenlearner.com/digital-financial-literacy/
https://files.eric.ed.gov/fulltext/EJ1370041.pdf
Reserve Bank of India (RBI). Annual Report Publications.