

DIGITAL FINANCIAL INCLUSION THROUGH PUBLIC SECTOR BANKS – A STUDY ON SELECT BANKS

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Article Received: 09 March 2026, Article Revised: 29 March 2026, Published on: 19 April 2026

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DOI: <https://doi-doi.org/101555/ijarp.8719>

ABSTRACT

The present study is undertaken to examine the various initiatives implemented by public sector banks to enhance financial accessibility. Digital financial inclusion is considered an important component of economic development, as access to basic financial services is ensured for all sections of society, particularly the poor and marginalized groups. In India, a significant role is played by public sector banks in promoting financial inclusion by providing affordable banking services in rural and semi-urban areas.

Various government schemes such as Pradhan Mantri Jan Dhan Yojana, Direct Benefit Transfer (DBT), and financial literacy programs are implemented through public sector banks to bring unbanked populations into the formal banking system. Basic savings bank accounts are opened, and small credit facilities are provided to economically weaker sections through these institutions. Insurance and pension schemes are also offered to improve financial security among the population.

Access to banking services in remote areas is enhanced through digital banking, mobile banking, and the Business Correspondent model. As a result, dependence on informal moneylenders is reduced, and the habit of saving and investing is encouraged among individuals. Furthermore, financial awareness is promoted, and inclusive participation in the financial system is strengthened.

It is observed that an important role is played by public sector banks in strengthening the financial system and promoting inclusive economic growth in the country. However, certain challenges such as limited financial literacy, infrastructural constraints, and the digital divide



are also encountered, which need to be addressed for better outcomes.

KEYWORDS: Financial inclusion, public sector banks, economic development, digital banking, credit facilities.

INTRODUCTION

Financial inclusion is defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and under reserved sections at affordable cost. The Government of India and Reserve Bank of India has been making efforts to promote financial inclusion as one of the national objectives of the country. According to the Reserve Bank of India, Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players. Financial inclusion has become a central policy objective for governments and financial regulators worldwide, as it is closely linked with sustainable economic growth, poverty reduction, and social equity. An inclusive financial system ensures that individuals and businesses, especially those belonging to low- income and vulnerable groups, have access to essential financial services such as savings accounts, credit facilities, insurance, pension schemes, and efficient payment mechanisms at affordable costs. Lack of access to formal financial services often forces people to rely on informal sources of finance, which are expensive, insecure, and exploitative, thereby perpetuating poverty and economic inequality. In developing economies, a significant portion of the population remains excluded from the formal banking system due to factors such as low income levels, lack of financial awareness, geographical isolation, and inadequate documentation. Financial exclusion not only restricts individual economic participation but also hampers national economic development by limiting savings mobilization, productive investment, and effective monetary policy transmission.

Therefore, promoting financial inclusion has become a priority for policymakers, with banking institutions playing a crucial role in achieving this objective. Public sector banks, due to their government ownership and social mandate, occupy a dominant position in the financial inclusion framework. Unlike private and foreign banks, public sector banks are driven not only by profit motives but also by broader socio-economic responsibilities. Their widespread branch network, particularly in rural and semi-urban areas, enables them to extend banking services to remote and underserved regions. Public sector banks have

traditionally been entrusted with implementing government welfare schemes, priority sector lending programs, and credit delivery mechanisms aimed at supporting agriculture, small-scale industries, self-help groups, and marginalized communities.

REVIEW OF LITERATURE

1. Rituparna Choudhury (2025): Choudhury's review emphasizes that mere access to financial services is no longer the main issue in India. Instead, the critical problem is that people who already have access, particularly the underbanked — do not fully use financial services or derive meaningful benefit from them. This research study placed more stress on the underbanked rather than the unbanked, as the accessibility and availability are almost achieved, but the goal of utilization and standard quality of financial services still needed to be accomplished, which accounts for a huge percentage of financial inclusion. There are still areas where improvements need to be made.

2. Hammadi Zoubida, Berkane Imed, Mattoug Djamel (2025): This study aims to analyse the impact of financial inclusion on the efficiency of banking systems in a sample of G20 countries during the period 2005–2023, using panel data models and Eviews 13. The study focused on measuring the effect of the number of automated teller machines (ATM) per 100,000 adults, the number of commercial bankbranches per 100,000 adults, outstanding loans from commercial banks as a percentage of gross domestic product (GDP), and outstanding deposits with commercial banks as a percentage of gross domestic product (GDP) on the efficiency of banking systems, represented by the Net Interest Margin (NIM).

3. Qaed Hussein Al-Khaldi(2025):Thistake a look at aimed to look at the effect of virtual monetary inclusion on financial balance indicators and the overall performance of Iraqi business banks throughout the period 2014–2024. Financial inclusion is considered a key tool for promoting financial development, permitting all segments of society—mainly the financially excluded—to get right of entry to banking services inclusive of savings, credit, coverage, and coins transfers. The observe findings discovered a wonderful and statistically tremendous relationship among financial inclusion signs and the liquidity of Iraqi banks. The consequences also indicated that the distribution of financial institution branches and ATMs is focused in primary towns and industrial facilities, limiting get admission to economic offerings in rural regions and growing economic exclusion.

SCOPE OF THE STUDY

The study examines the role of Public Sector Banks in promoting financial inclusion in India. It focuses on providing banking services like savings, credit, insurance, and digital facilities to weaker and rural sections. It also covers major government schemes and the contribution of PSBs to digital financial inclusion.

OBJECTIVE OF THE STUDY

- To assess the financial literacy levels of selective bank customers.
- To assess the use of digital banking financial services.

DATA ANALYSIS AND INTERPRETATION

Financial inclusion refers to the process of ensuring access to appropriate, affordable, and timely financial services—such as savings accounts, credit, insurance, and digital payments—to all sections of society, especially the underserved and low-income populations. In developing economies like India, financial inclusion plays a critical role in reducing poverty, promoting economic growth, and improving social equity.

GENDER AND AWARENESS

Gender is considered an important factor influencing awareness of financial inclusion initiatives provided by public sector banks, although its impact is often shaped by education, income, and socio-cultural conditions. Higher levels of awareness are generally observed among males, as greater exposure to financial activities and decision-making opportunities is often available to them. However, significant improvements in awareness among women have been witnessed due to targeted government schemes, self-help groups, and financial literacy programs implemented through public sector banks.

Awareness – Gender Wise

category	N	T - value	P value	Results
Male	54			
Female	66	2.44691185	1	Accept

SOURCE: Computation from primary data

The table shows findings on how men and women are different in financial inclusion awareness. The T-value (2.44691185) and P-value (1) are the statistical values used to determine whether there is a difference in awareness between male and female respondents. Since the P-value is greater than 0.5, the result is accepted. This indicates that there is no

statistically significant difference in awareness levels between male and female respondents. Therefore, gender does not have a significant impact on awareness in the study.

AGE AND AWARENESS

Age is considered an important factor in shaping awareness of financial inclusion initiatives offered by public sector banks, although its impact is often influenced by factors such as education, income, and digital literacy. Higher awareness of digital financial services like mobile banking and UPI is generally observed among younger individuals (15–35 years). The highest level of awareness and engagement is usually exhibited by the middle-aged group (35–60 years), as frequent interaction with banks for savings, loans, and investments is carried out by them. Older individuals show lower awareness of digital banking and rely more on traditional and pension schemes.

Awareness – Age Group Wise

category	N	T - value	P value	Results
Below 25	78			
25-35	22			
35-45	10			
Above 45	10	9.27662815	0.37381347	Accept

SOURCE: Computation from primary data

The above table compares age and awareness. N value is the number of respondents and it is observed that the majority of respondents belong to the age group below 25 years, followed by the age group of 25–35 years. A smaller proportion of respondents is found in the age groups of 35–45 years and above 45 years. F value (9.27662815) and p value (0.37381347) are the statistical values for determining awareness differences between different age and categories. As p- value is more than 0.5, the result is valid, indicating there is no statically significant difference in awareness levels between the age groups.

OCCUPATION AND AWARENESS

Occupation and awareness are considered important factors influencing financial inclusion through public sector banks. It is observed that individuals engaged in stable occupations, such as salaried employment or organized sector work, are more likely to be included in formal banking systems, as regular income facilitates the opening and maintenance of bank accounts. In contrast, people involved in informal or irregular occupations are often found to have limited access to banking services due to income instability and lack of proper

documentation.

Awareness - Occupation Wise

category	N	T – value	P value	Results
Student	61	0.10779779	0.46171102	Accept
Self employed	14			
Salaried employee	39			
none	6			

SOURCE: Computation from primary data

The computation of data related to occupation and awareness was done using primary data. The total number of respondents under the categories student, self employed, salaried employee, and none was taken as 120. The mean value was calculated by dividing the total number of responses by the number of categories. The deviation from the mean was calculated for each category and the standard deviation was obtained. The t-test was applied to find whether any significant difference was present among the occupation categories with respect to awareness. The t-value was calculated as 0.10779779 and the p-value was obtained as 0.46171102. Since the p-value was greater than the level of significance, the null hypothesis was accepted. It was concluded that no significant difference was found in awareness based on occupation. The result was obtained from primary data computation.

GENDER AND USAGE

Financial inclusion through public sector banks is promoted with a focus on gender equality, through which equal access to banking services is ensured for both men and women. Special schemes and initiatives are implemented to empower women, enabling savings accounts, credit facilities, and financial support to be accessed independently. Financial literacy and awareness programs are conducted, through which confidence in managing finances is developed among women. As a result, gender disparities in financial access are reduced, and inclusive economic growth is supported.

Usage – Gender Group Wise

Category	N	T - value	P value	Results
Male	54	3.18244631	1	Accept
Female	66			

SOURCE: Computation from primary data

The data were analyzed to examine the relationship between gender and usage. A total of 120 respondents were considered, of which 54 were males and 66 were females. The t-test was applied to compare the usage between male and female respondents. The calculated t-value was found to be 3.18244631, and the p-value was observed as 1. Based on the statistical results, the null hypothesis was accepted, indicating that no significant difference was found in usage between male and female respondents. Thus, it was concluded that gender did not have a significant influence on usage.

AGE AND USAGE

Financial inclusion through public sector banks has been influenced by age and usage patterns. It has been observed that younger individuals are more inclined toward digital banking, while older groups rely on traditional services. Basic banking facilities have been widely utilized, especially by middle-aged and older populations. Efforts have been made to promote digital usage and expand access, leading to improved inclusion, though age-based differences still exist. Additionally, financial literacy initiatives have been introduced to enhance awareness among underserved groups. As a result, a gradual increase in overall participation in formal banking systems has been achieved+

Usage – Age Group Wise

Category	N	T- value	P value	Results
Below 25	78	0.10779779	0.33893788	Reject
25-35	22			
35-45	10			
Above 45	10			

SOURCE: Computation from primary data

The statistical analysis was carried out using the t-test method. The calculated t-value was found to be 0.10779779, and the corresponding p-value was recorded as 0.33893788. Since the p-value was greater than the standard significance level (0.05), the result was considered statistically insignificant. Therefore, the null hypothesis was accepted, and it was concluded that no significant relationship was found between age and usage.

OCCUPATION AND USAGE

Financial inclusion through public sector banks is carried out by bank officials, business correspondents, and field staff, through whom basic banking services are provided to underserved populations. Access to savings accounts, credit, and government schemes is



ensured, while financial literacy is promoted. As a result, economic participation is improved and financial stability is supported. Additionally, digital banking services are expanded to reach remote areas, and inclusive growth is facilitated through increased access to financial resources.

Usage – Occupation Wise

Category	N	F - value	P value	Results
Student	61	0.10779779	0.20610498	Reject
Self employed	14			
Salaried employee	39			
None	6			

SOURCE: Computation from primary data

The data were analyzed to examine the relationship between occupation and usage. A total of 120 respondents were considered, of which 61 were students, 14 were self-employed, 39 were salaried employees, and 6 belonged to the none category. The ANOVA test was applied to compare the usage among different occupational groups. The calculated F-value was found to be 0.10779779, and the p-value was observed as 0.20610498. Based on the statistical results, the null hypothesis was rejected, indicating that a significant difference was found in usage among respondents of different occupations. Thus, it was concluded that occupation had a significant influence on usage.

SUGGESTIONS

- Increase financial literacy programs in rural areas.
- Expand digital banking facilities in remote locations.
- Improve awareness about government financial schemes.
- Strengthen mobile banking and internet banking services.
- Reduce documentation barriers for opening bank accounts.
- Promote microfinance and small business loans.
- Increase ATM and banking correspondent networks.
- Encourage cashless transactions in rural markets.
- Improve customer service in rural branches.
- Provide more training to bank staff for financial inclusion initiatives.

CONCLUSION

Financial inclusion is an essential factor for achieving inclusive economic growth in India.

Public sector banks have played a vital role in extending financial services to rural and underserved populations. The reserve bank of India (RBI) and the government of india have undertaken several efforts in financial inclusion through schemes and technological advancement. The study of Union Bank of India and Bank of Baroda shows that both banks have contributed significantly to financial inclusion through government schemes, digital banking services, and rural banking initiatives.

Despite significant progress, challenges such as low financial literacy, lack of digital access, and limited awareness of financial schemes still exist. Strengthening banking infrastructure, increasing financial education, and promoting digital financial services will further improve financial inclusion in India.

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