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FINTECH AS A CATALYST FOR FINANCIAL INCLUSION: A STUDY ON UNBANKED GROUPS IN TIRUPUR

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Abstract

This study examines the issue of financial exclusion in Tirupur highlights the gap that still exists between technological progress and ground-level realities. Despite advancements in digital finance and supportive government initiatives, a considerable section of the population—particularly workers in the unorganized sector—remains unbanked or underbanked. Factors such as lack of proper documentation, irregular income, low financial literacy, and limited trust in formal institutions continue to restrict their participation in the formal financial system.

FinTech innovations offer significant potential to bridge this gap by providing affordable, accessible, and user-friendly financial services through digital platforms. Mobile based payments, digital wallets, micro-lending applications, and simplified account-opening procedures can reduce traditional barriers associated with banking.

Keywords: FinTech, Financial Inclusion, Unbanked Population, Digital Financial Services, Mobile Banking, Financial Literacy, Digital Payments, Inclusive Finance.

1. INTRODUCTION

Financial inclusion is essential for promoting inclusive economic growth by ensuring that individuals have access to affordable financial services such as savings, credit, insurance, and digital payments. In India, many migrant workers, daily wage earners, small business owners, and informal sector workers still face difficulties in accessing formal banking services due to limited financial literacy, inadequate documentation, and poor banking access.

Financial Technology (FinTech) has emerged as an effective solution by providing convenient and low-cost financial services through mobile banking, digital wallets, online payments, and digital lending platforms.

1.2 STATEMENT OF THE PROBLEM

Despite significant progress in digital finance and government initiatives, many unbanked people in Tirupur continue to face barriers to accessing formal financial services. Low financial literacy, inadequate documentation, limited digital access, and concerns about security affect the adoption of FinTech services. This study investigates whether FinTech effectively promotes financial inclusion among unbanked groups and examines the challenges that influence the accessibility, usage, and acceptance of digital financial services in the study area.

1.3 OBJECTIVES OF THE STUDY

- To analyze the level of awareness and usage of Fintech services
- To assess how fintech access influences financial behaviours
- To evaluate the level of financial inclusion among unbanked populations in Tirupur
- To measure changes in financial inclusion indicators arising from fintech interventions
- To identify challenges faced by unbanked users in adopting fintech services

1.4 SCOPE OF THE STUDY

This study examines the role of FinTech in promoting financial inclusion among unbanked and underbanked groups in Tirupur. It focuses on the adoption and use of digital financial services, including mobile banking, UPI, digital wallets, and Aadhaar-enabled payment systems. The study also evaluates the impact of government initiatives, factors influencing FinTech adoption, and the challenges that affect access to and effective use of formal financial services.

1.5 RESEARCH METHODOLOGY

The study adopts a descriptive research design to examine the role of FinTech in financial inclusion among the unbanked population in Tirupur. Both primary and secondary data are used. Primary data is collected through structured questionnaires and interviews with migrant workers, small vendors, and self-employed individuals. Secondary data is gathered from journals, government reports, RBI publications, and relevant websites. A convenient sampling method is used to select respondents from different areas of Tirupur district. The collected data is analysed using percentage analysis, graphs, and simple correlation. The study aims to understand how FinTech supports financial inclusion and economic participation of marginalized groups.

SOURCES OF DATA COLLECTION

Primary sources: Structured Surveys & Questionnaires: Used to capture awareness, frequency of use, motivations among unbanked populations in Tirupur.

Secondary sources: Refer to peer-reviewed articles in journals (e.g., Journal of Financial Inclusion, Economic & Political Weekly) and industry analyses by World Bank Global Findex, NITI Aayog, and fintech market reports for insights on digital finance impacts.

TOOLS USED

- Simple percentage analysis
- Chi-Square analysis
- Anova analysis

1.6 LIMITATIONS OF THE STUDY

- The research on FinTech as a driving force for financial inclusion in Tirupur faces some limitations that may affect the research findings.
- The research area is limited to Tirupur only, and hence the findings may not be valid for other areas with different socio-economic factors.
- The research is mainly based on primary data collected from questionnaires and interviews. There may be possibilities of biased responses, misunderstandings due to language gaps, or incomplete responses.
- The research is mainly based on a convenience sampling approach, which may not be representative of the whole unbanked population of Tirupur.
- FinTech is a rapidly growing area that is impacted by policies of institutions such as the Reserve Bank of India, the findings of the research may become outdated in the future.

2. REVIEW OF LITREATURE

Kapoor & Singh (2020) Kapoor & Singh (2020) examined FinTech usage patterns in India and found that digital payment systems saw substantial uptake, driven by necessity during lockdowns and an increased reliance on e-commerce. Their analysis indicated that mobile wallets and UPI played a key role in enabling first-time users, especially from low-income backgrounds, to transact formally. The study also identified education and trust as strong predictors of FinTech adoption. These findings highlighted that while digital access is necessary, addressing trust and usability concerns is critical for translating access into sustained inclusion. The pandemic period thus offered important lessons about how crisis situations can accelerate inclusion while also revealing underlying structural needs for digital literacy and infrastructure.

Gupta & Sharma (2021) Gupta & Sharma (2021) conducted a state-level analysis of mobile banking usage and found that regions with better telecom infrastructure and higher literacy rates experienced significantly greater engagement with digital financial services. The study highlighted that while access to banking instruments had improved via schemes like PMJDY, the depth of usage (e.g., savings, credit access, insurance uptake) remained uneven. Importantly, the research showed that women and rural residents traditionally underserved groups were adopting mobile finance at increasing rates but still lagged behind urban

male counterparts in complex financial participation. This implied that inclusion was expanding beyond accounts to meaningful engagement, but systemic gaps in digital skills and trust needed addressing.

3. DATA ANALYSIS AND INTERPRETATION

3.1 SIMPLE PERCENTAGE ANALYSIS

AGE OF THE RESPONDENTS

AGE	NO. OF RESPONDENTS	PERCENTAGE
Below 20	26	17.2
21 - 30	36	23.8
31 – 40	43	28.5
41 – 50	38	25.2
Above 50	8	5.3
Total	151	100.0

INTERPRETATION:

The age distribution reveals that the majority of respondents belong to the 31–40 years age group (43 respondents, 28.5%). This is followed by 41–50 years (38 respondents, 25.2%) and 21–30 years (36 respondents, 23.8%). Respondents below 20 years constitute 17.2% (26 respondents), while only 5.3% (8 respondents) are above 50 years. This indicates that most respondents are in the middle-age category (31–50 years), suggesting that the study mainly reflects the opinions of economically active individuals. Very few respondents are above 50 years.

3.2 CHI – SQUARE ANALYSIS

FINTECH SERVICES VS AWARENESS

HYPOTHESIS: There is no statistically significant relationship between access to FinTech services and awareness levels among the respondents.

CHI-SQUARE TESTS			
	Value	df	Asymptotic Significance
Pearson Chi-Square	9.360	16	.898
Likelihood Ratio	10.637	16	.831
Linear-by-Linear Association	.031	1	.861
N of Valid Cases	151		

INTERPRETAION:

The Chi-Square test was conducted to examine the association between access to FinTech services and awareness of different FinTech services. The Pearson Chi-Square value is 9.360 with 16 degrees of freedom and a significance value of 0.898, which is greater than 0.05. This indicates that there is no statistically significant relationship between access to FinTech services and awareness levels among the respondents. Hence, access to FinTech services does not significantly affect financial transactions based on awareness categories. The Likelihood Ratio also supports this result with a significance value of 0.831. However, since 48% of the cells have expected counts less than 5, the results should be interpreted with caution due to possible violation of Chi-Square assumptions.

3.3 ANOVA ANALYSIS**FINTECH SERVICE REDUCED DEPENDENCE ON CASH TRANSACTION**

HYPOTHESIS: There is a statistically significant difference between the groups regarding reduction in cash dependency.

	Sum of Squares	df	Mean square	F	Sig.
Between groups	11.580	4	2.895	2.539	.042
Within groups	166.459	146	1.140		
Total	178.040	150			

INTERPRETATION:

The ANOVA test was conducted to determine whether access to FinTech services has reduced dependence on cash transactions. The F value is 2.539 with a significance level of 0.042, which is less than 0.05. This indicates that there is a statistically significant difference between the groups regarding reduction in cash dependency. The between-group variance (11.580) is meaningful when compared to the within-group variance (166.459), suggesting that FinTech access has influenced payment behaviour. Therefore, access to FinTech services has significantly reduced reliance on cash transactions among respondents. Hence, the null hypothesis is rejected, and the alternative hypothesis is accepted.

FINDING:

The study reveals that most respondents are male, aged between 31–40 years, with undergraduate education and monthly income of ₹10,000–₹25,000. UPI is the most commonly used FinTech service, mainly for money transfer, and many respondents learn about digital finance through friends and family. FinTech is widely perceived as easy to use and helpful in managing expenses and tracking spending. However, chi-square

results show no significant association between key variables such as awareness and access, while ANOVA indicates mixed results, with a significant reduction in cash dependency but limited differences in other factors. Overall, FinTech supports financial inclusion moderately.

SUGGESTION:

The study suggests that improving financial inclusion in Tirupur requires a community-based approach focusing on unbanked and underbanked individuals in the informal sector. Data collection should emphasize awareness, accessibility, affordability, and usability of FinTech services, along with factors like digital literacy, income, documentation, and trust. Collaboration with self-help groups and local institutions can improve outreach. Financial literacy and digital awareness programs should be strengthened to build user confidence. FinTech platforms should be simplified, affordable, and available in local languages. Strong cybersecurity systems and grievance mechanisms are also needed. A combined effort of policy, technology, and education is essential.

CONCLUSION:

The study concludes that financial exclusion in Tirupur still exists despite advancements in digital finance and government initiatives. Many workers in the unorganized sector remain unbanked due to low income, lack of documentation, limited financial literacy, and low trust in formal systems. FinTech has strong potential to improve financial inclusion by offering simple and low-cost digital services such as mobile payments, digital wallets, and microcredit. However, its effectiveness depends on awareness, usability, affordability, and security. Issues like cyber risks and digital illiteracy continue to affect adoption. Strengthening digital literacy and trust is essential for meaningful financial inclusion.

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