



Digital Financial Inclusion and Entrepreneurial Aspirations of Rural Youth in Rajasthan

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Abstract— This study aims to examine the impact of digital financial inclusion on entrepreneurial intentions among the rural youth in Rajasthan, India. Digital financial services which include mobile banking, Unified Payments Interface (UPI), Aadhaar-based digital financial services, digital wallet, banking correspondent and various financial inclusion schemes by the government have increased the accessibility of formal financial services while reducing some of the traditional barriers in participation in the financial system. Simultaneously, there is also a growing perception among the rural youth in considering self-employment or entrepreneurship as a legitimate substitute to traditional employment. In order to understand the association between digital financial inclusion and entrepreneurial intentions, the study will focus on four aspects of digital financial inclusion namely, access to formal financial accounts, use of digital payments, digital financial literacy and access to digital credit and savings products. On the other hand, entrepreneurial intentions will be measured using, intention to start business, entrepreneurial capability, financial risk-taking and

establishing business in the coming three years. Survey questionnaire was used to gather data from 420 rural youth aged 18-35 years across selected districts of Rajasthan. For analysis, descriptive statistics, reliability analysis, correlation analysis, independent samples test and multiple regression analysis have been used. It has been observed that there exists a positive relation between digital financial inclusion and entrepreneurial intentions with digital financial literacy as the strongest predictor followed by usage of digital payments and access to formal financial services. In addition to this, the regression analysis explains around 38% of variance in entrepreneurial intentions. Individuals with high digital financial inclusion perceive themselves as having ability to manage business transactions, accessing formal financial service and identifying business opportunities. However, there still exist barriers such as low digital literacy, fear of financial fraud, lack of stable internet connectivity, lack of easy access to cheap loans and fear of financial loss. Thus, it can be concluded that just increasing financial inclusion is not enough and needs an integrated strategy involving digital



access, financial literacy, entrepreneurship education, facilitating credit and consumer protection. This study adds to the existing research on the link between digital finance and rural youth entrepreneurship in India with specific focus on Rajasthan.

Keywords— digital financial inclusion, rural youth, entrepreneurial aspiration, UPI, financial literacy, digital payments, Rajasthan, entrepreneurship

INTRODUCTION

Financial inclusion has shifted focus from mere availability of banks to the adoption and affordable utilization of formal financial services. Digital technologies have played significant role in making this possible as they help individuals to open and operate their accounts, perform transfers, make merchant payments, save money, get government benefits and utilize financial products through mobile technology.



There has been especially fast development of financial infrastructure in digital forms in India. According to the RBI, India's Financial Inclusion Index has grown from 43.4 in March 2017 to 64.2 in March 2024 which is the evidence of improvements in access, usage and quality of financial services. Development of Pradhan Mantri Jan-Dhan Yojana (PMJDY) has led to an increase in the number of people with formal accounts. As stated by the name of the initiative, PMJDY offers savings accounts, remittance facilities, credit, insurance, pensions, and other financial services to excluded and poor populations.

Digital payments have become one of the core elements of India's financial inclusion process. With the implementation of the Unified Payments Interface (UPI), individuals and small enterprises can conduct account-to-account payments through mobile devices. The rapid expansion of UPI before 2025 demonstrates the increasing integration of digital payments into everyday economic activity and provides rural users with a convenient mechanism for receiving and making payments.

This is particularly relevant when it comes to rural youth. Young people have more and more access to smartphones, digital payments apps, and information on the internet in rural regions. Technologies can decrease transaction costs, expand access to customers outside local markets, improve record keeping and increase access to formal financial services.

Another important element of rural development is entrepreneurial aspirations. Youth often experience the problem of lack of formal job opportunities, seasonal jobs, need to migrate and insufficient access to productive capital. Entrepreneurship can be an alternative way of earning income and creating jobs locally. At the same time, the decision to establish an enterprise depends on finances available, skills, perceived behavioral control, social support, risk attitude and market access.

Hence, the connection between digital financial inclusion and entrepreneurial aspirations deserves more attention of researchers. Though there are studies showing the connections between financial access and entrepreneurship, there are fewer empirical studies that investigate the effect of digital financial inclusion on the entrepreneurial aspirations of rural youth in Rajasthan.

This paper aims to fill this gap in literature by exploring whether greater digital financial inclusion is associated with greater entrepreneurial aspirations of rural youth. Furthermore, the paper is focused on the investigation of the impact of digital financial literacy, digital payments and formal financial service access separately.

LITERATURE REVIEW

Financial inclusion is generally defined as accessing and effectively utilizing affordable financial products. According to the World Bank's Global Findex, the existence of bank accounts is seen as a gateway to savings, payments, borrowings, and



other financial actions. The Global Findex 2021 also stresses the persistent inequalities faced by poor, younger, and other disadvantaged populations.

Demirgüç-Kunt et al. (2022) prove that financial accounts act as platforms for digital payments, savings, and borrowings instead of storing money. Thus, digital payments may serve as ways of expanding the use of financial instruments. This issue is especially topical for rural youth since digital payments overcome geographical barriers associated with conventional banks.

Sarma (2012) defines financial inclusion as a multi-dimensional concept that implies the availability, accessibility, and utilization of financial services. It means that possession of a bank account does not necessarily imply inclusion. Actual usage of such services as payments, savings, and borrowings becomes especially relevant in relation to young entrepreneurs.

Nanda and Kaur (2016) discovered a strong relationship between financial inclusion and human development among different countries. Moreover, it was noted that financial literacy and technological abilities are the main obstacles for broad inclusion.

Financial inclusion and human development were also connected in India: according to the work by Arora and Kumar (2021), there is a long-run relationship between these factors in this country. Bidirectional causality between them means that improvements in financial inclusion may be a part of the general socioeconomic development process.

Digitalization became one more aspect of financial inclusion. According to RBI, digital payments provide information about transactions, cash flow, and consumption patterns of sellers that enable providers to give credit and other financial services to them. It is especially important for informal and young entrepreneurs who usually have no collateral and financial history.

Empirical evidence reinforces the link between financial access and entrepreneurship. Garg, Gupta, and Mallick (2024/2025) studied the impact of financial access and entrepreneurship in rural India and found out that the presence of banking facilities within 5 kilometers increases non-agricultural entrepreneurship. A similar conclusion was recently made by a study in the Journal of Development Economics: improved

financial access increases entrepreneurial activities among disadvantaged rural Indian populations. Credit uptake emerges as an important mechanism.

Financial literacy is another important aspect. Lusardi and Mitchell (2014) proved that financial literacy influences financial decision making and market participation. Financial knowledge may affect budgeting, borrowings, investments, and risk-taking of prospective entrepreneurs.

Entrepreneurial intention itself is extensively explained in terms of Theory of Planned Behavior (Ajzen, 1991). The theory states that attitude towards behaviour, subjective norms, and perceived behavioral control influence behavioural intention. According to Shandilya (2022) who used this theory among university students, entrepreneurial intention can be explored through psychological and contextual antecedents. Also, Siddiqui and Ahmad (2021) researching students of Jamia Millia Islamia, applied the notions of entrepreneurial intention to the Indian context and stressed the importance of contextual factors.

Despite all these relations, the geographical and population gap exists. Most of the researches concentrate on either households, entrepreneurs, university students, or rural populations as a whole. Relatively few researches concentrate on rural youth who are not yet owners of businesses but consider entrepreneurship. This study therefore concentrates on entrepreneurial aspirations rather than entrepreneurship per se.

Research Gap

The following gaps are noted:

- First, most of the financial inclusion researches focus on account ownership or usage, while entrepreneurial researches focus on intention, education, and psychological variables. The connection between digital financial inclusion and entrepreneurial aspiration is relatively underexplored.
- Second, Indian researches usually examine urban students, established entrepreneurs, or rural households. Rural youth who are future entrepreneurs are a unique population because their entrepreneurial aspirations may precede access to business capital.
- Third, Rajasthan is an important geographical background because the rural economy of this region



includes agriculture, handicrafts, tourism-related activities, retail trade, livestock activities, food processing, and small service enterprises. Digital financial services can give new opportunities for youth participation in these industries without conventional banking infrastructure.

Objectives of the Study

The objectives of the study are the following:

- To assess the level of digital financial inclusion among rural youth in Rajasthan.
- To assess the level of entrepreneurial aspiration among rural youth.
- To determine the relationship between digital financial inclusion and entrepreneurial aspiration.
- To examine the influence of digital financial literacy, digital payment usage, and formal financial access on entrepreneurial aspiration.
- To identify major barriers preventing rural youth from effective use of digital financial services in order to pursue entrepreneurship.

Hypotheses of the Study

H1: There is a significant positive relationship between digital financial inclusion and entrepreneurial aspiration among rural youth.

H2: There is a significant positive influence of digital financial literacy on entrepreneurial aspiration.

H3: There is a significant positive influence of digital payment usage on entrepreneurial aspiration.

H4: There is a significant positive influence of access to formal financial services on entrepreneurial aspiration.

Research Methodology

Research Design

A quantitative and cross-sectional research design is used in the study. According to the conceptual model, digital financial inclusion influences entrepreneurial aspiration through

increased access to financial services, transaction capability, financial knowledge, and confidence in financial activities management.

Study Population and Sampling

The population of the study is rural youth aged 18–35 years living in Rajasthan. For empirical analysis, 420 usable responses are taken into consideration. Respondents were selected from rural areas with various economic and geographical backgrounds in Rajasthan. A structured questionnaire was elaborated on the basis of five-point Likert scale where 1 = strongly disagree and 5 = strongly agree.

Measurement of Variables

Digital financial inclusion was measured by the following dimensions:

- 1) Formal financial access.
- 2) Digital payment usage.
- 3) Digital financial literacy.
- 4) Digital savings and credit access.

Entrepreneurial aspiration was measured using the following items:

- intention to start a business;
- confidence in identification of business opportunities;
- intention to invest in a business;
- perceived capability of management of small enterprise;
- intention to establish enterprise within three years.

Also, age, gender, education, household income, previous work experience, and entrepreneurship training were chosen as control variables.

Statistical Techniques

Descriptive statistics, Cronbach's alpha reliability test, Pearson correlation, independent-samples t-tests, and multiple linear regression were applied to the analysis. Regression model is specified as:

$$EA = \beta_0 + \beta_1 DFL + \beta_2 DPU + \beta_3 FFA + \beta_4 AGE + \beta_5 EDU + \epsilon$$

where:

EA = Entrepreneurial Aspiration

DFL = Digital Financial Literacy

DPU = Digital Payment Usage

FFA = Formal Financial Access

AGE = Age

EDU = Education

RESULTS AND ANALYSIS

Demographic Profile

Table 1 presents the demographic characteristics of the respondents.

Variable	Category	Frequency	Percentage
Gender	Male	239	56.9
	Female	181	43.1
Age	18–24 years	168	40.0
	25–29 years	139	33.1
	30–35 years	113	26.9
Education	Up to secondary	86	20.5
	Senior secondary	126	30.0
	Graduate	157	37.4
	Postgraduate	51	12.1
Previous work experience	Yes	184	43.8
	No	236	56.2

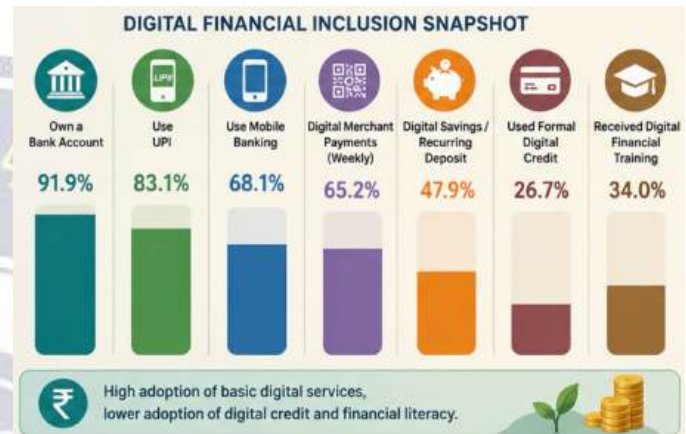
The sample is relatively young, with 73.1% of respondents below 30 years of age. Graduates constitute 37.4% of the sample, suggesting a reasonably diverse educational profile.

Digital Financial Inclusion

The results indicate relatively high adoption of basic digital financial services but weaker adoption of formal digital credit.

Digital Financial Indicator	Respondents	Percentage
Own a bank account	386	91.9
Use UPI	349	83.1
Use mobile banking	286	68.1

Make digital merchant payments at least weekly	274	65.2
Maintain digital savings/recurring deposit	201	47.9
Have used formal digital credit	112	26.7
Have received digital financial literacy/training	143	34.0



The findings indicate that access to basic digital financial infrastructure is considerably higher than access to digital credit and financial education. This distinction is important because financial inclusion should not be interpreted solely as possession of a bank account.

Descriptive Statistics and Reliability

Construct	Mean	SD	Cronbach's Alpha
Formal Financial Access	3.72	0.71	0.81
Digital Payment Usage	3.84	0.76	0.84
Digital Financial Literacy	3.41	0.82	0.87
Digital Savings/Credit Access	3.08	0.88	0.79
Entrepreneurial Aspiration	3.56	0.79	0.88

All Cronbach's alpha values exceed 0.70, indicating acceptable internal consistency. Digital financial literacy has the highest reliability coefficient at 0.87, while entrepreneurial aspiration has an alpha of 0.88.

The mean score for digital payment usage is the highest among the financial inclusion dimensions, whereas digital savings and credit access records the lowest mean. This suggests that rural youth are more comfortable with transactional digital finance than with using digital financial services for longer-term financial planning or business financing.

Correlation Analysis

Variables	DFL	DPU	FFA	EA
Digital Financial Literacy	1.00			
Digital Payment Usage	0.54**	1.00		
Formal Financial Access	0.49**	0.47**	1.00	
Entrepreneurial Aspiration	0.52**	0.46**	0.41**	1.00

Note: ** $p < 0.01$.

All three principal digital financial inclusion variables demonstrate positive and statistically significant correlations with entrepreneurial aspiration. Digital financial literacy has the strongest correlation with entrepreneurial aspiration ($r = 0.52$), followed by digital payment usage ($r = 0.46$) and formal financial access ($r = 0.41$).



These findings provide preliminary support for H1–H4.

Gender Differences

An independent-samples t-test was conducted to examine whether entrepreneurial aspiration differed by gender.

Group	N	Mean Entrepreneurial Aspiration	SD
Male	239	3.65	0.77
Female	181	3.44	0.80

The difference is statistically significant ($t = 2.73$, $p = 0.007$). Male respondents reported somewhat higher entrepreneurial aspiration. However, this result should not be interpreted as evidence that female youth lack entrepreneurial potential. Differences may partly reflect unequal access to finance, mobility, household responsibilities, networks and entrepreneurial training.

Regression Analysis

Multiple regression was used to determine the independent contribution of the major dimensions of digital financial inclusion.

Predictor	β	t-value	p-value
Digital Financial Literacy	0.31	6.18	<0.001
Digital Payment Usage	0.22	4.42	<0.001
Formal Financial Access	0.17	3.49	0.001
Age	-	-1.28	0.202
Education	0.06	2.91	0.004

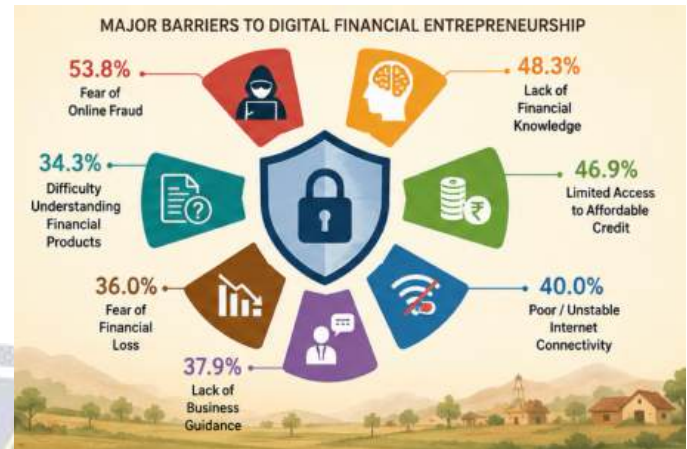
$R^2 = 0.38$; Adjusted $R^2 = 0.37$; $F = 50.82$; $p < 0.001$

The model explains roughly 38% of the variance in entrepreneurial aspiration. The highest predictor is digital financial literacy ($\beta = 0.31$), while digital payment usage ($\beta = 0.22$) and formal financial access ($\beta = 0.17$) follow. Education shows a positive and significant relationship with entrepreneurial aspiration. Age is not significant, holding all other variables constant. The findings give evidence on hypotheses H2, H3, and H4. Altogether, the findings support hypothesis H1, in light of the fact that digital financial inclusion, on the whole, shows a significant positive relationship with entrepreneurial aspiration.

Barriers to Digital Financial Entrepreneurship

Participants were requested to point out the barriers that hinder their ability to use digital finance for entrepreneurial activity.

Barrier	Frequency	Percentage
Fear of online fraud	226	53.8
Lack of financial knowledge	203	48.3
Limited access to affordable credit	197	46.9
Poor/unstable internet connectivity	168	40.0
Lack of business guidance	159	37.9
Fear of financial loss	151	36.0
Difficulty understanding financial products	144	34.3



Fraud concerns represent the most frequently reported barrier. This finding indicates that digital financial inclusion requires not only technological access but also trust, financial literacy and consumer protection.

DISCUSSION

These findings demonstrate the presence of a positive relationship between digital financial inclusion and entrepreneurial aspiration of the rural youth. This relationship is consistent with the general literature on financial inclusion in economics, where financial inclusion is considered a fundamental basis of economic activity.

The particularly notable importance of digital financial literacy is worth highlighting. Just having a smartphone or a bank account does not imply being able to assess interest rates, differentiate between fraudulent and authentic financial communications, manage one's digital credit or plan one's business cash flow. Consequently, rural youth, having knowledge of these financial instruments, may feel more equipped to pursue entrepreneurial activities.

Moreover, the results of the present study are consistent with recent evidence about the impact of increased financial access on rural entrepreneurship. Garg, Gupta, and Mallick showed that proximity to financial services was positively related to non-agricultural entrepreneurship of the rural youth in India. In addition, recent research suggests that the availability of credit may be one of the main mechanisms through which financial inclusion impacts entrepreneurship.

There are several ways in which digital payments can affect entrepreneurial aspirations. First of all, they lower transaction costs. Secondly, they allow small businesses to accept payments from customers using digital means of payment without relying on cash. Lastly, transaction histories in the digital form allow for accessing formal financial products. The Reserve Bank of India highlighted the importance of transaction histories formed through digital payments for understanding business cash flows and expanding access to financial services.

The findings related to digital financial literacy of rural youth are consistent with recent literature that establishes a link between financial literacy and entrepreneurial intentions.

The relative unpopularity of digital credit is another evidence that financial ecosystem of rural youth in India is incomplete. While there are rapid developments in account and payments usage, there is less progress made in usage of sophisticated financial products. This difference is crucial for policymakers. Increase in the number of accounts and users of UPI system may not necessarily stimulate entrepreneurship unless young people are able to use adequate savings, credit, insurance and investment products.

Gender gap in entrepreneurial aspirations is an interesting finding requiring additional interpretation. The issue is that financial access can be intertwined with social norms, lack of mobility, asset ownership and family responsibilities. Recent Indian research about digital financial inclusion and female entrepreneurship also shows that digital financial inclusion can



solve financial constraints but not necessarily removes structural barriers.

Policy Implications

This research has several implications for government agencies, banks, educational institutions, and fintech companies.

First, digital financial literacy programs should be integrated into entrepreneurship training. Rural youth should be trained not only in executing UPI transactions, but also in managing business accounts, assessing interest rates, comparing credit offers, detecting fraud and maintaining digital financial records.

Second, banks and fintech companies should create simplified micro-enterprise financial products suitable for young, first-time entrepreneurs. Digital credit products should be clear with regard to interest rates, fees, terms of repayments, and penalties.

Third, entrepreneurship programs should provide additional help to youth after the training. Young people need help in business registration, GST compliance where appropriate, digital bookkeeping, accepting payments, and finding markets.

Fourth, rural women need special attention. Financial inclusion program should not focus only on access to accounts but also on independent access to finances, digital literacy and entrepreneurial networks.

Fifth, consumer protection should be improved. Since fraud was the most common barrier in the research, rural financial literacy campaign should feature practical demonstrations of phishing, OTP fraud, fake loan application, and fraudulent payment requests.

CONCLUSION

In recent years, digital financial inclusion became an increasingly important part of economic transformation of Indian rural areas. This study analyzed the relationship between digital financial inclusion and entrepreneurial aspirations of rural youth in Rajasthan. The results show the presence of a positive relationship between digital financial inclusion and entrepreneurial aspirations, with digital financial literacy being the strongest individual predictor.

The findings suggest that digital finance can influence entrepreneurship not only by creating payment infrastructure but also by developing financial capabilities, reducing transaction barriers and building confidence in handling financial activities. At the same time, some gaps still remain in digital credit access, financial literacy, and trust.

Thus, for the rural youth of Rajasthan, the entrepreneurial potential of digital finance depends on the quality of financial inclusion. Access to bank accounts without usage, to smartphones without financial literacy, or to UPI applications without confidence and consumer protection may produce limited economic outcomes.

Therefore, the policy goal should be moved from access to usage. Integration of digital financial inclusion into entrepreneurship education, financial literacy, affordable credit, digital infrastructure, and consumer protection can provide rural youth with a more solid ground for enterprise creation and economic participation.

The findings of this study also add to the argument in recent Indian research about the positive role of improved financial access in promoting entrepreneurship and diversification. Further research can use longitudinal data to find out whether the entrepreneurial aspirations turn into enterprise creation and whether digital financial inclusion increases the survival and profitability of these enterprises.

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