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ASSESSING PHONEPE'S CONTRIBUTION TO FINANCIAL INCLUSION: A CONSUMER PERCEPTION STUDY AMONG YOUNG ADULTS IN BENGALURU

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1.ABSTRACT

Digital payment apps have become a big part of daily life for young people in India and PhonePe is one of the most widely used platforms for UPI transactions, bill payments and money transfers. While many studies have looked at why people adopt these apps not much research has actually looked at whether apps like PhonePe are helping improve financial inclusion especially among urban youth. This tries to fill that gap by looking at how PhonePe contributes to financial inclusion among young adults in Bengaluru by understanding their perception of the app and examining its relationship with financial inclusion. For this a descriptive research design was used and data was collected from 106 respondents through a structured questionnaire on a 5-point Likert Scale using convenience sampling since the respondents were selected based on who was available and willing to participate. Pearson correlation was used to check the relationship between consumer perception convenience and financial inclusion. The results showed that trust in PhonePe has a strong positive relationship with the financial inclusion (r= 0.762) and convenience has an even stronger relationship (r= 0.959) Meaning convenience matters more to users then trust alone. Based on these findings the study suggests that PhonePe should focus on making the app easier and faster to use, improve its security features and support digital literacy drives among young users. Since the sample was small and limited to Bengaluru future studies could cover more cities and compare phone pay with other apps like Google Pay or Paytm.

KEYWORDS*:* *PhonePe , financial inclusion , digital payments , consumer perception , convenience , urban youth.*

2.INTRODUCTION

Financial inclusion has emerged as an essential feature of economic development with its ability to allow individuals to access various financial services like payment systems, savings, credit, and insurance. These services are useful in improving the management of individuals' finances and their participation in the economy. In developing countries like India a large segment of the population is not included in the formal financial system. Various factors like inaccessibility to banking services, lack of financial literacy and high usage of cash transactions are some of the key reasons that hinder financial inclusion. In recent times financial technologies have emerged as key factors in addressing these issues.

The increased usage of smartphones and internet facilities has encouraged the usage of digital payment apps in the country. These apps are useful in improving financial transactions in the country. Various digital payment apps are available in India and among these apps PhonePe has become the most popular app in India. This app is useful in enabling users to perform various financial activities like sending and receiving money through UPI, payment of bills, recharge of mobile phones, and payment to merchants.
Urban youth constitute one of the most active segments of the digital payment applications user base owing to their technology and higher adoption of digital innovations. The perceptions and attitudes of urban youth may play an important role in influencing the adoption of digital payment platforms. The use of digital payment applications like PhonePe may play an important role in enhancing the access to financial services among the urban youth.

Despite the fact that digital payment applications have recorded significant growth there is limited literature on the use of digital payment applications like PhonePe among the urban youth. The literature has focused more on the adoption of digital payment applications rather than the perceptions of the users. In addition there is limited literature on the effectiveness of digital payment applications like PhonePe on the access to financial services. Therefore, this study aims to evaluate the role of PhonePe in promoting financial inclusion among urban youth in Bangalore. It also seeks to analyse urban youths' perceptions toward PhonePe, to evaluate the role of PhonePe in promoting financial inclusion among urban youth, analyse consumer perception towards phone pay and examine the relationship between trust, convenience and financial inclusion

3.LITERATURE REVIEW

- A study on the perception of youths regarding the usage of PhonePe and Google Pay was conducted by Mirunalini and Murugan (2024). This research established that the level of trust and perceived usefulness affect the adoption of mobile wallets, with PhonePe users being more satisfied.(Mirunalini & Murugan, 2024)

- Kumbhar (2024) looked into how the quality-of-service impacts customer satisfaction with the PhonePe application. The research found that improved service quality leads to higher customer satisfaction and motivates users to keep using the app efficiently. (Kumbhar, 2024)
- Hasan et al. (2024) found that trust, perceived usefulness and social influence positively affect digital payment adoption among Indian youngsters. These factors significantly influence users' intention to use mobile payment applications. (Hasan et al., 2024)
- Demirgüç-Kunt et al. (2022) reported that digital payments have expanded financial inclusion across many countries. The report also highlighted that nowadays young adults are among the major users of digital payment services. (Demirgüç-Kunt et al., 2022)
- Huggi et al. (2024) examined the impact of digital payment systems on consumer behaviour in India. The study found that digital payments improve transaction convenience although security concerns continue to affect consumer choice and confidence. (Huggi et al., 2024)
- Saif Ullah et al. (2022) found that digital literacy, financial knowledge and perceived usefulness positively influence mobile payment adoption. The study suggests that these factors encourage greater chance of acceptance of digital payment services. (Saif Ullah et al., 2022)
- According to the Reserve Bank of India (2022), UPI transactions have increased rapidly in India in recent years. The report highlights the growing acceptance and reach of digital payment systems and their contribution to financial inclusion. (Reserve Bank of India [RBI], 2022)
- Fahad and Shahid (2022) examined the factors influencing the adoption of UPI in India using the Diffusion of Innovation theory. The study found that relative advantage, compatibility and observability positively influence consumers' intention to use UPI services. (Fahad & Shahid, 2022)
- Razi-ur-Rahim et al. (2024) studied UPI adoption among Indian users using an extended UTAUT model. The study concluded that attitude, facilitating conditions and behavioural intention significantly influence the continued use of UPI applications. (Razi-ur-Rahim et al., 2024)
- Shalini and Sabitha (2024) analysed the growth of digital payment products introduced by the National Payments Corporation of India (NPCI). The study found that UPI has experienced the fastest adoption among digital payment systems due to its convenience and increasing user acceptance. (Shalini & Sabitha, 2024)
- Kiran and Sailaja (2025) examined the factors affecting UPI adoption using the UTAUT framework. The study reported that performance expectancy, effort expectancy, social influence and facilitating conditions significantly influence consumers' intention to use UPI services. (Kiran & Sailaja, 2025)
- Gupta et al. (2025) studied the relationship between income inequality and UPI adoption in India. The study found that economic conditions are major factors that influence the adoption of digital payments with regions having better financial resources showing higher levels of UPI usage.

4.RESEARCH GAPS

- Limited studies focusing specifically on urban youth and PhonePe.
- More focus on adoption rates than on perception and attitude analysis.
- Lack of evidence on whether PhonePe actually improves financial inclusion outcomes like savings, access to services.

5.RESEARCH OBJECTIVES

- To evaluate the role of PhonePe in promoting financial inclusion among urban educated youth.
- To analyse urban youths' perceptions toward PhonePe.
- To examine the relationship between consumer perception, convenience and financial inclusion among urban youth using PhonePe

6.HYPOTHESIS

Hypothesis 1
H_{01} (Null Hypothesis)
Trust in PhonePe has no significant relationship with financial inclusion among urban youth.
H_{11} (Alternative Hypothesis)
Trust in PhonePe has a significant positive relationship with financial inclusion among urban youth.
Hypothesis 2
H_{02} (Null Hypothesis)
Convenience of using PhonePe has no significant relationship with financial inclusion among urban youth.
H_{12} (Alternative Hypothesis)
Convenience of using PhonePe has a significant positive relationship with financial inclusion among urban youth.

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7.RESEARCH METHODOLOGY

7.1 Research Design

The study adopted a descriptive research design to examine the role of PhonePe in promoting financial inclusion among urban youth and to understand their perceptions towards the application this research design was chosen because it helps in describing the opinions, perceptions and usage patterns of the respondents.

7.2 Source of Data

The study is based on primary data collected directly from the respondents. the data helped in understanding the views and experiences of urban youth regarding the use of PhonePe.

7.3 Data Collection Method

Data was collected using a structured questionnaire with 5-point Likert scale ranging from 1 (Strongly Agree) to 5 (Strongly Disagree) . The questionnaire was distributed among urban youth to collect information on PhonePe usage, consumer perceptions and financial inclusion.

7.4 Population of the Study

The population of the study consisted of urban youth who used digital payment applications particularly PhonePe for activities such as money transfers, bill payments, online shopping, bookings and merchant payments.

7.5 Sample Technique

The study used a convenience sampling technique where respondents are selected based on their accessibility, availability and willingness to participate in the survey.

7.6 Sample Size

The study included a sample of 106 respondents which was considered suitable for achieving the objectives of the research.

7.7 Area of the study

The study was conducted among urban youth in Bangalore as the city has a high adoption of smartphones, Internet services and digital payment applications.

7.8 Tools used for data analysis

The collected data were analysed using Pearson correlation analysis to examine the relationship between trust, convenience and financial inclusion among urban youth. The results were used to test the hypothesis and draw conclusions.

7.9 Cronbach's Alpha

Construct	No. of Items	Cronbach's Alpha	Reliability
Trust	5	0.842	Good
Convenience	5	0.879	Good
Financial Inclusion	5	0.811	Good
Overall Scale	15	0.856	Good

The Cronbach's Alpha values for Trust (0.842) Convenience (0.879) and Financial Inclusion (0.811) are all above 0.70 indicating good reliability. The overall Cronbach's Alpha of 0.856 shows that the questionnaire is reliable and suitable for further analysis.

8. DATA ANALYSIS AND INTERPRETATION

Correlation Analysis

Analysis	Composite Used	Pearson r	Strength
Consumer Perception ↔ Financial Inclusion	Trust Composite	0.762	Strong
Convenience ↔ Financial Inclusion	Convenience Composite	0.959	Very Strong

The correlation analysis indicates that consumer perception has a strong positive relationship with financial inclusion ($r = 0.762$), while convenience has a very strong positive relationship with financial inclusion ($r = 0.959$). This shows that both factors are positively associated with financial inclusion, with convenience having a stronger influence than consumer perception. Since both correlation coefficients are positive and strong the null hypothesis are rejected and the alternative hypothesis are accepted

9. FINDINGS OF THE STUDY

- The study found that PhonePe plays a positive role in promoting financial inclusion among urban youth in Bengaluru by providing easy access to digital financial services.
- Consumer perception, particularly trust in PhonePe, has a strong positive relationship with financial inclusion (r = 0.762), indicating that higher trust is associated with greater financial inclusion.
- Convenience has a very strong positive relationship with financial inclusion (r = 0.959), making it the strongest factor influencing financial inclusion among the respondents.
- The findings suggest that ease of use, quick transactions, and accessibility encourage young adults to use PhonePe more frequently for financial activities.
- The study concludes that convenience has a greater influence on financial inclusion than consumer perception, although both factors contribute significantly to the adoption and use of PhonePe.

10. CONCLUSION

This study examined the contribution of PhonePe to financial inclusion among young adults in Bengaluru by focusing on consumer perception and convenience. The findings show that both trust and convenience have a positive relationship with financial inclusion with convenience having a stronger influence. This indicates that when users find PhonePe easy, fast and convenient to use they are more likely to adopt digital financial services.

The study also highlights that positive consumer perception especially trust in the platform encourages greater use of PhonePe and supports financial inclusion. Overall the results suggest that digital payment applications like PhonePe have become an important tool in promoting financial inclusion among urban youth. Improving user convenience and maintaining customer trust can further increase the adoption of digital payment services and contribute to a more financially inclusive society.

11. SUGGESTIONS

- PhonePe needs to enhance the convenience aspect of its services by making the application easy to use and making sure that there are quick transactions.
- The security features of the application should be improved along with regular training for customers regarding safe digital payment transactions.
- Digital literacy campaigns need to be carried out among young adults for greater use of the digital payment app.
- The government as well as the financial institutes need to collaborate with digital payment platforms such as PhonePe in order to promote cashless payments.

12. THE LIMITATIONS OF THE STUDY

- The study was limited to a sample size of 106 respondents and therefore cannot reflect the entire perception of all PhonePe users.
- All the data collected in the study were done from young people in Bengaluru; thus, generalizations cannot be made to other regions or even other cities.
- The sampling technique that was adopted in the study is that of convenience sampling and therefore can be biased.
- The study is focused on PhonePe and does not consider the contribution of any other application like Google Pay or Paytm.

13. SCOPE FOR FUTURE RESEARCH

- The future studies can use a bigger sample size to enhance the validity of the results.
- The same study can be carried out in other cities and rural areas to compare the impact of PhonePe on financial inclusion.
- The future research can compare PhonePe against other digital payment systems like Google Pay, Paytm and BHIM to determine the elements which impact financial inclusion more effectively.
- More variables like financial literacy, digital literacy, security perceptions, user satisfaction and quality of services can be used to understand digital payment adoption better.

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