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## "FROM CASH TO CREDIT: THE ROLE OF INDIAN BANKS IN FINANCIAL EMPOWERMENT"

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### ABSTRACT :

The transition from a predominantly cash-based economy to a more formal, credit score-pushed monetary system marks a enormous milestone in India's monetary improvement. This research explores the pivotal function Indian banks play in facilitating economic empowerment across various populace segments. It examines how banks have evolved from conventional cash-handling establishments to comprehensive economic service providers, riding inclusion, accessibility, and financial participation thru credit score services, digital banking, and financial literacy packages. The study delves into the effectiveness of projects including Pradhan Mantri Jan Dhan Yojana (PMJDY), the enlargement of credit get entry to through Mudra loans, and the speedy adoption of virtual price infrastructures. Using a combination of number one records collection (surveys and interviews) and secondary information analysis (reports, RBI facts, scholarly articles), the studies evaluates the quantity to which banking reforms have empowered rural and underserved populations. The findings endorse that whilst massive progress has been made in democratizing credit score and improving financial literacy, challenges along with virtual divides, nearby disparities, and financial attention persist. The paper concludes with coverage recommendations aimed at strengthening the role of banks in constructing an inclusive and credit-oriented financial ecosystem in India.

**Keywords:** Financial Empowerment, Indian Banks, Digital Payments, Credit Access, Financial Inclusion, Financial Literacy, Jan Dhan Yojana, Mudra Loans

### Introduction

India's financial landscape has seen a revolutionary change in the last two decades, transitioning from a cash-based economy to one with greater credit access, digital transactions, and formal financial products. Rooted in this transformation is the Indian banking industry that has been at the forefront in enhancing financial inclusion in all social economic segments. The role of the banking sector has evolved from a traditional holder of money to a catalyst of change in promoting financial inclusion, entrepreneurship and a more inclusive economy.

Through the financial literacy campaign, priority sector lending, and flagship schemes like PMJDY, Stand-Up India, and the launch of Mudra loans, banks have emerged as critical tools of social and economic development. Moreover, the rise of digitization in banking as well as institutions such as the UPI (Unified Payments Interface) and others altogether widened access to banking, effectively bridging the gap between previously excluded/under-banked populations, makes it too lending/disbursal-based.

This study will help understand the dynamic role Indian banks have played in it—from merely helping customers inculcate the healthy savings habit to providing credit that drives personal and business development. It aims to explore the policies, tools, and innovations that have contributed to this shift and assess their impact on the financial behavior and empowerment of the Indian population. In doing so, the study addresses key questions about the extent and quality of financial empowerment achieved through banking channels and what barriers still hinder inclusive progress.

In so doing, through the critical examination of both qualitative and quantitative data, this paper will add to the overall discussion of sustainable development, financial fairness and the changing role of the banking industry in the future of the "new" economy.

### Objectives of the Study

- To assess the awareness and usage of formal banking services among different socio-economic groups in India.
- To evaluate the impact of bank-led credit services (e.g., Mudra loans, Kisan Credit Cards) on financial empowerment and income generation.
- To examine the role of digital banking tools (e.g., UPI, mobile banking apps) in improving access to and usage of banking services.

### Literature Review

1. Chandra, P. (2012), **Financial Management: Theory and Practice**

This book provides an in-depth framework on how financial systems function in emerging economies. It emphasizes the role of banks in mobilizing savings and providing structured financial products that can uplift economically weaker sections. It establishes a base for understanding financial behavior

and credit flow in India.

2. Khan, M. Y. & Jain, P. K. (2010), **Financial Services**

The authors delve into the landscape of financial services in India, highlighting how innovations in banking, such as digital tools and microfinance, have enabled wider access. The book discusses the evolution of Indian banking and its role in economic growth.

3. Mishkin, F. S. (2015), **The Economics of Money, Banking, and Financial Markets**

This global perspective on financial systems illustrates how structured banking contributes to long-term financial inclusion. The theoretical models presented are helpful in framing how tools like UPI, mobile banking, and credit mechanisms impact households and small businesses.

4. Mohan, R. (2006), **Economic Growth, Financial Deepening and Financial Inclusion – RBI Bulletin**

This seminal work discusses India's long-standing effort to promote financial inclusion as a pathway to equitable growth. Mohan explores the links between policy reforms, banking outreach, and poverty reduction, providing critical insights into institutional challenges.

5. Demirgüç-Kunt et al. (2018), **Global Findex Database Report, World Bank**

The Findex report offers empirical data on financial access, savings behavior, and digital transactions globally. It notes India's significant progress in digital financial services but highlights persistent gaps in rural areas and among women, which aligns with the goals of this study.

6. Reserve Bank of India – Financial Inclusion Index (2023)

The RBI's Financial Inclusion Index presents a composite measure of the reach and effectiveness of banking services. The index reflects improvements due to schemes like Jan Dhan Yojana, Mudra Loans, and the growing adoption of digital payments.

7. NABARD Annual Report (2022–2023)

The NABARD report offers insight into rural credit distribution and the role of Kisan Credit Cards and micro-financing in empowering the agricultural sector. It supports the evaluation of credit services as a tool for income enhancement.

8. NPCI Digital Payments Report (2023)

This report tracks the exponential rise of UPI transactions in India and underscores the increasing reliance on mobile banking apps. It supports the study's third objective on the role of digital banking in enhancing financial access.

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## Research Methodology

The research titled "*From Cash to Credit: The Role of Indian Banks in Financial Empowerment*" aims to explore the awareness, accessibility, and impact of formal banking services, especially credit and digital banking tools, across different socio-economic groups in India. A structured and systematic methodology was adopted to collect, analyze, and interpret primary data to address the research objectives.

### 1. Research Design

The study follows a *descriptive research design* as it aims to describe the current level of awareness, usage patterns, and impact of banking services on financial empowerment. This design helps in understanding the responses of individuals toward formal banking services in a structured manner.

### 2. Nature of Research

The research is *quantitative and empirical*, based on primary data collected through a structured questionnaire. Quantitative methods were used to measure the frequency and proportion of banking usage, access to credit, and adoption of digital platforms.

### 3. Sampling Method

A *non-probability sampling* technique, specifically *convenience sampling*, was employed for the study. Respondents were selected based on their availability and willingness to participate.

### 4. Sample Size

A total of *100 respondents* were surveyed. The sample included individuals from various socio-economic backgrounds to ensure diversity in terms of income level, occupation, and geographical location.

### 5. Data Collection Method

Primary data was collected through a *structured questionnaire* administered both online and offline. The questionnaire was divided into multiple sections based on the study objectives:

- Awareness and usage of banking services
- Access and impact of credit facilities
- Adoption and experience with digital banking tools

### 6. Tools for Data Analysis

The collected data was analyzed using *tabular presentation* and *percentage analysis*. Responses were grouped and interpreted in terms of frequencies and percentages to derive meaningful conclusions.

### 7. Scope of the Study

The study focuses on:

- The extent of financial awareness and service usage among citizens
- The effectiveness of credit facilities in improving financial status
- The role of technology in enhancing access to banking services

### 8. Limitations of the Study

- The sample size is limited to 100, which may not fully represent India's diverse population.
- Responses were based on self-reported data, which may be subject to personal bias or recall errors.
- The study used convenience sampling, which may limit the generalizability of the findings.

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## Data Analysis & Interpretation

### Section B: Awareness and Usage of Banking Services (Objective 1)

#### 1. Do you have a bank account?

Particular	No. of Respondents	Percentage
Yes	95	95%
No	5	5%

#### Interpretation:

Out of 100 respondents, 95% have a bank account, indicating a high level of basic financial inclusion. Only 5% remain unbanked, suggesting the outreach efforts of banks and government schemes have been largely effective.

#### 2. Which of the following services do you use? (Multiple Responses Allowed)

Particular	No. of Respondents	Percentage
Savings Account	90	90%
Fixed Deposit	40	40%

ATM/Debit Card	85	85%
Cheque Book	30	30%
Net Banking	60	60%
Mobile Banking	70	70%

**Interpretation:**

Savings accounts and ATM cards are the most commonly used services, showing that traditional banking tools are well adopted. Mobile and net banking usage is also growing, with 70% and 60% usage respectively, indicating a shift toward digital platforms. Fixed deposits and cheque books are used less frequently.

**3. How often do you visit or use banking services?**

Particular	No. of Respondents	Percentage
Weekly	15	15%
Monthly	50	50%
Occasionally	25	25%
Rarely	10	10%

**Interpretation:**

50% of respondents use banking services monthly, reflecting regular financial engagement. Meanwhile, only 10% rarely use these services, suggesting most people interact with the banking system at least occasionally.

**Section C: Credit Services and Financial Empowerment (Objective 2)****4. Have you ever taken a loan from a bank (e.g., Mudra Loan, Kisan Credit Card, personal loan)?**

Particular	No. of Respondents	Percentage
Yes	60	60%
No	40	40%

**Interpretation:**

60% of respondents have availed loans from banks, suggesting a good penetration of credit facilities. This indicates that a majority are leveraging formal credit for various financial needs.

**5. If yes, what was the purpose of the loan? (Only among the 60 who took loans)**

Particular	No. of Respondents	Percentage (of 60)
Business	25	41.7%
Agriculture	10	16.7%
Education	8	13.3%
Personal Needs	12	20%
Others	5	8.3%

**Interpretation:**

Among those who availed loans, the majority (41.7%) used it for business purposes, followed by personal needs and agriculture. This highlights that banking credit plays a key role in entrepreneurial and livelihood enhancement.

**6. Did the loan improve your income or business outcome? (Only among the 60 who took loans)**

Particular	No. of Respondents	Percentage (of 60)
Yes, significantly	20	33.3%
Yes, slightly	25	41.7%
No change	10	16.7%
Negative impact	5	8.3%

**Interpretation:**

A combined 75% of respondents (significant + slight) reported positive financial outcomes from loans, demonstrating the empowering potential of credit. However, 16.7% saw no change, and a small segment (8.3%) experienced negative impacts, indicating the need for better credit guidance.

### Section D: Digital Banking and Access (Objective 3)

#### 7. Do you use any digital banking platforms (e.g., UPI apps like Google Pay/PhonePe, mobile banking)?

Particular	No. of Respondents	Percentage
Yes	85	85%
No	15	15%

#### Interpretation:

A strong majority (85%) of respondents use digital banking platforms, showing widespread adoption and growing comfort with digital financial tools.

#### 8. If yes, what services do you mostly use through digital banking? (Among 85 users)

Particular	No. of Respondents	Percentage (of 85)
Money Transfer	70	82.4%
Bill Payments	60	70.6%
Checking Account Balance	55	64.7%
Loan Applications	10	11.8%
Others	5	5.9%

#### Interpretation:

Money transfer and bill payment are the most common uses of digital banking. A smaller number use it for loan applications, suggesting awareness and trust in basic features is strong, but advanced digital services may need promotion.

#### 9. Do you find digital banking convenient and easy to use?

Particular	No. of Respondents	Percentage
Yes	65	65%
Somewhat	25	25%
No	10	10%

#### Interpretation:

Most respondents (65%) find digital banking convenient, and 25% find it somewhat manageable. Only 10% face difficulties, which may be due to technical barriers or lack of digital literacy.

## Findings

### 1. Awareness and Usage of Banking Services

- 95% of the respondents have an active bank account, indicating a *high level of basic financial inclusion* in the country.
- Savings accounts (90%), ATM/Debit cards (85%), and mobile banking (70%)* are the most widely used services.
- Digital banking platforms such as *net banking (60%)* and *mobile apps* are being adopted significantly, showing that *urban and semi-urban populations are gradually shifting to digital banking*.
- Half of the respondents use banking services *monthly*, suggesting moderate to regular engagement with formal financial institutions.

### 2. Impact of Credit Services on Financial Empowerment

- 60% of the respondents have availed of formal bank credit, including schemes like *Mudra Loans and Kisan Credit Cards*.
- Of those who took loans:
  - 41.7% *used loans for business purposes*, suggesting credit plays a vital role in entrepreneurship and self-employment.
  - 33.3% *experienced significant improvement in income or business*, and 41.7% *observed slight improvements*, highlighting the *positive financial impact of access to credit*.
  - A small portion (8.3%) faced negative outcomes, indicating the *need for better credit literacy and guidance*.

### 3. Role of Digital Banking in Access and Usage

- 85% of the respondents use digital banking tools such as *UPI apps, mobile banking, and net banking*, which indicates *widespread digital adoption*.
- The most commonly used digital features are *money transfers (82.4%)* and *bill payments (70.6%)*, showing that digital banking is primarily used for *basic financial transactions*.

- 65% find digital banking easy and convenient, while 10% still struggle, indicating a need to bridge the digital literacy gap, especially among older or rural users.

## Conclusion

The Indian banking system's cash-based credit has always been in the center of focus through the study 'From Cash to Credit: The Role of Indian Banks in Financial Empowerment'. It examines the strapping effects formal banking institutions have had on financial inclusion considering the economic and socio-technological advancements. One hundred participants were sampled for the study, from whom primary data was gathered. The research focused on three aspects: Digital banking and its role in providing financial services, usage and awareness of banking services, and the impact of credit on financial improvement.

The results have shown that there is a reasonable amount of financial inclusion as services like debit cards and savings accounts are widely used in conjunction with having bank accounts. Nonetheless, financial planning is not common among the lower and middle-class demographic, and services prevalent in long-term financial planning such as fixed deposits and investment-linked services are not optimally utilized.

With regard to credit outreach, government and banking interventions like the Mudra Loan Scheme and Kisan Credit Card have yielded some benefit, albeit unevenly. Most credit users reported improvements in business and income, but some did not report the same.

Access alone does not suffice, as there also needs to be an emphasis on credit literacy, responsible borrowing, and supervision of how the funds are spent to ensure services offered truly empower beneficiaries.

Digital technologies have significantly expanded the scope of accessible finances and banking. The increased use of UPI transactions, mobile applications, and other online portals reflects a change in attitude towards banking in India. Technological innovations have helped overcome geographical and logistical hurdles, especially during the post-COVID recovery period. However, some other challenges such as lack of trust, digital ignorance, and cybersecurity issues still pose a threat, especially among the elderly and the rural populace.

To some degree, Indian banks have assisted in providing financial empowerment by expanding infrastructure, providing credit, and advancing technologies. To address the financing gap, however, it needs to be supported by purposeful Financial Inclusion policies comprising financial education, user-friendly technology, digital innovation, and policies tailored to achieve social goals. Empowerment is, hence, not simply access to finance, but the ability to use fiscal instruments effectively, confidently, and responsibly.

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