

## Impact of Financial Inclusion on Small Retailers of Rajasthan

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### Abstract

Financial inclusion has developed into a essential features of Rajasthan's development tactic, intending to build financial services more reasonable and affordable to every segment of citizens. Financial inclusion, which offer the prerequisite of economical and accessible financial services for all, especially sidelined and marginal communities which is a vital part of economic strengthening for developing state like Rajasthan. This chapter evaluate the life changing effect of financial inclusion initiatives, such as the Pradhan Mantri Jan Dhan Yojana, Unified Payments Interface (UPI), and Rupee card, on small retailers of Rajasthan. It demonstrate how to reach formal credit, digital payments, and financial inclusion has superior business movement, operational efficiency, and economic stability. Though, obstacle like infrastructural limits, high lending cost, low level of awareness, and socio-demographic disparities constraint implementation, especially in rural part and among women retailers. The study underscores the function of digital tools and enhance formalization. Policy recommendations include simplify process of credit, smoothing infrastructure and motivate financial literacy awareness schemes to address obstacles. This analysis stress on financial inclusion's potential to enhance sustainable growth for India huge population small retailers while discovering critical point for policy involvement to guarantee equitable and mutual benefits.

**Keywords:** Financial Inclusion, Small Retailers, UPI, Socio-Demographic Disparities, Financial Literacy.

### Introduction

Financial inclusion becomes a need of hour, as it decide engagement of society in development process of state. Financial inclusion ensure availability of financial services at more reasonable and affordable form to every part of public specially marginal and women section. According to the Reserve Bank of India (RBI, 2020)" financial inclusion related to the process of ensuring approach to financial services and schemes required by vulnerable section such as weaker and marginalized households at an reasonable price in a rational and transparent way".

Small retailer such as kirana proprietors, street vendors, and micro-shop keepers usually run as family businesses are critical to India's informal economy, which depends deeply on cash transactions and informal source of credit, and act as imperative role in retail trade and employment creation. Their thin reach to the proper banking channel has hampered their potential to move and go ahead to create. With over 51 million tiny, micro, small, and medium retailers providing employment opportunity to nearly 27 million people, these retailers account for a substantial share of India's growth which is eventually excluded from formal financial systems, these small retailers have depend upon cash-based transaction and informal credit facility, stopping their growth capability. Financial inclusion schemes enhance their

access to formal banking, microcredit and digital payment systems like the Unified Payments Interface (UPI), have changed their operational feasibility drastically.

### **Literature Review**

Financial inclusion has been known widely as a motivator for inclusive economic growth and poverty elimination. According to the World Bank (2018), reach to financial facility enable public and enterprises to invest in health, education, and business growth. Whereas, initial thought on financial inclusion focused on households and marginal communities, scholars now focusing on the importance of small enterprises and retailers.

India's journey of financial inclusion has take pace in the last decade. The starting of the PMJDY in 2014 highlight a major milestone, offer millions of households with basic bank accounts (Sarma & Pais, 2011). Contributory step such as Aadhaar-enabled payments and UPI transaction have enhance digital transactions. Kaur and Kapuria (2020) point out that small retailers accepting digital payments account an increase in client trust and transaction fairness. Additionally, Sharma (2019) highlight that financial education and digital training were necessary for the effective apply of formal financial offering among small businessman.

### **Research Gap**

While mostly studies has emphasized on financial inclusion, literacy and household welfare, limited focus has been put on small Retailers who play a critical part of India's informal economy. Most existing research demonstrate banking coverage and digital access at a higher level, but few explore at bottom level impacts on local Retailers' business and survival. This chapter bridges this gap by offering a focused investigation of how financial inclusion effect retailers.

### **Objectives**

- To discuss the impact of financial inclusion in improving reach to banking and formal credit for small Retailers.
- To find out challenges faced by Retailers in accessing financial services.
- To suggest policy recommendations for enhancing financial inclusion to encourage small Retailers and encourage inclusive growth.

### **Impact of Financial Inclusion on Small Retailers**

India's small retailers have been influence by financial inclusion scheme in many ways. Its impact can be seen in areas such as risk management, business growth and digital payment system adoption with formal credit availability.

- **Attaining Banking and Credit Services**

Small retailers historically relied on unofficial credit sources like moneylenders, friends, and family near dear. Retailers were trapped into debt cycles because of these sources, which mostly had harsh repayment condition and high rate of interest (Mukherjee & Patel, 2021). Many retailers now have reach to economically charged credit facilities, overdraft facility, and microloans thanks to the enhancement of formal banking under schemes like PMJDY and microfinance initiatives (Government of India, 2021).

Retailers now upgrade their infrastructure, invest in stocks, and continue their production during ideal times by connecting to Jan Dhan accounts for credit facilities. Even their credit issues with collateral firm, cooperative banks and microfinance organizations also try to become instrumental in closing the distance between traditional banking and small retailers.

- **Digital Payments and Transaction Clarity**

Business transactions scenario has changed completely after the advent of UPI, mobile wallets, and Aadhaar based payment processing. Retailers who used digital payment platforms showing higher customer trust and efficient transactions (Kaur and Kapuria, 2020). Transaction clarity has changed the way of the use of digital payments, particularly UPI. While providing smooth supplier payments, UPI's low-costplat form for minor exchange has reduced cash-handling risks such counterfeit currency and theft (Khan et al., 2025). According to Khara et al. (2020), nearly 41% of retailers in places like Jaipur uses digital tools report high operational efficiency and transaction safety. Additionally, digital payments

record transaction, which enhance goodwill and make it simple to obtain credit. In order to fulfill the need for digital transactions, 64% of small retailers have accepted digital payments as a result of the COVID-19 pandemic (Sahu et al., 2021). Digital payments permit secure payment methods, reduce theft risk, and enable real-time transaction tracking.

According to previous study, retailers that allow UPI payments using QR codes witness a boost in transaction even in rural city. This was particularly true in COVID-19 pandemic, when digital transactions were preferred (Sharma, 2019). But due to barrier in internet reach and low levels of digital literacy, issues exist even today in rural and distance areas.

- **Growth of the Business and Competitive Advantage**

Small retailers now in days become more competitive due to the availability of formal banking services and the capacity to perform digital transactions. By using digital payments, retailers can improve inventory operation, expand their product choice, and compete with retail chains. Small sellers can increase their number of customer by integrating with digital platforms such as Indiamart and ONDC.

- **Social Security and Risk Assessment**

By providing retailers reach to insurance coverage and covering them by government backed social security schemes, financial inclusion enhances risk administration. Retailers now can manage their consumers from financial shocks. Digital banking and pension programme also provide long-term financial stability. (World Bank, 2018)

- **Financial Education and Normalization**

Retailers are now equipped well to handle debt, investments, and savings due to financial inclusion, which also improves financial education. Awareness programme are part of campaign like PMJDY, and 57% of retailers agree that now they able to do good financial decisions as a result (Ghosh, 2025). Approximately 9.2 million retailers came into the formal economy through normalization through business registration, which facilitate them to reach government schemes and formal loans (Gupta & Tripathi, 2020). Retailers now easily part in supply chains and e-commerce due to this change, which enhance transparency and competitive edge.

- **Economic and Social Empowerment**

Social stability and economic empowerment are supported by financial inclusion. While official accounts permit for participation in government schemes and direct benefit transfers, reach to insurance and savings tool decrease the risk of unanticipated events (Sharma & Aggarwal, 2021).

### **Challenges of Financial Inclusion on Small Retailers**

- **Basic Structure Limitation**

In semi-urban, rural and hilly areas, disruption in internet connectivity and electricity supply restrict digitalization. Small retailers account nearly 28% transaction failures of total digital transaction.

- **Financial Knowledge Hurdle**

Lack of awareness in financial matter and hesitance to take new initiative by small retailer create financial hurdle.

- **Cultural Issue**

India is land of various culture where different custom plays their role in decision making. Traditionally, Indian small retailer shy to accept changes. Financial inclusion require knowledge of technology which hinder progress of small retailer.

- **Cyber Attack**

Small retailer afraid to take technology advancement due to cyber attack issue many retailer were trapped by cyber attackers.

### **Policy Recommendations**

- **Easy Access**

Regulatory authority should make provision for easy access to financial product for small retailers by easing document process.

- **Investment in Infrastructure**  
Investment in technology up gradation and reach of uninterrupted internet required for financial inclusion.
- **Focus on Financial Awareness**  
Government need to design financial awareness programme to targeted communities especially for small retailers.
- **Promote Digitalization**  
Offer tax incentives and subsidies for digital payment adoption, particularly for low-margin businesses. Encouraging suppliers to accept digital payments through incentives can reduce cash reliance.
- **Address Cultural Issue**  
Government should consider cultural difference of Indian communities and make programme according to their need.
- **Setup Grievance Redressal Mechanism**  
Requirement of dedicated grievance and redressal support system and centers to address issues and concerns related transaction are required.

#### **Conclusion**

Financial inclusion become necessary for every person life when it comes to small retailer. It is observed that small retailer are keen to adopt financial inclusion due to its benefit but at the same time hesitate to accept technology due to cyber attack and fishing activity. So, it is required for policy maker to address these issue and motivate to small retailer to take benefit of new age advancement.

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