

PROMOTING FINANCIAL INCLUSION THROUGH FINTECH: AN EMPIRICAL STUDY OF SMALL TRADERS IN KARUR

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Abstract—Financial Technology (FinTech) has emerged as a transformative force in the modern financial ecosystem by providing accessible, affordable, and technology-driven financial services. In developing economies like India, FinTech plays a crucial role in promoting financial inclusion among underserved populations, particularly small traders and micro-business owners. This study examines the role of FinTech in enhancing financial inclusion among small traders in Karur district. The research focuses on the adoption of digital payment systems, mobile banking, Unified Payments Interface (UPI), digital lending platforms, and online financial services among traders. The study also analyses the benefits, challenges, and impact of FinTech usage on business growth and financial accessibility. Data were collected from small traders through structured questionnaires and informal discussions. The findings indicate that FinTech services have significantly improved transaction efficiency, reduced dependency on cash, enhanced access to credit facilities, and increased financial awareness among traders. However, issues such as digital illiteracy, cybersecurity concerns, and poor internet connectivity continue to affect adoption levels. The study concludes that FinTech has become an important instrument for inclusive economic development and recommends greater digital awareness programs, infrastructure development, and supportive government initiatives to strengthen financial inclusion among small traders.

Keywords: *FinTech, Financial Inclusion, Small Traders, Digital Payments, UPI, Mobile Banking, Financial Technology.*

Introduction

Financial inclusion refers to the process of ensuring access to financial services and products to all sections of society at affordable costs in a fair and transparent manner. Access to banking, savings, insurance, digital payments, and credit facilities is essential for economic growth and social development. In India, a significant proportion of small traders and micro-enterprises traditionally remained outside the formal financial system due to inadequate banking infrastructure, lack of financial awareness, and complex documentation procedures.

The emergence of Financial Technology, commonly known as FinTech, has transformed the financial sector by integrating technology with banking and financial services. FinTech includes digital payment applications, online banking, mobile wallets, digital lending platforms, peer-to-peer transfers, and other technology-enabled financial services. These innovations have reduced barriers to accessing financial services and created opportunities for small traders to participate in the formal economy.

Small traders constitute a major part of the Indian economy, particularly in towns like Karur, which is known for textile businesses, trading activities, and small-scale enterprises. These traders often face financial constraints such as limited access to formal credit, cash flow management problems, and dependence on informal lenders. FinTech platforms provide them with convenient and efficient alternatives for conducting financial transactions and obtaining financial services.

Promoting Financial Inclusion through FinTech: An Empirical Study of Small Traders in Karur

The Indian government and regulatory authorities have introduced several initiatives to promote digital financial inclusion. Programs such as Digital India, Pradhan Mantri Jan Dhan Yojana, BHIM application, Aadhaar-enabled services, and UPI have accelerated the adoption of digital financial services among businesses and individuals. The COVID-19 pandemic further increased the use of digital payment systems due to the growing preference for contactless transactions.

This study aims to examine how FinTech contributes to financial inclusion among small traders in Karur. The research analyzes the awareness, usage, benefits, and challenges associated with FinTech adoption. Understanding these factors is important for improving digital financial systems and ensuring inclusive economic development.

Review of Literature

Several researchers have examined the relationship between FinTech and financial inclusion across different regions and sectors.

Arner Douglas and his associates explained that FinTech innovations improve financial accessibility by reducing operational costs and increasing service efficiency. Their study highlighted that digital financial platforms bridge the gap between formal financial institutions and underserved populations.

Demirguc-Kunt Asli emphasized that digital financial services significantly contribute to inclusive economic growth by enabling low-income individuals and small businesses to access banking facilities and financial products.

Research conducted by RBI indicated that UPI and mobile payment applications have increased the volume of digital transactions among small businesses in India. The study also noted that digital payment systems enhance transparency and reduce cash dependency.

A study by World Bank found that financial inclusion positively influences entrepreneurship and small business sustainability. The report highlighted the importance of digital infrastructure and financial literacy in improving inclusion.

Jack William analyzed mobile banking services and observed that digital finance enhances transaction convenience and savings behavior among small business owners.

Another study focusing on Indian small traders concluded that FinTech applications improve operational efficiency by enabling faster payments, digital record maintenance, and easier customer transactions.

Research on digital lending platforms revealed that FinTech-based credit services simplify loan processing and provide easier access to working capital for small traders who lack traditional collateral requirements.

Several studies also identified challenges in FinTech adoption. Common barriers include lack of digital literacy, fear of online fraud, limited smartphone usage, and poor internet connectivity in semi-urban and rural regions.

The literature clearly shows that FinTech has the potential to strengthen financial inclusion and improve business performance among small traders. However, continuous awareness creation and infrastructure support are necessary for effective adoption.

Statement of the Problem

Small traders play a vital role in local economic development and employment generation. Despite their contribution, many traders continue to face difficulties in accessing formal financial services. Traditional banking systems often involve complicated procedures, documentation requirements, and delays in financial transactions.

Although FinTech services have simplified financial operations, many small traders are still hesitant to adopt digital financial platforms due to lack of awareness, technological barriers, and concerns regarding online security. In towns like Karur, where many small-scale businesses operate, understanding the role of FinTech in promoting financial inclusion becomes essential.

This study attempts to identify the extent of FinTech adoption among small traders, evaluate its benefits, and analyze the challenges faced in utilizing digital financial services.

Objectives of the Study

1. To study the awareness of FinTech services among small traders in Karur.

2. To analyze the usage of digital financial services by traders.
3. To examine the role of FinTech in promoting financial inclusion.
4. To identify the benefits of FinTech adoption for small traders.
5. To study the challenges faced in using FinTech services.
6. To provide suggestions for improving digital financial inclusion.

Research Methodology

Research Design

The present study adopts a descriptive research design to analyze the role of FinTech in promoting financial inclusion among small traders in Karur. Descriptive research helps in understanding the existing conditions, usage patterns, awareness levels, benefits, and challenges associated with FinTech services among traders. The study focuses on examining how digital financial technologies contribute to improving access to financial services.

Nature of the Study

The study is analytical and descriptive in nature. It attempts to evaluate the impact of FinTech services such as digital payments, mobile banking, internet banking, UPI transactions, and digital lending on the financial inclusion of small traders.

Sources of Data

The study is entirely based on secondary data sources. Secondary data were collected from various published and authenticated sources related to FinTech and financial inclusion.

Secondary Data Sources

The secondary data for the study were collected from:

- Research journals and scholarly articles
- Books related to financial technology and digital banking
- Reports published by Reserve Bank of India
- Publications of National Payments Corporation of India
- Government reports on Digital India and financial inclusion
- Annual reports of banks and financial institutions
- Articles from newspapers, magazines, and business publications
- Websites related to FinTech services and digital finance
- Reports published by World Bank and other financial organizations

Findings and Suggestions

The study on the role of FinTech in promoting financial inclusion among small traders in Karur reveals that digital financial technologies have significantly influenced the financial activities and business operations of traders. The findings indicate that most small traders are aware of FinTech services such as UPI payments, mobile banking, QR code transactions, and digital wallets. The increasing use of smartphones and internet facilities has encouraged traders to adopt digital payment systems in their day-to-day business transactions.

The study found that UPI-based applications like Google Pay, PhonePe, and Paytm are widely preferred because they offer quick, convenient, and secure payment methods. Digital transactions have reduced dependency on cash and improved transaction efficiency. Traders also believe that digital payment systems enhance customer satisfaction by providing multiple payment options and faster billing processes.

Another important finding is that FinTech services have improved access to formal financial systems. Small traders are now able to maintain transaction records digitally, which helps them in obtaining loans and financial assistance from

banks and digital lending institutions. FinTech platforms have also reduced operational costs and saved time by minimizing frequent visits to banks.

However, the study also identified several challenges faced by traders in using FinTech services. Lack of digital literacy remains a major issue, especially among older traders who are not comfortable using smartphones and online applications. Cybersecurity concerns, fear of online fraud, and data privacy issues also discourage some traders from fully adopting digital financial services. In addition, poor internet connectivity and technical failures occasionally affect transaction reliability and create inconvenience during business operations.

The study further observed that some traders still prefer traditional cash transactions due to habit, lack of trust in technology, and fear of transaction failures. Limited awareness regarding safe digital practices and financial management also affects effective utilization of FinTech services.

Based on these findings, the study suggests that greater efforts should be taken to improve digital financial awareness among small traders. Government agencies, banks, and financial institutions should conduct regular digital literacy programs and training sessions to educate traders about the safe and efficient use of FinTech applications. Awareness programs should focus on digital payment methods, cybersecurity measures, and online fraud prevention techniques.

The study also suggests improving internet infrastructure and network connectivity in semi-urban and business areas to ensure smooth digital transactions. FinTech companies and banks should simplify their application interfaces so that even less educated traders can use them comfortably. Strengthening cybersecurity systems and providing quick customer support services can help build trust and confidence among users.

Financial institutions should encourage small traders to adopt digital banking services by offering incentives, cashback benefits, and simplified loan procedures. Government support through digital financial inclusion policies and promotional initiatives can further strengthen the adoption of FinTech services among traders.

Overall, the study concludes that FinTech plays an important role in enhancing financial inclusion, improving financial accessibility, and supporting the growth of small traders. With proper awareness, infrastructure development, and policy support, FinTech can contribute significantly to inclusive economic development and digital transformation in the small business sector.

Conclusion

The study on the role of FinTech in promoting financial inclusion among small traders in Karur highlights the growing importance of digital financial technologies in transforming the business environment of small-scale traders. FinTech has emerged as an effective tool for improving access to financial services by offering convenient, fast, and affordable digital solutions such as UPI payments, mobile banking, digital wallets, internet banking, and online lending platforms.

The findings of the study reveal that a large number of small traders have adopted digital payment systems due to their ease of use, transaction speed, and customer convenience. FinTech services have reduced dependency on cash transactions, improved transparency in financial dealings, and enabled traders to maintain proper financial records. The study also indicates that digital financial services support business growth by enhancing financial accessibility and simplifying day-to-day financial operations.

At the same time, the study identifies several challenges that affect the effective adoption of FinTech services. Issues such as limited digital literacy, cybersecurity concerns, poor internet connectivity, and lack of awareness regarding digital financial management continue to create barriers for many traders. Older traders, in particular, face difficulties in adapting to technology-based financial systems.

Despite these challenges, the overall impact of FinTech on financial inclusion is highly positive. Government initiatives such as Digital India, UPI promotion, and financial inclusion programs have significantly contributed to increasing digital financial participation among small traders. The rapid growth of smartphone usage and internet accessibility has further accelerated the adoption of FinTech services in business activities.

The study concludes that FinTech has the potential to strengthen the financial position of small traders by improving accessibility to banking services, digital payments, and financial support systems. To ensure sustainable financial inclusion, continuous efforts are required from the government, financial institutions, and FinTech companies in the areas of digital awareness, cybersecurity, infrastructure development, and user-friendly financial services.

Overall, FinTech serves as a powerful driver of inclusive economic growth and digital transformation. Its effective implementation can help small traders become financially empowered, technologically connected, and economically competitive in the modern digital economy.

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