Determinants of Non-Adoption of Digital Financial Services in India

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Abstract

Financial Technology brought new paradigms in financial services sector in India. Digital financial services outperform traditional financial services because digital financial services are fast, precise, comfortable, and customized. Recently, India has crossed the 20 billion number of digital payments. This growth is because of the pro-digital policies of the government, digital infrastructure development, the customer support. A significant number of adults in India adopt and use digital financial services. However, a large group of Indian adults has not embraced digital financial services. Factors that determine the adoption of digital financial services are adequately researched. But the determinants of the non-adoption of digital financial services are less researched in India. This study aims at identifying the factors that determine the non-adoption of digital financial services by adults in India.

I. Introduction

DIGITAL TRANSFORMATION HAS brought a paradigm shift in almost all industries across the globe. The financial services sector is not an exception to the technology intervention. Banking Financial Services and Insurance (BFSI) sector is facing a lot of disruptions right from product and service development to delivery. In recent days, "money is created, used, stored, processed, and delivered electronically" (Saal, Starnes, and Rehermann, 2017).

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Table VI
Test for Exact Fit

χ²	df	P
2715	321	<.001

Source: Self Computed using Primary data

Table VII
Fit Measures

CFI	TLI	RMSEA	RMSEA 90% CI	
			Lower	Upper
0.836	0.820	0.106	0.102	0.110

Source: Self Computed using Primary data

VI. Conclusions

This study aimed at measuring and validating the determinants of non-adoption of DFS in India. The study is based on primary data and interviews were conducted to collect the primary data from adults in Karnataka, India. Based on the existing research works, barriers to the adoption of DFS are identified and further, new variables, in addition to the validated variables in the existing research works, are tested in this study to determine the factors that led to the non-adoption of DFS. Seven variables such as privacy barriers, security barriers, trust barriers, access barriers, lack of digital financial literacy, traditional barriers, and language barriers are considered. The collected data was tested with appropriate tools to identify the determinants of non-adoption of DFS in India. The study results have found and concluded that Security and privacy barriers", "Lack of Digital, Financial, and Language Literacy", and "Lack of Awareness of DFS" are determinants of the non-adoption of DFS in India. Since the study is a behavioral study, it has all limitations pertaining to a behavioral study such as response bias, and so on. Similar studies can be carried out in different regions of India such as North, North-east and other regions among adults of different age groups in rural as well as urban areas.

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Annexure I
Interview Questions
Section A

1.	Gender	Male	Female
2.	Age		
	19 years to 24 years		
	25 years to 40 years		
	41 years to 56 years		
	More than 56 years		
3.	Marital status	Married	Single
4.	Education		
	School education		
	Bachelor's degree		
	Master's degree		
	Others		
5.	Annual income		
	Up to Rs 2,00,000		
	Rs 2,00,001 to Rs 5,00,000		
	More than Rs 5,00,000		
6.	Area of Residence	Rural	Urban

Section B

7. Choose the most suitable choice given against each statement.
    SDA - Strongly Disagree, DA - Disagree, N - Neutral, A - Agree, SA - Strongly Agree

Statements	DSA	DA	N	A	SA
I fear that my personal information will be leaked I use DFS					
I feel that someone is monitoring my financial transactions if I use DFS.					
I feel that someone tracks my financial behaviour if I use DFS.					
I do not use DFS as there are transaction failures.					
I do not use DFS as there are online frauds.					
I do not use DFS as there are password leaks.					
I do not use DFS as there are phishing.					
I am not comfortable with DFS as I frequently forget my passwords					
I am not comfortable with DFS as I frequently forget my PINs					
I am not comfortable with DFS due to poor internet speed					
I am not comfortable with DFS because of poor quality of websites & applications.					
I do not have trust on online financial transactions					
I have lack of trust on DFS					
I do not believe online transaction as a safe one					
I can conduct online searches using my digital device(s) (Smartphone/PC/Laptop)					
I can send and receive emails on my own					
I shop online					
Suppose you have borrowed Rs 1000 at an annual rate of interest of 12%. The monthly interest payable is Rs 10.					
Suppose you receive 8% interest from the bank deposits when the inflation is at 6%. Your effective rate of return (interest) is 6%.					
I am aware of digital payment methods such as Phonepe, GPay, Amazon pay, UPI, and so on					
I prefer to use traditional financial services rather than DFS					
Traditional financial services are safe rather than DFS					
Traditional financial services are convenient rather than DFS					
Traditional financial services provide a sense of satisfaction rather than DFS					
I do not use DFS as they are not available in regional languages					
I do not use DFS as I could not understand technical details that are in English					
I do not use DFS as most of the information are in English					

Source: Self Formulated