

THE DIGITAL FINANCE PARADOX: FINANCIAL INCLUSION VERSUS DEBT VULNERABILITY – A STUDY WITH SPECIAL REFERENCE TO PATHANAMTHITTA DISTRICT, KERALA

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Abstract

Digital financial inclusion has emerged as a transformative force in enhancing access to financial services through digital platforms such as mobile banking, internet banking, digital wallets, and fintech applications. In India, government initiatives including the Pradhan Mantri Jan Dhan Yojana, Aadhaar integration, and increasing smartphone penetration have significantly expanded financial inclusion. Kerala, with its high literacy rate and robust banking infrastructure, has been one of the leading states in adopting digital financial technologies. While digital financial inclusion has improved access to banking services, digital payments, savings, and credit facilities, concerns have arisen regarding its potential negative consequences. The rapid growth of digital lending platforms and instant loan applications has increased the risk of over-indebtedness, particularly among financially vulnerable individuals. Many users lack adequate awareness of loan terms, interest rates, repayment obligations, and digital security practices, making them susceptible to debt traps, fraud, and data privacy violations. This study examines whether digital financial inclusion functions as a tool for economic empowerment and financial accessibility or contributes to financial vulnerability and indebtedness. By focusing on Kerala, the study explores the opportunities and challenges associated with digital financial services and evaluates the factors that determine whether digital financial inclusion becomes a boon or a debt trap. The findings are expected to contribute to policy discussions on responsible digital finance and consumer protection.

Key words: Digital Financial Inclusion, Fintech Lending, Financial Literacy, Consumer Indebtedness, Kerala Economy

Introduction

Digital financial inclusion refers to the use of digital platforms such as mobile banking, internet banking, digital wallets, and fintech services to provide financial services to all sections of society, especially the underserved and unbanked population. With the rapid advancement of technology, financial services have become more accessible, affordable, and efficient. In India, initiatives like Jan Dhan Yojana, Aadhaar integration, and mobile penetration have significantly

boosted digital financial inclusion. Kerala, known for its high literacy rate and strong banking network, has been at the forefront of adopting digital financial services. The state has witnessed a surge in digital transactions, online lending platforms, and mobile-based financial applications.

However, while digital financial inclusion has improved access to banking and credit facilities, it has also raised concerns about over-indebtedness, misuse of digital credit, lack of financial literacy, and data privacy risks. Easy access to instant loans through apps and fintech platforms has led some individuals into debt traps due to high interest rates and hidden charges.

This study aims to critically examine whether digital financial inclusion acts as a boon by empowering individuals and promoting economic growth, or whether it becomes a debt trap for vulnerable sections of society in Kerala.

Review of literature

Indian Studies

Financial Inclusion and Socio-Economic Development (Karnataka Study, 2021)

This study examined the impact of financial inclusion on vulnerable households in Karnataka. The findings indicated that access to formal financial services improved income generation, savings habits, and economic security. The researchers concluded that financial inclusion contributes significantly to poverty reduction and inclusive growth. The study strongly supported the view that financial inclusion is a boon when accompanied by proper institutional support.

The Rise of Digital Finance: Financial Inclusion or Debt Trap? (2022)

Yue and colleagues investigated the dual impact of digital finance on household welfare. The study found that digital finance increased access to credit and enhanced consumption opportunities. However, it also increased household indebtedness and financial distress among vulnerable borrowers. The authors concluded that digital finance simultaneously promotes financial inclusion and elevates the risk of debt traps, making regulatory oversight essential.

Digital Banks and Alternative Lenders: Regulatory Challenges (2024)

This study examined the role of digital banks, fintech firms, and alternative lenders in promoting financial inclusion. The findings suggested that digital platforms significantly improve access to financial services for underserved populations. However, concerns regarding data privacy, consumer protection, algorithmic bias, and predatory lending practices were identified. The study

emphasized the importance of balancing innovation with strong regulatory frameworks to ensure that digital inclusion remains beneficial rather than exploitative.

Revathy and Murugesan (2024)

Revathy and Murugesan investigated whether digital lending functions as a loan trap. Their empirical study revealed that many borrowers were unaware of interest rates, repayment obligations, and default penalties associated with digital loans. The study found that impulsive borrowing, lack of transparency, and inadequate financial awareness significantly increased the risk of indebtedness. The authors concluded that digital lending can become a debt trap when consumers lack financial literacy.

Digital Financial Inclusion and Consumption Behaviour in India (2026)

This household-level study analyzed the relationship between digital financial inclusion and consumption patterns in India. The researchers found that digital financial inclusion increased access to credit and encouraged higher consumption, particularly among low-income households. While digital inclusion reduced barriers to financial services, the study also identified concerns regarding excessive borrowing and vulnerability to predatory lending. It recommended stronger consumer protection measures and financial education programs.

Kerala Studies

Thomas and Suresh (2020)

Thomas and Suresh examined the role of digital financial inclusion in improving the socio-economic conditions of Scheduled Castes and Scheduled Tribes in Kerala. The study found that digital banking services, mobile banking, and online financial transactions enhanced access to formal financial institutions among marginalized communities. The authors concluded that digital financial inclusion acts as a catalyst for socio-economic empowerment by reducing dependence on informal credit sources and improving financial accessibility. However, they emphasized the need for digital literacy and awareness to ensure effective utilization of digital financial services.

Divya, Balakrishnan, and Singh (2025)

This study explored the impact of SBI's e-banking ecosystem on entrepreneurship development in Kerala. The researchers observed that digital financial inclusion enabled small entrepreneurs to access banking services conveniently, reduce transaction costs, and improve business efficiency. The findings highlighted that digital financial services support entrepreneurial growth

and economic development. The study viewed digital financial inclusion primarily as a boon, especially for rural and micro-entrepreneurs.

Varkey, Mathew, and Sujathan (2025)

The study assessed financial inclusion among Scheduled Tribes in Kerala using an Individual Financial Inclusion Index (IFII). The researchers found that despite improvements in banking penetration, significant gaps remained in meaningful financial participation among tribal communities. The study argued that access alone does not guarantee inclusion and recommended stronger policy interventions, financial education, and digital awareness programs to achieve sustainable financial inclusion.

Sreeja and Jayalakshmi (2026)

Focusing on Kudumbashree Self-Help Groups in Malappuram, the study examined opportunities and challenges associated with digital financial inclusion. The findings revealed that digital financial tools improved financial accessibility, transparency, and convenience among women members. However, technological barriers, inadequate digital skills, and concerns about cyber fraud limited adoption. The study concluded that while digital finance offers substantial benefits, capacity-building initiatives are essential to prevent exclusion and misuse.

Kerala Debt and Fintech Lending Studies

Research discussed by economists studying Kerala's rural indebtedness highlighted that easy access to fintech credit and digital lending platforms has contributed to rising household debt in the state. The studies found that many households, especially in rural areas, borrow repeatedly through digital channels, creating repayment difficulties. The authors warned that without adequate financial literacy and responsible lending practices, digital finance can transform from a tool of inclusion into a debt trap.

Objectives of the Study

1. To examine the extent of digital financial inclusion in Kerala.
2. To analyze the impact of digital financial services on financial accessibility and economic empowerment.
3. To study the usage patterns of digital lending and payment platforms among people in Kerala.
4. To identify the risks associated with digital financial inclusion, particularly debt traps and over-indebtedness.
5. To suggest measures for ensuring safe and sustainable digital financial practices.

Scope of the Study

The scope of this study is centered on understanding the role of digital financial inclusion in Kerala with special focus on Pathanamthitta district and evaluating whether it serves as a tool for economic empowerment or leads individuals into debt traps. Digital financial inclusion encompasses a wide range of services such as mobile banking, internet banking, digital wallets, Unified Payments Interface (UPI), and online lending platforms. With Kerala being one of the most digitally literate states in India, it provides a suitable context for examining both the benefits and risks associated with digital financial services.

This study covers both urban and rural populations in Pathanamthitta as digital financial services have penetrated across different socio-economic groups. It focuses on individuals who actively use digital platforms for financial transactions, including payments, savings, and borrowing. Special attention is given to users of digital lending apps, as these platforms have grown rapidly and are often associated with easy credit access.

The scope also includes analyzing behavioral aspects such as spending habits, borrowing patterns, repayment capacity, and awareness levels regarding financial products. It aims to understand how users perceive digital finance—whether as a convenient and empowering tool or as a potential source of financial burden.

However, the study is limited to Pathanamthitta district and does not provide a comparative analysis with other states or countries. It primarily focuses on individual users rather than institutions like banks or fintech companies in depth. Additionally, traditional financial inclusion methods without digital components are not a major part of this research.

Overall, the study seeks to provide a balanced view of digital financial inclusion by exploring both its positive impacts, such as accessibility and convenience, and its negative consequences, such as over-indebtedness, financial fraud, and lack of financial literacy.

Statement of the Problem

In recent years, digital financial inclusion has emerged as a key driver of economic development in India. With increased smartphone usage, internet penetration, and government initiatives, access to financial services has improved significantly. Kerala, with its high literacy rate and strong banking infrastructure, has been a leader in adopting digital financial technologies.

Despite these advancements, there is growing concern about the unintended consequences of digital financial inclusion. The easy availability of credit through digital lending platforms has made borrowing more convenient but also more risky. Many individuals, especially those with

limited financial literacy, may not fully understand the terms and conditions of digital loans, including high interest rates, hidden charges, and short repayment periods.

This situation raises an important question: while digital financial inclusion aims to empower individuals by providing easy access to financial services, does it also expose them to the risk of falling into debt traps? In Kerala, there have been instances where individuals have accumulated multiple loans from different apps, leading to financial stress and difficulty in repayment.

Another issue is the lack of awareness regarding safe digital financial practices. Users may become victims of fraud, data breaches, and unethical lending practices. The absence of proper regulation in certain fintech areas further aggravates the problem.

Therefore, the problem addressed in this study is to critically examine whether digital financial inclusion in Kerala is truly beneficial or whether it contributes to financial vulnerability among users. The study seeks to identify the factors that lead to both positive and negative outcomes and to understand the conditions under which digital financial inclusion becomes a boon or a debt trap.

Methodology of the Study

The methodology of this study is designed to systematically analyze the impact of digital financial inclusion in Kerala and to determine whether it acts as a boon or a debt trap for users. The study adopts a structured approach involving research design, data collection, sampling techniques, and analytical tools.

Research Design

The study follows a descriptive and analytical research design. The descriptive aspect focuses on explaining the current status of digital financial inclusion in Kerala, including the usage of digital payment systems, mobile banking, and online lending platforms. The analytical aspect aims to evaluate the effects of these services on individuals, particularly in terms of financial behavior, borrowing patterns, and debt accumulation. This combination of descriptive and analytical methods helps in providing a comprehensive understanding of the research problem.

The present study is based on both primary and secondary sources of data to ensure a comprehensive understanding of digital financial inclusion and its impact on users. Primary data is collected directly from respondents through structured questionnaires and personal interviews. The questionnaire consists of both closed-ended and open-ended questions that help gather information regarding the usage of digital financial services, frequency of digital transactions, experiences with digital lending applications, awareness of interest rates and repayment

conditions, and financial difficulties faced by users. Personal interviews are also conducted to obtain detailed insights into the experiences and perceptions of respondents, particularly concerning debt-related issues and challenges associated with digital financial services. This combination of questionnaires and interviews enables the researcher to collect both quantitative and qualitative information, thereby enhancing the reliability and depth of the study.

In addition to primary data, secondary data is collected from various published and authenticated sources such as research journals, scholarly articles, and government reports, Reserve Bank of India (RBI) publications, books, and relevant online resources. These sources provide valuable information regarding the development of digital financial services, trends in digital financial inclusion, policy initiatives, and regulatory frameworks. Secondary data helps in establishing the theoretical foundation of the study and facilitates comparison between existing literature and the findings obtained from the field survey. The use of both primary and secondary data ensures a balanced and holistic approach to the research.

The study adopts a random sampling technique to select respondents from different regions of Pathanamthitta district, ensuring equal opportunity for participation and reducing sampling bias. A total of 100 respondents are included in the sample, representing both urban and rural areas. The target group consists of individuals who actively use digital financial services, including students, salaried employees, small business owners, and daily wage workers. This diverse sample helps capture a wide range of experiences, opinions, and challenges related to digital financial inclusion. The data collection process involves designing and administering the questionnaire through online and offline modes, conducting interviews where necessary, and systematically recording and organizing the responses for analysis.

Theoretical Insights into Digital Financial Inclusion and Debt Vulnerability

Behavioral Finance Theory and Digital Financial Inclusion

Behavioral Finance Theory examines how psychological, emotional, and social factors influence individuals' financial decisions. Unlike traditional finance theories, which assume that people are rational and always make optimal choices, behavioral finance recognizes that individuals often act irrationally due to cognitive biases, limited information, and emotional influences. This perspective is highly relevant in understanding digital financial inclusion, as the adoption and use of digital financial services are strongly shaped by human behavior. Behavioral Finance Theory also highlights the role of trust and perception in financial decision-making. Many individuals are hesitant to adopt digital financial services due to fears of fraud, data breaches, or technological complexity. This lack of trust can slow down the adoption of digital finance,

particularly in rural and less-educated populations. On the other hand, positive user experiences and peer recommendations can build trust and encourage wider adoption.

Debt Trap Theory and Digital Financial Inclusion

Debt Trap Theory explains a situation in which individuals or households become caught in a cycle of borrowing and repayment that is difficult to escape. This usually occurs when borrowers take loans they are unable to repay on time, leading to additional borrowing, high interest accumulation, and long-term financial distress. In the context of digital financial inclusion, this theory is highly relevant in understanding the potential risks associated with easy access to digital credit.

A key feature of digital finance is instant and easy access to loans. Many digital lending platforms offer quick approvals with minimal documentation, making credit available within minutes. While this improves financial inclusion, it can also encourage impulsive borrowing. Individuals facing short-term financial needs may repeatedly take small loans without proper planning for repayment. Over time, this behavior can lead to a cycle of continuous borrowing.

Another important factor is the high cost of digital credit. Some digital lenders charge high interest rates, hidden fees, or penalties for late payments. Borrowers may not fully understand these costs due to limited financial literacy or unclear loan terms. As a result, the total repayment amount can become significantly higher than expected, increasing the risk of default and further borrowing.

Debt Trap Theory highlights the potential negative consequences of digital financial inclusion when credit is easily accessible but poorly managed. While digital finance expands financial opportunities, it can also lead to cycles of debt if users lack awareness and control. Therefore, a balanced approach that combines accessibility with education and regulation is essential to ensure that digital financial inclusion serves as a tool for empowerment rather than a pathway to financial distress.

Information Asymmetry Theory and Digital Financial Inclusion

Information Asymmetry Theory refers to a situation in which one party in a financial transaction has more or better information than the other. This concept, strongly associated with economists like George Akerlof, highlights how unequal access to information can lead to inefficient or unfair market outcomes. In financial systems, this imbalance often exists between lenders and borrowers, making it a critical factor in understanding digital financial inclusion.

Digital financial inclusion aims to provide accessible and affordable financial services—such as payments, savings, and credit—through digital platforms. While it expands access to financial services for underserved populations, Information Asymmetry Theory helps explain some of the risks and challenges that arise in this process.

One of the primary ways information asymmetry appears in digital finance is through limited borrower understanding. Many users of digital financial services, especially in rural or low-income groups, may lack financial literacy or digital skills. As a result, they may not fully understand the terms and conditions of financial products, such as interest rates, repayment schedules, hidden charges, or penalties. This puts them at a disadvantage compared to lenders, who design and control these financial products. Consequently, users may make uninformed decisions that negatively affect their financial well-being.

Information Asymmetry Theory provides valuable insights into the relationship between digital financial inclusion and financial decision-making. While digital finance has the potential to reduce information gaps and expand access, it can also create new forms of asymmetry if not properly managed. Therefore, balancing technological innovation with user education and regulatory safeguards is crucial for achieving effective and inclusive financial systems.

Findings of the study

The findings of this research provide valuable insights into the usage patterns, awareness levels, and challenges associated with digital financial services, particularly digital payments and digital lending. The study primarily focuses on understanding the behavior and experiences of respondents from diverse demographic and socio-economic backgrounds. By analyzing factors such as age, gender, education, income, and area of residence, the research highlights how different groups interact with digital finance.

The results indicate a strong participation of young individuals, especially students, reflecting the growing influence of technology among the younger population. The widespread adoption of digital payment systems, particularly UPI, demonstrates the rapid digitalization of financial transactions and increasing reliance on cashless methods. At the same time, the study reveals that digital lending is gaining popularity, with many respondents using such services for short-term financial needs.

However, the findings also uncover several important concerns. Issues such as lack of awareness about interest rates, presence of hidden charges, repayment difficulties, and financial stress among users point to gaps in financial literacy and transparency. Additionally, the emergence of borrowing patterns that may lead to debt cycles highlights potential risks associated with easy access to digital credit.

Overall, these findings offer a comprehensive understanding of both the opportunities and challenges of digital finance, forming a strong foundation for suggesting improvements in policy, regulation, and user awareness.

- The data shows that the majority of the respondents (53%) belong to the 20–30 age group. This is followed by respondents below 20 years (29%), indicating strong participation of youth.
- The data shows that 52% of respondents are female, while 48% are male. This indicates a slightly higher participation of females in the study.
- The majority of respondents (63%) are students.
- Most respondents (50%) are graduates. Around 36% have completed higher secondary education.
- The majority of respondents (54%) earn below ₹10,000 per month. About 30% fall in the ₹10,000–₹20,000 income group.
- Most respondents (49%) spend below ₹5,000 per month. Around 38% spend between ₹5,000–₹10,000.
- The majority of respondents (55%) are from rural areas. Urban respondents account for 37% of the total sample.
- 95% of respondents use digital payment systems, while only 5% do not. This shows extremely high adoption of digital payments.
- Around 86% of respondents prefer UPI as their primary service.
- About 42% of users have been using services for 1–3 years, and 34% for less than 1 year. Around 17% have 3–5 years of experience, while only 7% have more than 5 years. This shows that most users are relatively new. Digital finance adoption has increased in recent years. Long-term users are comparatively fewer.
- Around 62% of respondents have taken digital loans, while 38% have not. This indicates a majority have experience with digital borrowing. However, a significant minority still avoid it. Digital lending is becoming popular. Trust in such platforms is moderately high.
- About 48% used bank applications, while 21% used fintech apps.
- Digital borrowing is increasing steadily. Adoption is significant but not universal.
- Around 53% borrowed below ₹5,000, and 25% borrowed ₹5,000–₹10,000. About 7% borrowed ₹10,000–₹25,000, 5% ₹25,000–₹50,000, and 10% above ₹50,000. This shows most loans are small amounts. Digital loans are mainly used for short-term needs. Large loans are less common.
- Study indicates occasional borrowing is common. Frequent dependency is relatively low. Most users are not habitual borrowers.

- Around 72% were informed about interest rates, while 28% were not. This shows a majority received proper information. However, a significant portion lacked awareness. Transparency exists but is incomplete. Some users may face risks due to lack of clarity.
- Study indicates most loans have lower interest rates. However, some users face high rates. Awareness about rates varies.
- Around 50% reported hidden charges, while 26% said no and 24% were unaware. This shows half of the respondents experienced extra costs. Transparency is a concern in digital lending. Many users are uncertain about charges. Hidden costs affect user trust.
- Around 42% experienced stress, 31% did not, and 27% sometimes did. This indicates a significant impact on users. Not all users face issues, but many do. Digital loans can create financial pressure. Effects vary among individuals.
- About 64% faced repayment difficulties, while 36% did not. This shows a majority struggle with repayment. Financial management may be challenging. Loan burden is significant for many users. Repayment issues are common.
- Around 30% reported financial stress, and 27% reported other issues. About 11% faced harassment, 9% penalty charges, 9% family problems, 8% credit score damage, and 6% mental tension. This shows multiple challenges faced by users. Financial stress is the most common issue. Digital loans can lead to serious consequences.
- Study indicates many users depend on new loans to repay old ones. It shows signs of a debt cycle. Borrowing behaviour can become risky. Debt trap possibility exists.

Study shows more than half associate digital finance with borrowing. Others see it differently. Understanding varies among users. Awareness is not uniform

Suggestions

Based on the findings of the study, several measures can be recommended to improve the effectiveness, safety, and inclusiveness of digital financial services, particularly digital lending.

1. Improve Financial Literacy and Awareness

The study shows that a significant proportion of respondents lack complete awareness of interest rates, hidden charges, and loan conditions. Therefore, financial literacy programs should be strengthened, especially among youth, students, and rural populations.

Educational institutions can play an important role by incorporating basic financial education into their curriculum. Awareness campaigns through digital media, workshops, and community programs can help users better understand borrowing terms, repayment responsibilities, and risks associated with digital loans.

2. Enhance Transparency in Digital Lending

Transparency is a major concern, as half of the respondents reported hidden charges. Digital lending platforms must clearly disclose all terms and conditions, including interest rates, processing fees, penalties, and repayment schedules.

Loan agreements should be presented in simple and understandable language. Platforms should also provide clear summaries before loan confirmation to ensure that users make informed decisions.

3. Strengthen Consumer Protection Mechanisms

The findings indicate that users face issues such as financial stress, harassment, and repayment difficulties. To address this, strong consumer protection frameworks are necessary.

Complaint redressal mechanisms should be easily accessible and efficient. Users should be able to report unfair practices, harassment, or unauthorized charges without difficulty. Additionally, strict action should be taken against unethical lending practices.

4. Encourage Responsible Lending Practices

Digital lending institutions should adopt responsible lending practices by assessing the repayment capacity of borrowers before approving loans. Easy access to credit without proper evaluation can lead to over-borrowing and debt traps.

Lenders should also limit repeated borrowing and provide warnings or restrictions for users showing signs of financial distress. This will help prevent dependency on continuous borrowing.

5. Role of Government

The government has a crucial role in regulating and promoting safe digital finance practices:

- **Policy Formulation and Regulation:** The government should introduce clear policies to regulate digital lending platforms and ensure compliance with ethical standards.
- **Awareness Campaigns:** Nationwide campaigns should be conducted to educate citizens about digital financial services, risks, and rights.
- **Support for Rural Areas:** Since a majority of respondents are from rural areas, the government should focus on improving digital infrastructure and financial inclusion in these regions.
- **Monitoring and Enforcement:** Strict monitoring of fintech companies should be carried out to prevent fraud, hidden charges, and illegal lending activities.

6. Role of Reserve Bank of India (RBI)

The RBI plays a key role in ensuring the safety and stability of digital financial systems:

- **Regulation of Digital Lending:** RBI should continue to strengthen guidelines for digital lending platforms, ensuring that only authorized entities operate in the market.
- **Transparency Guidelines:** RBI must enforce strict rules requiring lenders to disclose all charges and terms clearly.
- **Data Privacy and Security:** Strong data protection policies should be implemented to safeguard users' personal and financial information.
- **Monitoring Interest Rates and Charges:** RBI should regulate excessive interest rates and prevent exploitative practices.
- **Grievance Redressal System:** RBI should enhance its complaint resolution systems, making them more accessible and responsive to users.

7. Promote Financial Discipline among Users

Users should be encouraged to borrow responsibly and avoid unnecessary loans. Financial planning and budgeting should be promoted to reduce dependency on credit.

Awareness programs should emphasize the risks of borrowing for non-essential purposes and the importance of timely repayment to avoid penalties and credit score damage.

8. Strengthen Digital Infrastructure

Reliable and secure digital infrastructure is essential for the growth of digital finance. The government and private sector should collaborate to improve internet connectivity, especially in rural areas, ensuring equal access to digital services.

9. Encourage Use of Secure and Trusted Platforms

Users should be guided to use only trusted and regulated applications, such as bank-based apps, rather than unverified fintech platforms. This will reduce the risk of fraud and exploitation.

10. Address Debt Cycle Risks

The study indicates that some users rely on new loans to repay old ones, leading to a potential debt cycle. Financial institutions should identify such patterns and provide counseling or restructuring options to affected users. Introducing repayment flexibility and financial counseling services can help users manage their debts effectively.

Conclusion

The study highlights the growing importance and rapid adoption of digital financial services, particularly among young individuals, students, and rural populations. With 95% of respondents using digital payment systems and a large majority preferring UPI, it is evident that digital finance has become an integral part of everyday life. At the same time, digital lending is gaining popularity, with 62% of respondents having used such services. Most users borrow small amounts for short-term needs, indicating that digital loans serve as a convenient and accessible

source of quick credit. However, the relatively recent adoption of these services suggests that many users are still in the early stages of understanding and utilizing digital finance.

Despite its advantages, digital lending presents several challenges. Issues such as lack of awareness, hidden charges, repayment difficulties, and financial stress are significant concerns. The finding that many users experience repayment problems and some fall into debt cycles highlights the risks associated with easy access to credit. Additionally, the presence of harassment and other negative experiences underscores the need for stronger regulation and consumer protection.

The study also reveals that transparency in digital lending is not fully achieved, as a considerable number of users are either unaware of loan terms or have encountered hidden charges. This lack of clarity can lead to financial mismanagement and loss of trust in digital platforms.

Overall, while digital finance has greatly improved financial inclusion and convenience, it also requires careful management and regulation. The role of the government and the Reserve Bank of India is crucial in ensuring a safe, transparent, and user-friendly digital financial environment.

In conclusion, digital lending has the potential to support financial needs and promote economic inclusion, but it must be accompanied by proper awareness, responsible usage, and effective regulation. By addressing the existing challenges and implementing the suggested measures, digital financial services can become more reliable, inclusive, and beneficial for all sections of society.

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