

# Digital Payments and Financial Inclusion in Rural Areas for Viksit Bharat 2047

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## Abstract

There are significant causes behind India's inclusive growth and economic transformation, and digital banking and financial inclusion are two of those forces. The Indian government has initiated a variety of initiatives to promote financial access in accordance with the Viksit Bharat 2047 objective. The purpose of these initiatives is to guarantee that all citizens are able to reap the benefits of the formal financial system. Fintech advancements have made digital banking significantly more accessible to people, particularly in rural regions, as stated in publications by the National Institution for Transforming India (NITI) Aayog. In addition, the Financial Inclusion Report (2022–23) published by NABARD highlights the significance of digital payment technologies, rural banking, and microfinance in the process of eliminating economic inequality. This study aims to assess the role of digital banking in promoting financial inclusion by evaluating the effectiveness of key government initiatives such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Unified Payments Interface (UPI), and the Digital India Mission in enhancing financial access and economic participation. Additionally, it investigates the ways in which financial inclusion influences economic growth, specifically with regard to the promotion of entrepreneurial endeavours, the reduction of poverty, and the enhancement of disadvantaged groups. According to the findings of the study, there are a number of important barriers that prevent the widespread use of digital banking services. These include the digital divide, cybersecurity concerns, a lack of financial expertise, and shortcomings among infrastructure. In order to achieve the goal of universal financial access by the year 2047, the research finishes by providing strategic policy proposals to increase financial inclusion. These recommendations include innovative digital banking technologies, legislative acts, and literacy activities that are specifically targeted. According to the findings, India's transition to a fully digital financial ecosystem can be accelerated by the implementation of regulatory frameworks, mobile banking, and fintech technologies. This is in line with the goal of Viksit Bharat 2047.

## 1. Introduction

Digital payments are a cornerstone of financial inclusion in rural India and a critical enabler for achieving the vision of **Viksit Bharat by 2047**. Government initiatives, technological innovations, and improved digital infrastructure have significantly transformed the rural financial landscape, though challenges like digital literacy and connectivity still exist. Access to financial services has been democratized as a result of the proliferation of digital payment methods, particularly in inaccessible regions where traditional banking infrastructure is unavailable. Accounts can be accessed "anytime, anywhere" with them, transaction costs are reduced, and openness is increased.

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- **Empowerment and Resilience:**

Individuals with low incomes and members of marginalized groups are given the ability to become financially independent through the provision of access to credit, insurance, and safe savings, which contributes to the development of financial resilience and the generation of income opportunities.

- **Economic Formalization**

People and micro-business owners can reduce their reliance on informal lending channels thanks to cashless payments, which build a digital transaction history and make it easier to acquire official credit products.

- **Efficient Governance**

Direct Benefit Transfer (DBT) is a method that allows the effective and leak-proof transfer of government welfare benefits and subsidies directly into the bank accounts of beneficiaries. This distribution is made possible by the utilization of digital public infrastructure.

## 2. Key Initiatives and Drivers

Several government schemes and technological advancements form the foundation of this transformation:

- **Pradhan Mantri Jan Dhan Yojana (PMJDY)**

More than 56 crore adults who were previously unbanked have been brought into the formal banking system as a result of this campaign, with 67 percent of accounts being opened in rural or semi-urban areas. In order to encourage digital purchases, each account comes with a RuPay debit card as well as accident insurance.

- **UPI (Unified Payments Interface)**

With UPI, hundreds of banks in India are now linked and customers can use a single mobile app to manage all of their banking needs. With heavy use even in non-metro areas, UPI transactions have grown at an exponential rate.

- **AePS (Aadhaar-enabled Payment System)**

Additionally, AePS makes it possible to conduct financial transactions based on biometric authentication at banking correspondent (Bank Mitra) outlets, which enables doorstep banking services to be provided, particularly in rural areas that do not have physical bank branches.

- **JAM Trinity**

Jan Dhan accounts, Aadhaar (digital identification), and mobile connectivity have all worked together to create a synergy that has been a game-changer for the delivery of direct benefit transfer (DBT) with seamless and secure financial transactions.

## 3. Challenges and Future Outlook for 2047

Despite significant progress, challenges remain in achieving universal financial inclusion by 2047:

- **Digital Literacy**

One of the most significant obstacles is the absence of digital literacy and skills among the rural population, which highlights the necessity of education programs that are specifically tailored to the local language.

- **Infrastructure Gaps**

The seamless adoption of digital financial services continues to be hampered by the lack of suitable physical infrastructure and inadequate network connectivity in rural places.

- **Trust and Security Concerns**

It is necessary to address concerns such as the fear of cyber fraud and a general mistrust of formal financial institutions. This can be accomplished through the implementation of increased security measures and awareness programs.

The government of India is dedicated to increasing the number of digital transactions that take place inside the Indian economy. This will, in turn, improve the power and efficiency of the financial sector, as well as the convenience of life for the country's residents. With the concerted efforts of the government as a whole and all of the stakeholders involved, the number of digital payment transactions has dramatically expanded, going from 2,071 crore transactions in the fiscal year 2017-2018 to 8,840 crore transactions in the fiscal year 2021-22. Bharat Interface for Money-Unified Payments Interface (BHIM-UPI), Immediate Payment Service (IMPS), and National Electronic Toll Collection (NETC) are just a few examples of the many easy and convenient modes of digital payments that have experienced significant growth over the past five years. These modes have also contributed to the transformation of the digital payment ecosystem by increasing the number of person-to-person (P2P) and person-to-merchant (P2M) payments. In January 2023, BHIM UPI recorded a total of 803.6 crore digital payment transactions with a value of Rs 12.98 lakh crore. This indicates that BHIM UPI has become the preferred means of payment among the public.

The process of conducting financial transactions has been transformed all across the world as a result of the digitalization of payments, and rural areas are not an exception to this trend. Increasing numbers of people in rural areas are gaining access to digital payment systems as a result of the proliferation of mobile phones and internet connectivity. This transition toward digital payments has the potential to dramatically alter the economic and social fabric of rural communities, thereby transforming the manner in which these communities manage their finances, access financial services, and conduct financial transactions. As digital payments continue to develop and expand, it is expected that they will play an increasingly important role in the promotion of financial inclusion, the reduction of transaction costs, and the improvement of the overall efficiency of financial transactions in rural regions. Through the utilization of digital payment systems, rural populations have the ability to acquire a greater degree of control over their financial lives, to make more educated decisions regarding their finances, and to engage more completely in the economy. Moreover, the implementation of digital payment methods in rural areas can also have a beneficial effect on local enterprises, making it possible for them to broaden their customer base, enhance their cash flow, and boost their competitiveness in the market. When taken as a whole, the digitalization of payment systems has the potential to bring about considerable economic and societal benefits.

Regardless of the government and other important players, the acceptance of digital payments in rural areas is hampered by a number of barriers, including a lack of faith in digital platforms, concerns about fraud, inadequate infrastructure, and limited mobile literacy. In remote locations, the acceptance of digital payment solutions is significantly influenced by the availability of mobile devices and internet connection. It is more likely that individuals who are frequently engaged with technology may choose to make use of digital payment options. A crucial factor that has a considerable impact on the acceptability of digital payment systems is the level of proficiency in financial matters. Those individuals who have a great comprehension of digital platforms are able to participate in even the smallest of transactions, in contrast to those who have a limited understanding. Activities to improve digital literacy and awareness have been carried out by the government in a manner that is both independent and in collaboration with self-help groups. In the rural areas of the country, where the emphasis is still placed on constructing and developing key infrastructure to facilitate digital payments, this project is particularly active and thriving. A surge in the participation of rural citizens in digital commerce has been brought about as a consequence of improvements in socioeconomic status, educational levels, income, infrastructure, information access, and work status. Individuals who have greater levels of education and more steady sources of income are more likely to use digital payment methods than the disadvantaged population that lives in rural areas. The digital payment platform has proven to be beneficial for rural sellers and small enterprises. This is due to the fact that a greater acceptance rate of digital payment methods implies a favourable association with improved efficiency and convenience in transactions.

Despite the fact that the digital payment system has become an essential requirement in the modern world, particularly in rural areas, there are still significant obstacles that are associated with its reach, effectiveness, and reliability. Despite the fact that digital payments in rural areas show potential, the overall reliability of the digital system has not yet been fulfilled due to a number of challenges. These obstacles include a lack of skills, trust issues, and inadequate infrastructure. An increased awareness of digital platforms lays the groundwork for growth; yet, major actions are required to address the problems that now exist and to guarantee that this shift will continue to advance. According to the findings of the study, the adoption of digital transactions in rural populations is influenced by a variety of factors consisting of government programs, rates of financial literacy, the availability of technology resources, and socioeconomic situations. As a result of the fact that studies have shown that the proliferation of smartphones and internet connectivity is connected to the increase of digital payments, it is imperative that public awareness initiatives and financial education programs be implemented. In order to strengthen the adoption process, policies should prioritize the improvement of technological infrastructure, the expansion of initiatives to increase financial literacy, and the broadening of government access to the most remote rural communities.

A key pillar for attaining equitable and sustainable economic growth is financial inclusion, which can be described as the availability, accessibility, and utilization of formal financial services by all segments of society, particularly those who are underserved and vulnerable. In the context of India, the demand for financial inclusion is particularly severe in rural areas, which account for more than 65 percent of the country's total population. Throughout the course of history, these regions have struggled with restricted access to banking infrastructure, a lack of financial understanding, and socio-economic exclusion from the formal financial system. The fast digital change of India's financial services sector in recent years has presented a viable path to address these long-standing difficulties. This shift has occurred in recent years. The introduction and widespread use of digital payment systems, most notably the Unified Payments Interface (UPI), PayTM (a popular mobile wallet), and Aadhaar-enabled Payment Systems (AePS), have fundamentally altered the manner in which financial transactions are carried out in rural areas of India. In order to provide real-time, low-cost, and secure financial services even in the most remote parts of the country, these platforms make use of the widespread adoption of smartphones, biometric authentication, and interoperable payment systems. The foundation for this change has been built by the Digital India project of the Indian government as well as the JAM trinity, which consists of the Jan Dhan Yojana, Aadhaar, and Mobile phone technology. UPI, which was introduced by the National Payments Corporation of India (NPCI), makes it possible for merchants and peers to make payments without any complications. PayTM is a private mobile wallet that has acquired popularity due to its user-friendly design and cashback incentives. This has made it particularly popular among users who are semi-literate and those who live in rural areas. The AePS, on the other hand, makes use of the Aadhaar biometric identity system in order to facilitate cash withdrawals, inquiries about balances, and fund transfers using micro-ATMs that are run by their respective banking correspondents. This article provides an in-depth analysis of the ways in which digital payment platforms are influencing the financial behaviours of people living in rural areas. These platforms are boosting the convenience of transactions, encouraging formal saving habits, enabling access to credit, and facilitate the delivery of welfare. The socio-economic impact of digital finance on rural households is investigated further in this study, with a particular emphasis placed on accessibility, inclusion, and empowerment initiatives. The study also emphasizes the ongoing hurdles that continue to impede the full potential of digital financial inclusion. These challenges include digital illiteracy, bottlenecks in infrastructure, and worries around cybersecurity. In doing so, the purpose of this paper is to provide empirical and policy-relevant insights into how advances in digital payment systems might be utilized to bridge the gap in financial inclusion that exists in rural India and to contribute to the larger vision of an inclusive digital economy.

#### 4. Conclusion

The government, fintech companies, and community organizations need to make a long-term commitment in order to accomplish the goal of Viksit Bharat by the year 2047. This commitment is necessary in order to bridge the gap between urban and rural areas by implementing ongoing financial literacy initiatives, improving infrastructure, and designing technology that is able to accommodate all people.

Digital banking and financial inclusion are major forces underpinning inclusive growth and economic transformation in India, which is getting closer to attaining its goal of Viksit Bharat 2047. Despite the fact that there are still problems, noteworthy achievements such as PMJDY, acceptance of UPI, and growth in microfinance have contributed to an increase in financial access. Complete inclusion is inhibited by a number of factors, including digital illiteracy, challenges to cybersecurity, inequalities between rural and urban areas, and poor financial infrastructure. To address these concerns, it is vital to implement measures such as increased financial awareness, the development of digital infrastructure, protection against cybersecurity threats, and credit policies that are inclusive. Through the utilization of developments in fintech and the strengthening of public-private partnerships (PPPs), the process of financial empowerment will be hastened even further. It is absolutely necessary for the government, financial institutions, and technological businesses to work together in order to establish a healthy and inclusive financial ecosystem. By removing the hurdles that currently exist, India will be able to achieve reduced inequality, sustainable economic growth, and a Bharat that is empowered by digital technology.

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