



(RESEARCH ARTICLE)



Financial inclusion through digital wallets and mobile banking

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Abstract

This research involves the digital wallets and money banking technologies for the people by financial inclusions. It mainly involves the modern banking which is rising rapidly in the present day and different from the traditional banking. The aim of the study is to examine how well the underserved people and uneducated people have gained knowledge on financial inclusions and its system. Financial services are very effective to use in today's world and every individual should be aware of it. Using the technological world we have analyzed that people uses mobile banking actively in India and throughout the world . As a result, the government also actively participates in the financial inclusions and its related matters. And the technology has created great opportunities for the unbanked individuals who were unaware about the digital payment systems. It is very cost saving and saves money very well by adopting mobile banking. This has created a huge impact on the world wholly and provided its customers to aim and seek for the larger markets and also helped the providers in improving their financial sector more effectively. It also created many employment opportunities and its impact is huge on the world.

Keywords: Financial inclusion; Digital payments; Mobile Banking; Digital Wallets; Larger Markets; Financial Services

1. Introduction

In a world that is becoming increasingly digital, ensuring financial inclusion is vital for economic progress. Digital wallets and mobile banking have become effective means to close the financial divide, offering essential financial services to populations that are often underserved. These technologies allow individuals, particularly in rural and low-income regions, to conduct secure, efficient, and convenient financial transactions without depending on traditional banking methods.

Achieving financial inclusion through digital wallets and mobile banking accomplishes several objectives. It improves financial access and empowerment, making sure that marginalized groups can take part in the formal financial system. Furthermore, it significantly boosts financial literacy and understanding, equipping individuals to make knowledgeable financial choices. Secure and user-friendly digital payment platforms also enhance efficiency and build trust in digital transactions, diminishing the dependence on cash economies.

In addition to personal advantages, digital financial inclusion fosters extensive economic growth, nurtures entrepreneurship, and assists in alleviating poverty by creating new opportunities and enhancing living conditions. By merging technology with financial services, digital wallets and mobile banking create pathways for a more inclusive and sustainable global economy.

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Objectives of the Study

- *Financial Accessibility and Empowerment:* To provide underserved populations with access to financial services through digital wallets and mobile banking, promoting financial empowerment and independence.
- *Financial Literacy and Awareness:* To educate individuals on the benefits and risks of digital financial services, promoting awareness and fostering a culture of informed financial decision-making.
- *Secure, Efficient, and Convenient Transactions:* To develop secure, user-friendly, and efficient digital payment systems, reducing transaction costs and promoting the adoption of digital payments.
- *Economic Growth, Development, and Poverty Reduction:* To stimulate economic growth, support entrepreneurship and job creation, improve living standards, and contribute to the achievement of sustainable development goals through digital financial inclusion.

1.1. Need for the Study

1.1.1. Need for Improving Financial Accessibility and Empowerment

- *Banking Obstacles:* Numerous underserved communities cannot access conventional banking services due to geographic limitations, absence of documentation, or a lack of financial literacy.
- *Digital Solutions:* Mobile banking and digital wallets serve as alternatives, allowing individuals to obtain financial services without needing a physical branch.
- *Financial Autonomy:* Individuals in remote regions, low-income brackets, and marginalized groups can achieve financial empowerment by managing their finances directly through digital platforms.

1.1.2. Need for Boosting Financial Literacy and Awareness

- *Awareness Gaps:* A significant number of people remain oblivious to the advantages of digital banking and are reluctant to use mobile payment methods due to fears of fraud or insufficient knowledge.
- *Digital Financial Threats:* Concerns regarding cybersecurity, phishing scams, and data privacy necessitate educating users about safe financial transactions.
- *Trust in Digital Finance:* Informing individuals about digital transactions cultivates confidence and encourages broader acceptance of financial technology solutions.

1.1.3. Need for Safe, Efficient, and Convenient Transactions

- *High Transaction Expenses:* Traditional banking systems often impose steep service fees, making financial transactions costly for low-income users.
- *Speed and Access:* Cash transactions can be slow, while digital payments facilitate instant and smooth transactions, enhancing financial efficiency.
- *Security Issues:* The increase in cyber threats highlights the need for robust encryption, biometric verification, and fraud detection systems to safeguard users.

1.1.4. Need for Promoting Economic Growth, Development, and Poverty Alleviation

- *Support for Entrepreneurship:* Small enterprises and startups require access to credit, digital payment options, and financial services to expand their operations.
- *Job Creation:* The digital finance sector creates job opportunities in fintech, cybersecurity, customer service, and financial consultancy.
- *Mitigating Inequality:* Promoting financial inclusion aids in diminishing income disparity and supports the realization of Sustainable Development Goals (SDGs).

1.2. Importance of the Study

- In the current digital era, financial inclusion has become a vital catalyst for economic progress and social empowerment. Digital wallets and mobile banking play a crucial role in closing the financial gap, especially for those who are underserved and unbanked. Below, we examine the importance of four key aims of financial inclusion facilitated by digital financial services.
- *Improving Financial Accessibility and Empowerment:* A primary objective of financial inclusion is to ensure that everyone, regardless of their economic status, can access fundamental financial services. Digital wallets and mobile banking remove geographical and logistical obstacles, allowing individuals in remote and rural areas to engage in the financial system. This increased accessibility enables individuals to save, invest, and perform transactions securely, promoting financial independence.

- **Boosting Financial Literacy and Awareness:** While gaining access to digital financial services is vital, it is equally important that individuals comprehend how to utilize these tools effectively. Financial literacy initiatives integrated with digital banking platforms can inform users about managing their finances, understanding digital transactions, and identifying potential threats such as fraud and cyber risks. Educated financial decision-making improves users' capacity to utilize digital finance for sustained economic stability.
- **Enabling Secure, Efficient, and Convenient Transactions:** An effectively designed digital financial system guarantees seamless transactions with improved security. By decreasing reliance on cash, mobile banking and digital wallets lessen the dangers associated with theft and fraud. Additionally, they provide convenience by allowing immediate payments, bill payments, and fund transfers at low costs. Reduced transaction expenses encourage broader adoption, benefiting both consumers and businesses.
- **Promoting Economic Growth, Development, and Poverty Alleviation:** Financial inclusion through digital means greatly contributes to economic progress and poverty reduction. By granting access to credit, insurance, and investment opportunities, digital financial services booster entrepreneurship and job creation. Small businesses and startups, particularly in developing regions, can flourish with enhanced access to capital and streamlined payment solutions. Moreover, governments can leverage digital platforms for direct benefit transfers (DBT), ensuring that social welfare funds reach the intended recipients efficiently.

2. Analysis of Financial Accessibility and Empowerment

Statement describes a goal of improving financial accessibility and empowerment through the use of digital wallets and mobile banking for populations that are underserved. Here's an analysis of its main points:

2.1. Financial Accessibility

- *Underserved Populations:* This term refers to individuals or communities that face challenges in accessing traditional banking services, including those in rural regions, low-income demographics, or those without formal documentation.
- *Digital Wallets & Mobile Banking:* These financial tools help close the gap by providing accessible, low-cost solutions that do not require physical bank locations.

2.2. Financial Empowerment & Independence

- *Empowerment:* By offering financial tools, individuals are better equipped to save, invest, and manage their finances, decreasing their reliance on cash transactions and informal lending methods.
- *Independence:* Digital solutions provide enhanced financial freedom, enabling people to access credit, conduct transactions, and create credit histories, which can contribute to greater economic inclusion.

2.3. Potential Impacts

- *Economic Growth:* Greater financial participation can stimulate local economies, foster entrepreneurship, and enhance overall financial literacy.
- *Reduction in Inequality:* Financial inclusion helps reduce the wealth gap by offering opportunities for saving, investing, and secure transactions.
- *Challenges:* To fully realize the potential benefits, issues such as digital literacy, cybersecurity, and access in remote areas need to be addressed.

3. Financial Literacy and Awareness

The primary aim is to educate individuals about digital financial services, ensuring they have the necessary information to make informed financial decisions. A systematic overview of its main components is presented below:

3.1. Financial Literacy

The term financial literacy is used to describe the ability to manage financial resources efficiently, including budgeting, saving, investing, and accessing financial services.

Understanding digital financial tools is a crucial aspect of financial literacy, given the increasing importance of digital banking, mobile payments and online investments.

3.2. Awareness of Digital Financial Services

3.2.1. Benefits

Convenience: Allows for speedy and smooth transactions. Security measures in the case of electronic payments reduce risks associated with handling cash. Credit access is frequently provided to underprivileged individuals through digital financial platforms. Users can save money and keep track of expenses using apps and platforms for financial planning.

3.2.2. Risks

Online fraud, phishing attacks, and hacking are all potential cybersecurity threats.

- Expenses: Hidden costs for digital transactions or financial services.

Over-leveraging of credit cards and loans: Easy access can lead to financial hardship and over-borrowing.

3.3. Establishing a System of Careful Decision-Making

Educational programs, workplaces, and government initiatives may offer financial literacy sessions.

Interactive platforms, mobile apps, and online courses are all available to teach users about financial risks and responsible financial management through digital tools and resources.

The creation of transparent policies by governments and financial institutions is essential for promoting digital financial awareness and protecting consumers.

3.4. Potential Impacts

Higher Financial Stability: Individuals with financial knowledge are less likely to be trapped in debt. The presence of financially aware consumers leads to stable financial markets, leading to economic growth. Awareness is crucial in preventing financial fraud and helping people recognize the risks.

4. Facilitating Secure, Efficient and Convenient Transaction

The aim is to create digital payment methods that are secure, user-friendly, and cost-effective in order to facilitate more widespread digital transactions. Listed below are the key elements of its analysis:

4.1. Security in Digital Transactions

To protect users from cyber-attacks, encryption is implemented alongside multi-factor authentication (MFA) and fraud detection systems.

- Compliance: Ensures compliance with financial standards such as GDPR, PCI DSS and other security requirements.
- Consumer Protection: Creating systems to deal with fraud complaints and illegal trade.

4.2. Efficiency of Digital Payment Systems

Efforts are made faster in transactions by utilizing real-time payment networks and block chain technology.

Smooth integration with e-commerce sites, mobile apps, and financial systems for effortless transactions.

- Adaptability: Designing payment mechanisms that can handle large amounts of transactions without any system failure.

4.3. Convenience for Users

- Digital Payment Platforms: Enhancing user interfaces to ensure ease of use, particularly for those who lack digital skills....
- Multiple Payment Choices: Supporting payment methods such as QR codes, UPI, contactless cards, and digital wallets.

- Multichannel: Supporting cross-platform transactions across multiple banks, wallets, and credit providers.

4.4. Reducing Transaction Costs

Minimizing transaction costs for merchants and consumers to promote digital transformation.

Fintech innovation to drive the adoption of cost-effective payment solutions in a competitive market.

Tax benefits or service charges are used to promote digital payments, and government subsidies and incentives exist.

- Accelerating the adoption of digital payments.
- Public awareness campaigns: Educating consumers and businesses on the benefits of digital payments.

Expanding access to digital payment systems in rural and underserved areas for financial inclusion efforts.

- Promotions and Benefits: Offering cashback, discounts, and loyalty programs to encourage the use of digital payment methods.
- Improved Economic Development: The implementation of digital payments enables unbanked individuals to access banking services and participate in the formal economy.

5. To Foster Economic Growth, Development and Poverty Reduction

5.1. Stimulating Economic Expansion

- *Increased Financial Engagement:* Digital financial inclusion enables a larger number of people and businesses to access banking, credit, and investment options.
- *Promoting Consumer Expenditure:* With reliable digital payment systems, individuals can perform transactions smoothly.
- *Empowering Small Enterprises:* Business owners and small businesses gain from accessing digital payment platforms, allowing them to grow their operations.

5.2. Supporting Business Development & Employment Generation

- *Access to Financing & Capital:* Digital loan services offer microloans and credit alternatives for startups and small businesses, fostering innovation.
- *Reduced Operational Expenses:* Digital transactions lower costs tied to cash management, enabling businesses to function more effectively.
- *Creation of Additional Job Opportunities:* The growth of fintech, e-commerce, and digital +banking paves the way for job openings in technology, financial services, and support industries.

5.3. Enhancing Quality of Life

- *Financial Security:* Access to banking services allows individuals to save, invest, and manage their finances more efficiently.
- *Wider Access to Services:* Digital financial inclusion provides access to critical services like healthcare, education, and insurance.
- *Empowerment of Underrepresented Groups:* Individuals such as women, rural communities, and low-income individuals achieve economic independence through digital financial solutions.

5.4. Alignment with Sustainable Development Goals (SDGs)

- *SDG 1: Eradicating Poverty* – Financial inclusion supplies individuals with savings tools, credit options, and income generation pathways.
- *SDG 10: Reducing Inequalities* – Expanding financial services to underserved populations aids in closing economic gaps.

5.5. Challenges & Considerations

- *Digital Divide:* Disparities in access to technology may restrict benefits for rural and low-income groups.

- *Cybersecurity Concerns:* A greater dependency on digital transactions raises issues regarding fraud and data security.
- *Insufficient Financial Literacy:* Without adequate education, users might struggle to effectively utilize digital financial services.

5.6. Possible Long-Term Results

- *Decrease in Poverty:* Improved financial stability and job prospects can lead to higher incomes and reduced poverty levels.
- *Enhanced Economic Resilience:* Countries with strong digital financial systems are better prepared to face economic challenges.
- *Global Economic Integration:* Digital finance enables cross-border transactions, trade, and investment, fostering international economic cooperation.

6. Conclusion

Achieving financial inclusion via digital wallets and mobile banking represents a significant shift that connects traditional banking with underserved communities. By improving financial access, these digital solutions enable individuals, especially those in rural and marginalized areas, to engage with formal financial systems. This empowerment promotes self-sufficiency, allowing people to efficiently manage their finances and access vital services without depending on physical banking establishments.

Furthermore, enhancing financial literacy is essential for ensuring that individuals can make educated choices about digital transactions. Informing users about the advantages, risks, and recommended practices associated with digital financial tools builds trust and confidence, resulting in increased adoption and responsible financial practices. Financial awareness also safeguards users from fraud and cyber threats, reinforcing the resilience and inclusivity of digital financial systems.

The effectiveness of financial inclusion is largely reliant on the security, efficiency, and convenience of digital payment solutions. A well-designed and user-friendly digital environment reduces transaction expenses, diminishes reliance on cash, and simplifies financial procedures for both businesses and individuals. Safe digital transactions foster confidence, facilitating the broad acceptance of digital financial services across all sectors of the economy.

In the end, digital financial inclusion plays a key role in stimulating economic growth and alleviating poverty by supporting entrepreneurship, enabling small businesses to prosper, and enhancing overall living standards. It acts as a driving force for job creation, innovation, and sustainable development, aligning with global initiatives aimed at achieving economic resilience and financial stability. By harnessing technology for inclusive financial services, societies can strive for a future where financial empowerment is available to everyone, propelling enduring economic advancement and social welfare.

Compliance with ethical standards

Disclosure of conflict of interest

No conflict of interest to be disclosed.

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Author's short biography

<p>Soundarya Dhanaji Devakate</p> <p>Soundarya Dhanaji Devakate is a dedicated and ambitious professional with a background in (Honours) and a strong inclination toward finance, accounting, and emerging financial technologies. Throughout her academic journey, she has developed expertise in MS Excel, Tally, stock market analysis, and finance & accounting, equipping her with analytical skills essential for modern financial management. Her proficiency in digital financial tools allows her to navigate the complexities of financial planning, investment strategies, and business accounting with precision. Beyond academics, Soundarya actively engages in extracurricular activities, demonstrating her well-rounded personality and leadership skills. She has a keen interest in financial inclusion and modern banking technologies, which she has explored in her research and practical applications.</p>	
<p>Malathi Mupparsi</p> <p>Malathi Mupparsi is a high-achieving student with a strong academic record in science, technology, engineering, and mathematics (STEM) subjects, as well as commerce and business studies. Her strong interest in commerce and entrepreneurship has led to notable achievements. Malathi's dedication, passion, and natural talent have earned her numerous awards and accolades, including the prestigious 'Best Student' award. As a future leader in her field, Malathi is poised to make a significant impact with her unique blend of technical expertise, business acumen, and interpersonal skills. Throughout her academic and professional journey, Malathi has consistently demonstrated a commitment to excellence, a passion for learning, and a dedication to making a positive impact.</p>	
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<p>Peepalpat Alekhya</p> <p>Peepalpat Alekhya is a driven and ambitious undergraduate student pursuing a Bachelor of Commerce (Honors) degree. Alekhya is poised to make a meaningful impact in the business world. With a strong foundation in finance and management, she is well-equipped to tackle complex challenges and capitalize on new opportunities. Alekhya has augmented her academic pursuits with certifications in Excel, Tally, and Digital Marketing, demonstrating her commitment to staying ahead of the curve in the rapidly evolving business landscape. Outside of academics, Alekhya is an avid reader, with a passion for devouring books that expand her knowledge and broaden her perspectives. Alekhya's ultimate goal is to become an independent woman, leveraging her skills, knowledge, and experience to forge a successful and fulfilling career.</p>	