



The Impact Of Digital Banking on Financial Inclusion A Study Of Emerging Markets (Silchar Region)

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ABSTRACT :

In the last couple of years, internet banking has become a force of transformation reshaping the landscape of financial services, particularly in the emerging economies. This study evaluates the impact of electronic banking on financial inclusion within the semi-urban district of Silchar, Assam—a place otherwise neglected in macroeconomic analysis but representative of the common malaise afflicting emerging economies. Financial inclusion in the form of access to and use of formal financial services by every segment of society remains an endemic issue in India's smaller towns and rural regions. All-India campaigns through schemes like Jan Dhan Yojana, Digital India, and extension of UPI-based platforms have failed to establish a seamless and end-to-end consumption of digital banking services in locations such as Silchar due to infrastructural, educational, and socio-cultural issues.

A mixed-method design is applied for this study where quantitative data collected through formal surveys of 150+ participants is combined with qualitative information from interviews among bank workers, entrepreneurs, and consumers of online services. The study finds that awareness of e-banking services such as mobile banking, net banking, and wallets is relatively high, but regular usage relies heavily on digital literacy, online platform trust, connectivity, and the availability of simple-to-use services in local languages. The study also reflects that younger, urban customers have a higher adoption level, while older, poorer customers still hold on to traditional cash-based systems.

Interestingly, the research highlights so delicately how digital banking brings about financial inclusion—through lowering the need for physical infrastructure, ease of access to credit, and direct benefit transfer. Nevertheless, there are challenges of ensuring a level playing field and effort to surmount psychological hurdles as regards mistrust or phobia against technology. The report concludes on a positive note of suggesting some policy interventions, grass-root digital literacy initiatives, and more inclusive banking practices that attempt to bridge the digital divide in cities like Silchar.

By focusing on a micro-regional lens, this research is contributing to scholarship by offering grounded insights on the reality of digital uptake of financial in emerging markets. It reaffirms the necessity of local-based knowledge in designing national financial inclusion plans, and offers a blueprint for interventions into deepening of digital banking for the future.

INTRODUCTION

The swift transformation of digital technologies has drastically restructured the global financial industry. Digital banking has become a keystone in the finance sector over the last decade, which allows people and companies to access services like savings, credit, insurance, and transfers via digital means. Using a mobile phone and connectivity to the internet, people can now undertake financial transactions anywhere at any time—without going to a bank branch. This transition not only streamlined financial operations but has also opened up new paths to increasing financial inclusion among emerging economies.

Financial inclusion, referring to access and utilization of formal financial services by everyone, particularly the poor and unbanked population, is required in supporting fair economic development. Financial inclusion allows one to save safely, access credit for business, face financial risks, and enhance general well-being. But in most of the developing world, to this day, there is still limited banking infrastructure in rural and semi-urban areas, respectively. This has led to millions being locked out of formal financial systems, thus propagating poverty and non-formal financial behavior.

India, which is the second-fastest growing digital economy on the planet, has come quite far in that endeavor through means like the Pradhan Mantri Jan Dhan Yojana (PMJDY), Aadhaar-enabled authentication, Direct Benefit Transfers (DBT), and spreading Unified Payments Interface (UPI) wider. All these have set digital banking as the center point of national policy. The momentum and trajectory of adoption, nevertheless, are both diverse and region-specific. Even though metro areas experienced a boom in fin-tech adoption, smaller districts and towns such as Silchar in Assam face specific challenges and digital adoption imbalances.

Silchar, which is situated in north-eastern India, is a heterogeneous population, income-level, and sparsely spread physical banking infrastructure-based semi-urban economy. Although penetration of smartphones has been rising and offerings such as PhonePe, Google Pay, and internet banking have come in sight, there are gaps regarding average usage, trust in online services, as well as pervasiveness with fiscal facilities. Linguistic issues, illiteracy about digital processes, and structural disadvantages typically impede the ability of residents, especially women, the elderly population, and unorganized laborers in gaining maximum output from e-money systems.

This research strives to analyze to what extent digital banking is rewriting financial inclusion in such under-served areas. Drawing on experience, practices, and challenges based on local terms, the study seeks to fill the literature divide that has otherwise been dominated by country- or city-level observations. It desires to investigate to what extent digital banking instruments exist, are considered reliable, and used by people of Silchar, and yes, lead to increased financial inclusion.

LITERATURE REVIEW

1. Academic Interest

The link between digital banking and financial inclusion has garnered increased academic research over the last decade, primarily in the context of emerging economies.

2. Global Perspective

Demirgüç-Kunt et al., (2018) state that digital financial products/platforms such as mobile and online banking have improved access to financial products across the world for the unbanked.

3. India's Perspective

Chakrabarty (2011) and Gupta and Sharma, (2020) argue that digital banking in India has been advanced by various initiatives of the Government of India, namely:

- a) Pradhan Mantri Jan Dhan Yojana (PMJDY)
- b) Aadhaar linkage
- c) Unified Payments Interface (UPI)

4. What We Are Still Fighting

In balance, however, obstacles still remain such as:

- a) Infrastructure gaps
- b) Digitally illiterate populations
- c) Socio-cultural hangups

5. Digital Banking penetration at the district level

Sane and Thomas (2021) point out that some districts remain low in awareness of and infrastructure to support digital banking, and thus adoption of digital banking is still very low

6. Gap in Research on Small Towns

The bulk of research on financial products in India has focused on large metropolitan contexts

7. There seems to be a gap in empirical scholarship around small towns like Silchar

Studies based in small towns could improve our understanding of networks and norms at a much more localized level

8. Need for Localized Scholarship

Research must consider not just access and infrastructure, but:

9. Behavioral tendencies

- a) Trust

- b) Socio-economic key contextual background
- c) This Study's Contribution
- d) This study will fill the addressed gap in research by examining the adoption of

OBJECTIVE

1. *Digital Banking Adoption in Silchar:*

Digital banking is growing in Silchar, led by youth, small businesses, and tech-aware users. However, many older and low-income individuals still rely on traditional banking and cash due to habit and limited digital skills. The study explores usage patterns, popular platforms like UPI and mobile apps, and overall digital behavior in the region.

2. *Barriers to Financial Inclusion*

Key challenges in Silchar include:

- 1. Digital illiteracy
- 2. Poor internet connectivity
- 3. Cybersecurity concerns
- 4. Trust in cash over digital methods
- 5. Limited banking infrastructure

3. *Role of Government and Banks:*

- 1. Schemes like PMJDY and Digital India promote digital banking access.
- 2. Banks offer mobile apps and training, but local outreach is limited.
- 3. Incentives like cashback and fee waivers help but need better implementation in areas like Silchar.

HYPOTHESIS

1. *Principal Hypothesis (H_0 and H_1):*

Null Hypothesis (H_0):

There is not a high level of correlation between online banking facilities and the depth of financial inclusion in the region of Silchar.

Alternative Hypothesis (H_1):

There is a high positive correlation between online banking services and the level of financial inclusion in the Silchar region.

2. *Sub-Hypotheses:*

H₀₁: Digital literacy has no effect on the adoption of digital banking in Silchar.

H₁₁: Digital literacy has a positive effect on the adoption of digital banking in Silchar.

H₀₂: The presence of mobile and internet facilities has no effect on the usage of digital banking.

H₁₂: The presence of mobile and internet facilities has a positive effect on the usage of digital banking.

H₀₃: Trust and security perception have no effect on the willingness of individuals to use digital banking.

H₁₃: Trust and security perception significantly impact individuals' digital banking usage intent.

H₀₄: Government schemes and digital banking strategies have no remarkable impact on financial inclusion.

H₁₄: Government plans and digital banking schemes significantly impact financial inclusion.

H₀₅: Socio-demographic characteristics (education level, income, gender, age) have no impact on the adoption of digital banking.

H₁₅: Socio-demographic indicators significantly influence digital bank adoption.

RESEARCH METHODOLOGY

This study adopts a quantitative research design to explore the effect of digital banking on financial inclusion in the emerging market setting. Silchar, Assam is the target site of this study. The emphasis of this study is to examine the types of access, usage, challenges to, and feelings towards digital banking across the different demographic groups in Silchar.

Specifically laid out below, are the research design, data collection method, sampling strategy, data analysis and interpretation, the boundaries of the research, and the limitations of the study.

- 1. Research Design:** the research design follows a descriptive and analytical approach; this research project seeks to quantify behaviour and awareness of, and engagement with, digital banking services.
- 2. Data Collection Method:** The primary data collected for the study was using a structured questionnaire in an online format (as well as medium of print questionnaire distributed online and in person) that included open and closed questions. The questionnaire included questions regarding the participant's demographics (age, gender, occupation, education), banking habits and banking experience, awareness of digital initiatives, as well as participants personal interactions/experience with digital banking.
- 3. Sampling Technique:** Non-probability convenience sampling was used to target research participants living in the Silchar region. A total of 100 respondents took part in the research, they included students, employees, business owners and homemakers.
- 4. Data Analysis:** the information collected from participants was then examined and analyzed to understand the trends in digital banking adoption in silchar region and impact on financial inculsion.
- 5. Scope and Limitations:** The study focuses on users within Silchar city, which may limit the generalizability to other regions. Moreover, reliance on self-reported data introduces potential bias in responses.

DATA ANALYSIS AND INTERPRETATION

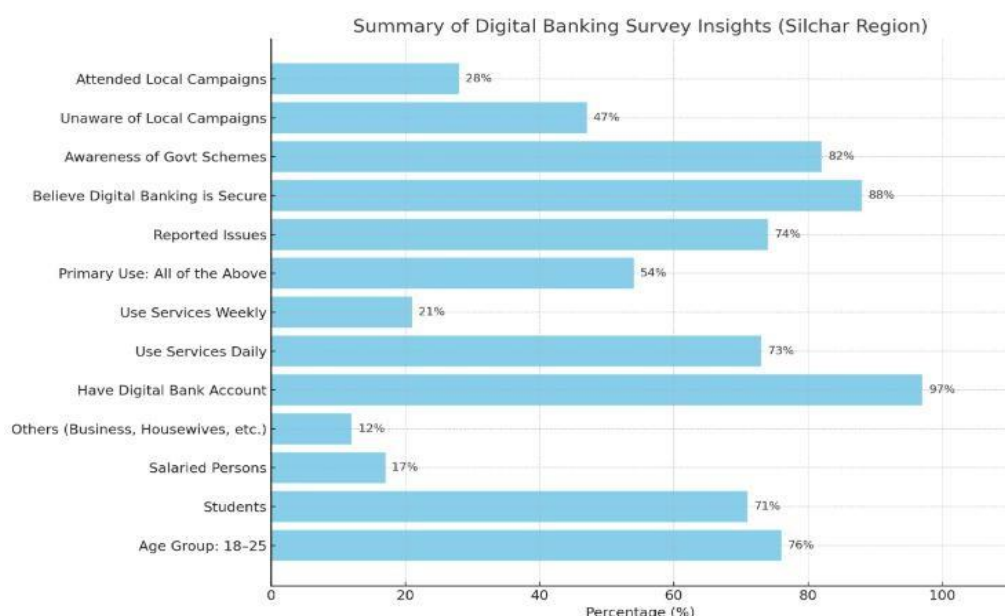
One hundred people were surveyed with 76% being in the 18–25 cohorts, which is representative of a strong youth sample. Most of the respondents were students (71%), with a minority being salaried persons (17%), and the remainder being in businesses, housewives and other stores.

The demographic profile very much reflected a population that is tech savvy and digital oriented. The absolute majority of users (97%) have a bank account and digital banking, which indicates a mass adaptation.

Of the users, 73% use the services every day of the week, while 21% use them once a week. In regard to primary use, 54% selected "all of the above" to indicate they use the services every day for spending, transferring funds, and making purchases on the internet. Although with a high take-up, 74% of people reported issues with digital banking. Typical issues are missing transactions, bad Internet connection and security details.

Nevertheless, 88% of respondents perceived that they still believe digital banking generally is secure and reliable, which suggests users have many issues to problems within digital banking, but are very confident in it. It seems there is a fairly high level of awareness of government schemes and programs such as Digital India and Jan Dhan Yojana, with 82% reporting that they have awareness of it. However, it seems mobilization in the Silchar area is low, with 47% reporting they are unaware of any campaign, while 28% attended the awareness camps organized by banks.

These Graph shows the overall analysis of my research:



Key Insights:**1. Youth-Centric Sample:**

- a) 76% of respondents are in the 18–25 age group.
- b) 71% are students, showing a tech-savvy, digital-native user base.

2. High Adoption:

- a) 97% have a digital bank account.
- b) 73% use digital banking services daily, and another 21% use them weekly.
- c) 54% selected "All of the Above" for primary use (payments, transfers, online purchases).

3. Issues Still Persist:

- a) 74% reported issues like poor internet, failed transactions, and login/security problems.
- b) Despite that, 88% still believe digital banking is generally secure and reliable.

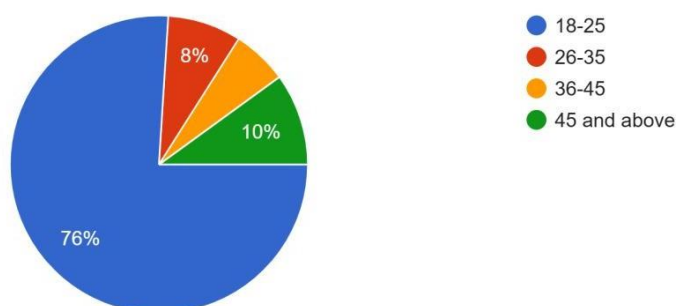
4. Awareness of Schemes:

- a) 82% are aware of government digital initiatives (like Digital India, Jan Dhan Yojana).
- b) However, local mobilization is weak — 47% unaware of campaigns, only 28% attended any.

These are some of the graphs taken from my analysis of google form:

1. What is your age Group?

100 responses

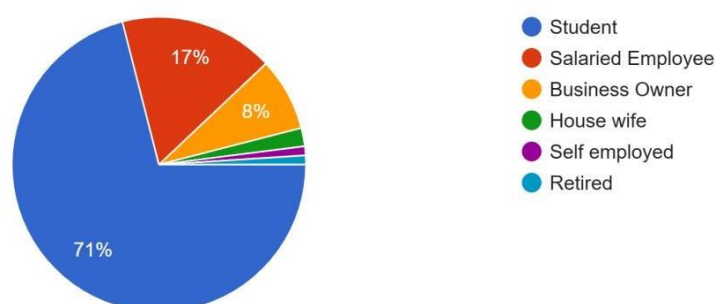


The pie chart shows that 76% of respondents belong to the 18–25 age group, indicating that young adults are the primary users of digital banking in Silchar. The remaining users are spread across:

- 1. 10% aged 45 and above
- 2. 8% aged 26–35
- 3. 6% aged 36–45

2. What is your occupation?

100 responses

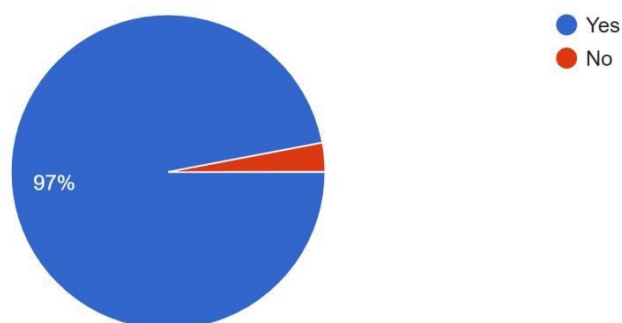


The chart shows that 71% of the respondents are students, making them the dominant group using digital banking in Silchar. Other groups include:

1. 17% are salaried employees, indicating working professionals are also engaging with digital banking.
2. 8% are business owners, reflecting adoption among small entrepreneurs.
3. Very small proportions are housewives, self-employed individuals, and retirees, each below 2%.

3. Do you have a bank account?

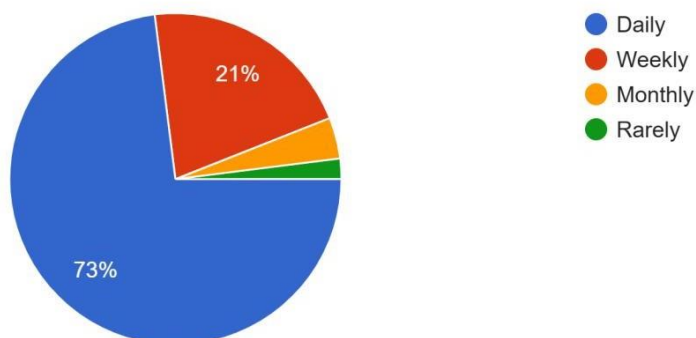
100 responses



This graph shows that around 97% of the people have bank account where as 3% doesn't have bank account.

5. How often do you use digital banking services?

100 responses

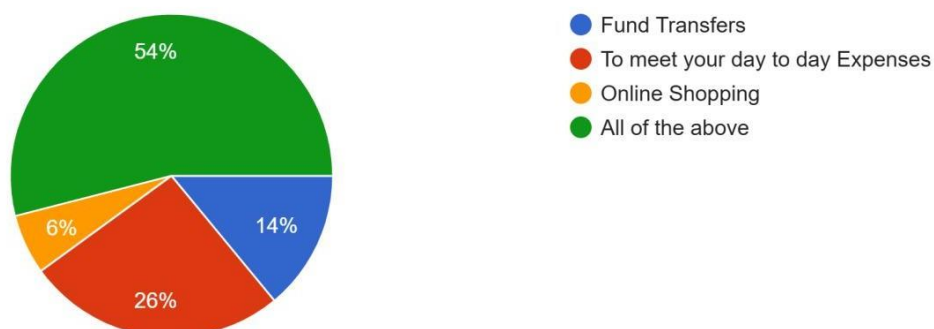


This chart shows the frequency of digital banking usage among 100 respondents:

1. 73% use it daily, indicating high dependence and regular engagement.
2. 21% use it weekly, showing consistent but less frequent usage.
3. Only 4% use it monthly, and 2% rarely, suggesting minimal engagement in a small portion.

6. What are the primary purposes of using digital banking?

100 responses

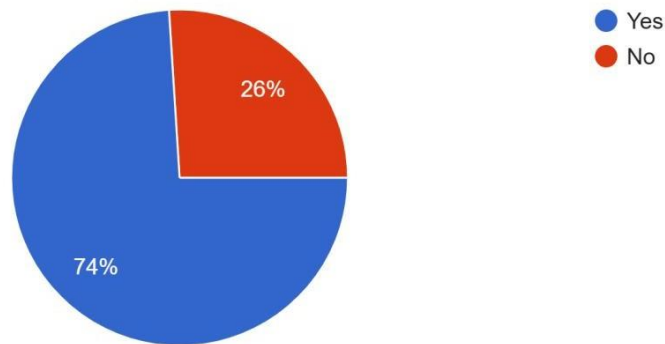


The chart reveals that the majority of users (54%) use digital banking for all purposes fund transfers, daily expenses, and online shopping.

1. 26% use it mainly for day-to-day expenses.
2. 14% focus on fund transfers.
3. Only 6% use it primarily for online shopping.

7. Have you faced any issues while using digital banking?

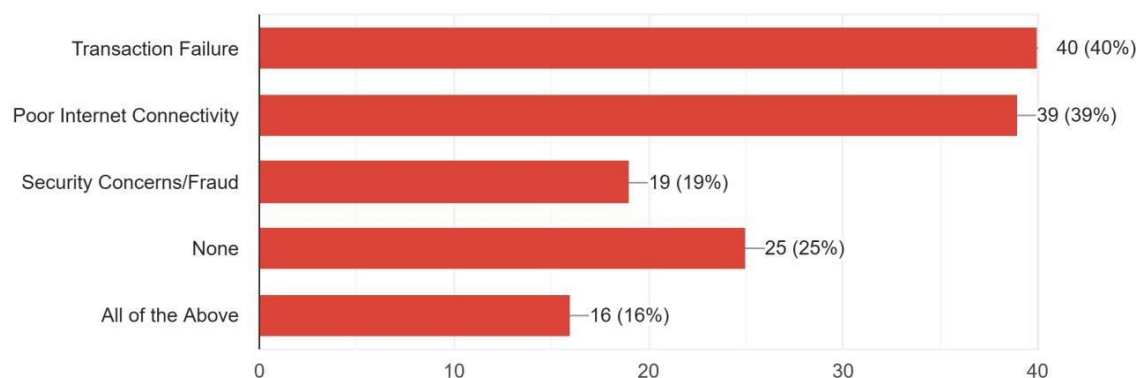
100 responses



These shows that about 26% of the people faces problem and 74% doesn't have any issue.

8. If yes, what issues have you encountered?

100 responses

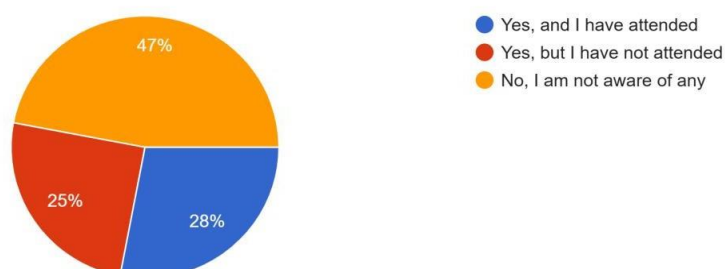


This chart highlights the issues faced by users in digital banking:

1. 40% reported transaction failures, the most common issue.
2. 39% experienced poor internet connectivity, a close second.
3. 19% had security concerns or faced fraud.
4. 25% faced no issues, showing a positive experience for a quarter of users.
5. 16% encountered all of the above issues, indicating broader dissatisfaction.

13. Have banks in Silchar region (Cachar District) conducted any digital banking awareness or training programs that you know of?

100 responses



This chart reflects awareness of digital banking programs in Silchar:

1. 28% have attended such awareness/training programs.
2. 25% are aware of programs but haven't attended.
3. 47% are not aware of any such initiatives.

All those pie charts and graphs are the analysis of my research which are being asked to the people through google forms. All though not all the questions and pie chart are being mentioned but those mentioned questions are the important in the point of view to understand the regional digital banking system. The google form is being filled by the people in the silchar region as my main research was based on the silchar region digital banking system and financial inclusion.

FINDINGS

Demographic Profile:

1. Three-quarters of our sample was made up of young adult respondents between 18 and 25 years ago.
2. 71% of respondents were students which indicates our sample consisted of a digitally inclined cohort.

High Digital Banking Adoption:

1. 97% of our respondents have a bank account and use digital banking.
2. 73% of respondents use digital banking daily while 21% use the service weekly.

Multi-purpose Use:

1. 54% of respondents use digital banking for all three purposes- fund transfers, payments, and online shopping.

Common Issues Encountered:

1. 74% of respondents provided that they experienced issues such as failed transactions, poor internet connectivity, and issues with security.

Trust in Digital Banking:

1. Despite the above issues and challenges 88% of similarly said they believed digital banking is predominantly secure, and reliable.

Awareness of Government Schemes:

1. 82% of respondents had awareness of schemes such as Digital India and Jan Dhan Yojana.

Lack of Local Campaign/Program:

1. 47% of respondents were not aware of any digital banking awareness campaigns operating in the Silchar area.
2. Only 28% of respondents had attended any digital banking awareness program sponsored by a bank.

CONCLUSION

The results of the study show a substantial routing towards digital banking by the younger population in the Silchar area. Overwhelmingly, the sample was comprised of young people aged 18-25 (76%) and students aged 18-25 (71%). This shows that the demographic is very technology-oriented and advanced in its operating. Digital banking is now mainstream, and access to digital means of managing money is evidently commonplace as 97% of respondents are now using digital banking.

The frequency of usage is significant - 73% participate in digital transactions every day. Hence, digital banking has not just replaced other forms of banking but in fact is a preferable option. The fact that 54% of users were using this form of banking for payments, sending money, online shopping, paying bills, etc. suggests that it is universally integrated into their financial lives.

These observations demonstrate that digital banking is becoming the primary means in which cohorts manage their finances. But the study reveal that there are some serious problems that need to be addressed.

Despite the extremely high rates of adoption, 74% of users reported a number of challenges including missing transactions, slow connectivity, and other login or security issues. If left unresolved, these and related issues could potentially erode user satisfaction and trust over time. Interestingly, in spite of the existence of so many problems, 88% of users believed that digital banking was secure and trustworthy. The implication is that the users have a strong level of confidence in a digital banking system supported by strong connectivity and login or security problems.

Another significant finding is the awareness of national financial inclusion and digital initiatives such as Digital India and Jan Dhan Yojana with 82% of respondents aware of these initiatives. This implies that national-level government campaigns are effective, however there seems to be a gap at the local level with 47% stating they were unaware of any awareness programme in the Silchar area and only 28% actually stating they attended any local awareness campaigns. This demonstrates a lack of awareness and outreach at the local level, which may be compromising the overall effectiveness of the digital financial inclusion programme.

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