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TO THE STUDY OF THE IMPACT OF ADOPTION OF DIGITAL FINANCIAL SERVICES ON FINANCIAL BEHAVIOUR OF USERS

***Negi Ruch Guman Singh, Dr. Deepak Tiwari**

Department of Commerce, NIILM University, Kaithal, Haryana 136027.

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***Corresponding Author: Negi Ruch Guman Singh**

Department of Commerce, NIILM University, Kaithal, Haryana 136027.

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ABSTRACT

A new trend toward increasing financial inclusion via digital finance has emerged, inspired by the success of this strategy in emerging nations. Since the advent of digital banking, digital financial inclusion has become more important. Finding out what is driving digital financial inclusion is, hence, crucial.

KEY-WORDS: Payments, Interface (UPI), Systemic, Financial.

1. INTRODUCTION

When it comes to addressing low-income communities and other unserved and underserved populations, digital financial inclusion has the potential to be a game-changer. In an effort to reach this underserved demographic, financial institutions and non-financial organizations alike have begun providing digital financial services. The phrase "Digital Financial Inclusion" describes the strategy of bringing the previously excluded and underserved people into the formal financial sector using digital means. This initiative was launched by the Indian government and is known as Pradhan Mantri Jan Dhan Yojna. To facilitate direct benefit transfer, this initiative has enabled the opening of bank accounts by the vast majority of Indian individuals.

From 2014 to 2017, the number of adults having accounts at any financial institution rose from 52.8% to 79.8%, indicating that over 300 million individuals joined the formal financial system during that time. By delivering advantages like low transaction costs, simplicity of use, time savings, and convenience, digital financial services might help service providers close the gap in financial inclusion. Banks and governments have made banking more

accessible through the introduction of various digital channels, such as ATMs, cash dispensers, mobile banking, the Internet, point-of-sale terminals, the Unified Payments Interface (UPI), and business correspondents. There are still many systemic gaps that prevent digital financial inclusion, even if there are several large-scale online banking services. Consequently, the negative aspects and risks of digital transactions must be taken into consideration.

In 1770, Ms. Alexander founded the first modern bank in India, which was called the "Bank of Hindustan." By 1806, it had become the first presidency bank in India, and its name had changed to the "Bank of Bengal" and "Bank." Two more presidential banks, Bank Madra and the other under the British East India Company's license, were established in 1840 and 1843, respectively. The merger of these banks, which was planned by J.M. Keynes, led to the establishment of "Imperialateronits" (now known as "State Bank of India" or SBI) after The second part of the first decade of the twentieth century saw the establishment of several banks, including The Bank of India (1906), Canara Bank (1906), Corporation Bank (1906), Indian Bank (1907), Bank of Baroda (1908), and Punjab and Sind Bank (1908).

The Reserve Bank of India (RBI) Act was approved in 1934, and by 1935, the RBI had promised to be present. The Reserve Bank of India (RBI) is currently responsible for the central banking operations that were formerly carried out by the Imperial Bank. In 1949, the Banking Regulation Act bestowed to the Reserve Bank of India (RBI) the duties of overseeing, regulating, and developing the banking industry, marking its transformation into a nationalized bank. In an effort to diversify Indian banking, the Reserve Bank of India (RBI) bought out most of SBI's stock.

2. LITERATURE REVIEW

Zainon & Hashim. (2024) Mobile banking has been shown to significantly improve the financial performance of commercial banks in Kenya, according to the research. Data for the research was collected via a descriptive cross-sectional survey. To find out how many commercial banks in Kenya provide mobile banking, the research also used the census approach. In order to measure financial success, secondary data was retrieved from the Nairobi Securities Exchange and CBK. A variety of descriptive statistical methods, including mode, median, and mean, were used in the quantitative examination of the data. In order to examine how financial success affects mobile banking, this research used an ANOVA test.

Mobile banking is altering the dynamics of customers with the bank, according to Chris Skinner (2024), who discusses developments in the banking industry. Digitalization, based on

banking technology of the 21st century, should be used by all banks. It lays down the groundwork for understanding the banking industry's digital transformation and offers guidance in that regard. In addition to the aforementioned, it also offers analytical data on Polish and UK required banks, as well as German start-ups like FIDOR and metro banks. It goes on to describe the emerging financial system that includes Bitcoin and Zola.

Ngumi, P. (2023), The impact of banking innovations on the financial performance of Kenyan commercial banks is highlighted in the research by.This research takes into account the following financial innovations: automated teller machines, debit and credit cards, online banking, mobile banking, electronic money transfers, and point-of-sale terminals. Examining how these changes affected the bottom lines of Kenya's commercial banks was the primary goal of the research. Total income, profit before taxes, return on assets, and deposits were the metrics utilized to evaluate financial success. Questionnaires were used to gather primary data in this research, which adheres to the descriptive survey methodology. Twenty commercial banks make up the study's sample. Ten public commercial banks, two state-run banks, and eight private banks make up the total of twenty.

Research conducted by Nguyen, T. P., Lan, T., and Dang, P. (2018) shed light on the present state of digital banking in Vietnam. The quick adoption of digital banking technology will benefit banks by shortening transaction times, lowering costs, and increasing competitiveness. The shift to digital banking presents both opportunities and threats to developing nations like Vietnam.The banks of Vietnam reorganised their strategies to fulfill the need of new business models in order to address problems.

According to research by Hendriyani, C., and Raharja, S. J. (2018), getting customers involved is key to navigating digital transition. According to the research, electronic customer relationship management (ECRM) plays a significant role in helping banks in Indonesia increase customer engagement. The data analysis in this research is qualitative and descriptive in nature. Bank websites, email services, and online and social media all contribute to client sustainability, according to the report. The research goes on to say that electronic customer relationship management helps banks in Indonesia boost consumer loyalty to digital banking.

3. RESEARCH METHODOLOGY

3.1 Research Design

Bank clients and workers in Kerala's public and private sectors make up the study's population. The southern, central, and northern areas of Kerala are the primary divisions of the state.

3.2 Sample size

The Sample size for this study is **715.**

3.3 Data Analysis

Here the Descriptive and Inferential statistics are applied for analysis. The descriptive statistics such as mean, percentage, and standard deviation are used and the inferential statistics like T-tests such as One sample t-test and independent sample t-test.

3.4 Data collection

Both theoretical and practical considerations inform the research. Secondary data is supplemented with primary data in this research. Primary data was gathered from people working for and with public and private banks in Kerala. Secondary data was collected from various reports, publications, and bulletins of Reserve bank of India, State Level Bankers Committee Reports, published and unpublished journals in the field of banking and finance, international journals, periodicals, publications of World Bank, university thesis, documents, conference, and websites.

4. ANALYSIS THE DATA

4.1 Socio-economic Profile

Respondents' demographic and socioeconomic details were collected. Details such as gender, age, marital status, education level, profession, place of residence, family composition, religion, and regional residency are all part of this. The data obtained from the four districts that were chosen and the respondents' socioeconomic profile are detailed in Table 1.

Table 1: Descriptive summary of the socio-economic profile of respondents.

Variables	Categories	Frequency (n=715)	Percent (%)
Region	Urban	426	59.6
	Rural	289	40.4
Age group	<35 (Young Age)	400	55.9
	36–60(MiddleAge)	291	40.7
	60+(OldAge)	24	3.4
Gender	Female	367	51.3
	Male	348	48.7
Marital Status	Single/Unmarried	158	22.1
	Married	541	75.7
	Divorced/Separated	2	.3
	Widowed	14	2.0

4.2 Access to Bank and Digital financial services

Responses were collected on the individuals' access to banking and digital financial services.

Bank Account

Ninety per cent of respondents have reported that they have a bank account registered in their name. Respondents were asked which banks they have an account with; the majority of the respondents have an account with the public bank (68.4 %), private bank (30%), cooperative bank (19.6%), or post office (15 %). The penetration of digital bank accounts was fewer accounts at payment banks (4.5%) and digital banks (8.7%). Those who do not have a bank account have been told that someone in their family has an account, and hence they do not need to have a bank account. Table 2 presents a distribution of accounts in different banks.

Table 2 Bank Accounts.

	Bank a/c	Public Bank	Private Bank	Coop Bank	Payment Bank	Digital Bank	Post office
No %	9.8	21.7	59.6	70.5	85.6	81.4	75.1
Yes %	90.2	68.4	30.5	19.6	4.5	8.7	15.0
N =	715	645	645	645	645	645	645

ATM/ Debit Card

The respondents with a bank account in their name were asked whether they have an ATM/ debit card for their bank account. The table shows the respondents' frequency distribution and last usage of ATM/ Debit cards. About 83 per cent of the respondents have a Debit card for their bank accounts, of which 85 per cent reported that they regularly use a card for their financial transactions. The main reasons for not having a debit card were discovered to be a lack of awareness and a lack of need. Table 3 shows the frequency distribution of ATM cards and their last use.

Table 3 ATM/ Debit Card.

		Frequency	Percentage
ATM/DebitCard (N= 645)	No	108	16.7
	Yes	537	83.3
LastUseofATM/ Debit Card (N= 537)	Today	95	17.7
	InPast 7 Days	199	37.1
	InPast 30 Days	127	23.6
	InPast 90 Days	37	6.9
	InPast 6months	21	3.9
	Inlast1 year	8	1.5
	Morethan1 year	10	1.9
	Never	40	7.4

Mobile Banking

The subscription status of the mobile banking services for the bank account was recorded from the respondents. About 60 per cent of respondents have availed mobile banking services for their bank accounts, of which 90 per cent of the respondents are regular users of mobile banking services. Those who have not availed mobile banking services have said that most of them are not aware of mobile banking services, and few of them have reported that mobile banking is risky sometimes and they don't need it for their financial transactions. Table 4 presents Mobile banking subscription distribution and use.

Table 4 Mobile Banking.

		Frequency	Percentage
Mobile Banking (N= 645)	No	260	40.3
	Yes	385	59.7
Last use of Mobile Banking (N= 385)	Today	61	15.8
	InPast 7 Days	166	43.1
	InPast 30 Days	91	23.6
	InPast 90 Days	39	10.1
	InPast 6months	11	2.9
	Inlast1 year	4	1.0
	Morethan1 year	3	.8
	Never	10	2.6

Internet Banking

Internet banking is another digital channel to use the bank account. More than 50 per cent of respondents have availed internet banking services for their bank accounts, and about 90 per cent of them use it regularly. Again, lack of awareness about internet banking and need were among the reasons for not availing of internet banking services. Table 5 shows the internet banking subscription and last use of the service.

Table 5 Internet Banking.

		Frequency	Percentage
Internet Banking (N= 645)	No	308	47.8
	Yes	337	52.2
Last use of Internet Banking (N= 341)	Today	46	13.5
	InPast 7 Days	133	39.0
	InPast 30 Days	91	26.7
	InPast 90 Days	36	10.6
	InPast 6months	19	5.6
	Inlast1 year	3	.9
	Morethan1 year	3	.9
	Never	10	2.9

4.3 Financial Behaviour

The section on financial behaviour captures details of financial practices and perspectives on financial aspects.

Budget and Household finance management

Respondents were asked whether they maintain any financial budget for their household. It was discovered that around 62% of respondents had a household financial budget. Also, they were asked who is responsible for managing the finances in the household. Most of the respondents reported that their spouses together manage household finances. Also, they were asked if they had had any financial emergencies in the last 12 months. About 70 per cent of them have not faced any financial emergency. About 30 per cent had a financial emergency during which some of them mitigated by drawing money from savings, borrowing money from friends/ relatives, or using credit cards.

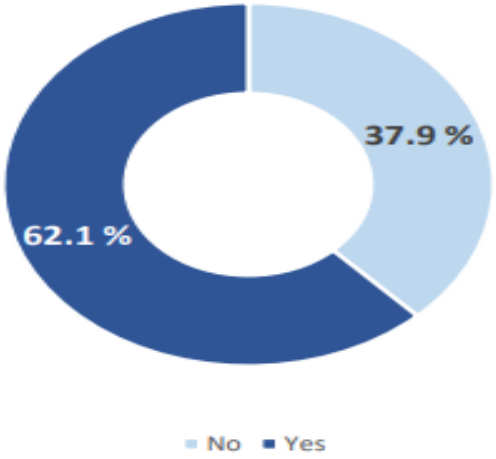


Figure 1: Household Budget.

Saving and Borrowing

All the respondents were asked whether they saved or not. About 71 per cent of them reported that they regularly save money. Further, they were asked where they save money. Ninety-two per cent of respondents save at the bank, about 23 per cent save at home, and only two per cent prefer to save with their friends/ relatives. Only 7 per cent of respondents reported that they use digital channels such as mobile apps or internet banking to save. Table 6 shows the savings details of the respondents.

Table 6 Saving.

	Save Money	At Bank	At MFI	At Home	at Friends/ relatives	through Mobile app	through Internet Banking
No%	29.4	7.7	98.2	76.8	98.0	92.7	92.9
Yes%	70.6	92.3	1.8	23.2	2.0	7.3	7.1
N=	715	505	505	505	505	505	505

Table 7 Borrowing.

	Borrow money	from bank	from MFI	from NBFC	from Friends/ relatives	from RoSCA	from Money lender
No%	74.3	97.8	97.3	73.5	91.3	65.2	100.0
Yes%	25.7	2.2	2.7	26.5	8.7	34.8	0.0
N=	715	184	184	184	184	184	184

4.4 Financial Behaviour Measurement scale

Financial literacy and financial behaviour measures were used to study the respondents' financial behaviour. These indicators are developed by the OECD based on theoretically distinct domains such as money management, financial planning, financial knowledge, and understanding. The Likert scale is used to analyse respondents' financial behaviour. To see the pattern of responses to these propositions, a stacked graph is plotted.

Table 8 Financial Behaviour Measurement Scale.

BH1	Before I buy something, I carefully consider whether I can afford it
BH2	I tend to live for today and let tomorrow take care of itself
BH3	I find it more satisfying to spend money than to save it for the long term
BH4	I pay my bills on time
BH5	I am prepared to risk some of my own money when saving or making an investment
BH6	I keep a close personal watch on my financial affairs
BH7	I set long-term financial goals and strive to achieve them
BH8	Money is there to be spent
BH9	My financial situation limits my ability to do the things that are important to me
BH10	I tend to worry about paying my normal living expenses
BH11	I have too much debt right now
BH12	I am satisfied with my present financial situation

Affordability

All respondents' responses to the statement concerning the behaviour on affordability were recorded. It can be seen that about 70% of respondents agreed with the assertion that they only buy products if they are inexpensive to them. Around 30% of respondents agreed that if something is essential, it should be purchased regardless of price or affordability.

Care for Tomorrow

Respondents were asked about their spending habits and whether they prefer to live for now and let tomorrow take care of itself. According to the data, more than half of the respondents agreed with the statements because they care about the future.

Save or Spend

Respondents were asked to choose between spending money today and conserving money for the future. It has been discovered that less than 50% of respondents found it more rewarding to spend money in times of need rather than save it for the long term. And the remaining respondents are more cautious about the future, preferring to save rather than spend.

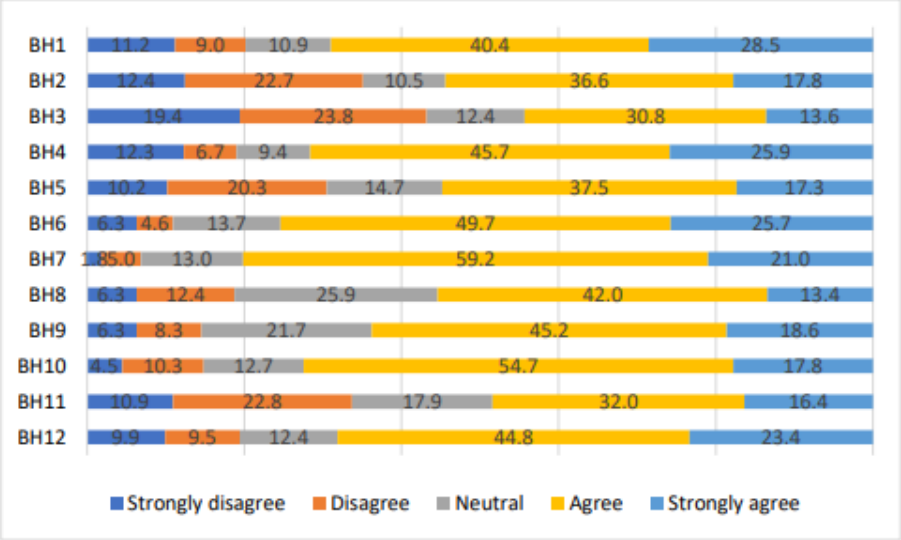


Figure 2: Financial Behaviour.

Timely Bill Payments

Almost 71 per cent of respondents strongly agreed and agreed to pay bills on time. The remaining respondents found themselves to be irregular in paying the bills.

Risk-Taking Behavior

In answer to risk-taking behaviour, more than half of respondents claimed they are willing to take chances while making investments or savings.

Close watch on Financial Affairs

Approximately 75% of respondents are extremely cautious about their money issues. It is worth noting that they are both concerned about financial transactions in their different situations.

Financial Goal

Approximately 80% of respondents agreed that they had established a financial goal in their lives and worked hard to accomplish it.

Planning Money

All of the respondents had varied responses to the question about money. It is clear that various people have varied opinions on money. Some of the comments indicated a confused attitude about the concept of financial planning.

Financial Situation

All were asked if their financial status hinders their ability to do crucial things for them. The majority of respondents (65%) agreed with this statement. Such restrictions may be imposed due to financial constraints.

Living Expenses

Approximately 70% of respondents said they think about living expenses.

Outstanding Debt

Respondents were asked how they felt about the outstanding debt burden. Moreover, over half of those surveyed were able to pay off their debts swiftly.

Financial Status

More than 70% of respondents reported being satisfied with their present financial condition.

4.5 ADOPTION TOWARDS DIGITAL BANKING

Digital Banking is the process of delivering banking services through smart devices with the help of the internet like smartphones, laptops, desktops, and so on. Adoption of digital banking products and services refers to the continued acceptance and use of digital banking products and services or ideas by customers of a bank.

Table 9 Reason for adopting ATM Services and Products -One-Sample t-test.

Variables	Mean value	SD	t-value	p-value
Security factors	3.917	1.137	16.516	<0.001**
Convenience	4.407	0.814	35.443	<0.001**
User-friendliness	4.224	0.946	26.513	<0.001**
Pride in self-transaction making	4.038	1.118	19.035	<0.001**
Reliability	3.690	1.122	12.608	<0.001**
Ease of use	4.007	1.115	18.510	<0.001**
24hourservice	4.279	0.912	28.735	<0.001**
Ease of transaction making	4.069	1.049	20.887	<0.001**
Safety	3.574	1.159	10.147	<0.001**
Time and costsaving	4.274	0.831	31.405	<0.001**
Overall Reasons for Adopting Digital Banking Products and Services	**40.479**	**7.416**	**103.573**	**<0.001****

5. CONCLUSION

The study suggests that there is a high level of awareness of internet banking products and services. Despite consumers' familiarity with digital banking products, the survey indicated that their use is not increasing, especially among younger clients. Now is the time for banks to improve their services by coming up with solutions to the stated conflicts. Customer satisfaction has a positive effect on loyalty among all digital banking products and services, according to the study.

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