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Strategies for Enhancing Sustained Adoption of Banking and Digital Services Among Financially Included Customers

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Abstract
Financial inclusion has become an important factor in India's economic development by expanding access to banking services among rural households, women and economically weaker sections. However, providing access to bank accounts does not necessarily ensure their regular utilisation or meaningful participation in the formal financial system. The present study examines the usage dimension of financial inclusion at ESAF Small Finance Bank through secondary research based on academic literature, institutional reports and organisational data. It analyses account activity, dormancy, digital banking adoption and debit-card utilisation to understand the gap between banking access and sustained service usage. The findings reveal that 43.70% of operational accounts are dormant, while only 17.25% of registered mobile banking users are active, highlighting the need to strengthen regular customer engagement. The study emphasises the importance of digital literacy, customer awareness, trust and service quality in promoting sustained banking usage. It recommends dormant-account reactivation, personalised digital engagement, financial literacy programmes and improved customer support to strengthen meaningful and sustainable financial inclusion. Furthermore, the study highlights that achieving sustainable financial inclusion requires a shift from merely opening bank accounts to encouraging customers to use banking services regularly and confidently. Financial institutions must adopt customer-oriented strategies that address barriers such as limited digital awareness, lack of familiarity with banking technologies and inadequate customer engagement. Regular monitoring of account activity, simplified digital banking facilities and targeted awareness initiatives can help improve customer participation. The study also emphasises the role of small finance banks in connecting underserved communities with formal financial services and supporting their financial independence.

Keywords: Financial Inclusion, Digital Banking, Secondary Research, Customer Engagement, Small Finance Banks, Account Dormancy, Mobile Banking, Financial Literacy, Banking Services.

1. INTRODUCTION
Financial inclusion is widely recognised as an essential instrument for promoting inclusive economic growth, reducing financial inequalities and improving the economic participation of disadvantaged sections of society. It refers to the process of ensuring that individuals and businesses have access to affordable, appropriate and useful financial products and services. These services generally include savings accounts, credit facilities, insurance, remittance services, digital payments and other formal financial products. Financial inclusion enables individuals to participate in the formal economy, manage financial uncertainties, accumulate savings and improve their overall financial security **(Asnakew, 2020).**
In developing countries such as India, financial inclusion has received considerable attention because a large proportion of the population has historically faced difficulties in accessing formal banking services. Geographical barriers, low income, limited financial awareness, documentation requirements, inadequate banking infrastructure and social inequalities have contributed to financial exclusion **(Sarma, 2008)**. To address these challenges, the Indian banking system has undergone significant transformation through financial inclusion programmes, expansion of banking networks, introduction of Small Finance Banks, development of digital payment systems and strengthening of Business Correspondent networks **(Services, 2025)**.
The expansion of formal banking services has improved access to financial institutions among rural households, women, small entrepreneurs and economically weaker communities. However, the effectiveness of financial inclusion cannot be evaluated only through the number of bank accounts opened or the number of customers registered with financial institutions. An account may remain unused for extended periods, while a registered digital banking customer may never complete a digital transaction **(Development., 2025).** Therefore, the actual utilisation of banking services has become an important indicator of meaningful financial inclusion.
Financial inclusion can be understood through three interconnected dimensions: access, usage and quality. Access refers to the availability of financial institutions and services, while usage focuses on the frequency and regularity with which customers utilise these services. Quality concerns the suitability, affordability, transparency and reliability of financial products. Among these dimensions, usage has become particularly important

because it reflects whether customers are actively participating in the formal financial system **(GSMA, 2024).**

The Reserve Bank of India has developed the Financial Inclusion Index to evaluate the progress of financial inclusion in India through these dimensions. The index provides a broader understanding of financial inclusion beyond traditional measures of banking access. The reported Financial Inclusion Index reached 67.0 in March 2025, indicating continued improvement in the overall financial inclusion environment **(Nguyen & Dao, 2024).**

The increasing adoption of mobile banking, internet banking, Unified Payments Interface (UPI), Aadhaar-enabled Payment Systems and debit-card services has created new opportunities for financial institutions. These technologies have reduced geographical barriers and enabled customers to perform transactions more conveniently. Nevertheless, digital banking adoption remains influenced by several factors, including technological awareness, perceived security, digital literacy, availability of internet connectivity and customer confidence **(Ozili, 2018).**

Small Finance Banks play an important role in extending financial services to underserved communities. Their operational focus includes small borrowers, micro-enterprises, rural households, women and customers who may have limited access to traditional banking institutions. ESAF Small Finance Bank represents an important institutional context for examining how financial inclusion can be strengthened through sustained customer engagement **(Press Information Bureau, 2026).**

2. REVIEW OF LITERATURE

Financial inclusion has been widely examined in academic research and institutional publications, particularly in relation to banking accessibility, financial literacy, digital financial services and economic development. Earlier studies primarily focused on the availability of banking facilities and the expansion of formal financial institutions. However, contemporary research increasingly recognises that financial inclusion must also be evaluated through the extent to which individuals actively use financial services. The present review examines the major concepts and research contributions associated with the usage dimension of financial inclusion.

(Saibaba, 2024), in the study *Index of Financial Inclusion*, developed a multidimensional approach for measuring financial inclusion through banking penetration, availability of banking services and usage of financial services. The study established that financial inclusion should be evaluated through multiple indicators rather than relying exclusively on account ownership. This approach provides an important foundation for understanding the relationship between financial access and actual utilisation.

(Allen et al., 2016), in their research on the foundations of financial inclusion, examined the factors influencing ownership and use of formal financial accounts across countries. Their findings highlighted the importance of financial infrastructure, institutional accessibility, affordability and individual characteristics in determining financial participation. The study demonstrated that account ownership and actual usage are separate aspects of financial inclusion and that improvements in formal access do not necessarily translate into regular financial activity.

Similarly, **(Beck et al., 2008)** examined barriers associated with access to banking services across different countries. Their research identified the importance of financial costs, geographical accessibility and institutional arrangements in determining the extent to which individuals can participate in formal banking. The study suggested that financial institutions must address structural barriers if they intend to expand meaningful financial participation among underserved communities.

(Demirgüç-Kunt et al., 2022), through the Global Findex Database 2021, examined financial account ownership, digital payments, savings and borrowing patterns across different countries. The research highlighted that account ownership has expanded considerably, but differences continue to exist in the extent to which individuals use formal financial services. The study also identified barriers such as financial constraints, limited awareness, lack of trust and difficulties associated with accessing financial institutions. These findings demonstrate the importance of examining the actual behaviour of account holders rather than relying solely on account-opening statistics.

(Aker & Mbiti, 2010), in their research on mobile phones and economic development in Africa, examined the role of mobile communication technology in improving information access and economic participation. Their study demonstrated that mobile technology can reduce communication barriers and improve economic coordination. Although their research was not exclusively focused on banking, its findings provide an important foundation for understanding how mobile technology can support the expansion of digital financial services.

(Jack & Suri, 2014), in their study of Kenya's mobile money revolution, examined the economic implications of digital financial transactions and the reduction of transaction costs. Their research demonstrated that mobile money services can improve the ability of households to transfer funds, manage financial risks and respond to economic difficulties. The study highlighted that the benefits of digital financial services emerge through actual usage rather than merely through technological availability.

(Davis, 1989), through the Technology Acceptance Model, identified perceived usefulness and perceived ease of use as two important factors influencing the acceptance

of information technology. Perceived usefulness refers to the extent to which an individual believes that a particular technology improves task performance, whereas perceived ease of use relates to the effort required to operate the technology. In banking, customers may be more willing to adopt mobile banking when they believe it saves time, reduces transaction costs and provides convenient access to financial services.

2.9 Research Gap

The existing literature provides considerable understanding of financial inclusion, digital banking adoption, financial literacy, account ownership and technological acceptance. However, several studies concentrate on national-level financial inclusion indicators or individual-level customer perceptions. Comparatively, there is a need for more institution-specific analysis that combines operational banking information with broader financial inclusion concepts.

In particular, limited attention is given to the simultaneous examination of active accounts, dormant accounts, mobile banking registration, active digital users, debit-card utilisation and customer segmentation within an individual Small Finance Bank. Understanding these indicators together can provide useful insights into the operational challenges associated with converting financial access into sustained usage.

The present study addresses this research gap by examining the usage dimension of financial inclusion at ESAF Small Finance Bank through secondary information and approved aggregated organisational data. It attempts to connect the theoretical understanding of financial inclusion with practical institutional indicators and proposes strategies for improving customer engagement and sustained banking utilisation.

3. RESEARCH METHODOLOGY

3.1 Research Design

The present study adopts a descriptive and analytical research design based entirely on secondary sources of information. The descriptive approach is used to understand the existing condition of financial inclusion, account activity, digital banking adoption and customer engagement. The analytical approach is used to examine the relationship between financial access and actual utilisation through the interpretation of available organisational indicators and published research.

3.2 Nature of Research

The research is secondary in nature and focuses on understanding the usage dimension of financial inclusion. It examines the extent to which customers who have access to formal banking facilities actively utilise savings accounts, mobile banking, internet banking and debit-card services.The research also evaluates the role of customer awareness, technological acceptance, financial literacy, institutional trust and service quality in influencing sustained banking usage.

3.3 Sources of Data

The study uses information collected from the following secondary sources:

1. Reserve Bank of India publications and Financial Inclusion Index reports.
2. NABARD reports on microfinance and rural financial inclusion.
3. World Bank Global Findex Database.
4. Ministry of Finance and Department of Financial Services publications.
5. GSMA reports on digital financial services.
6. Published academic research articles and scholarly journals.
7. Approved aggregated organisational information from ESAF Small Finance Bank.

3.4 Period of Study

The organisational analysis primarily considers the information reported as of 31 March 2026. Institutional reports and academic publications from different years are used to understand the development of financial inclusion and digital banking.

3.5 Analytical Tools and Techniques

The study uses descriptive statistical techniques, percentage analysis, comparative interpretation and thematic analysis of published literature. The percentage method is used to understand the distribution of account categories, account activity and digital banking utilisation. The following formula is used:

$$\text{Percentage} = \frac{\text{Particular Value}}{\text{Total Value}} \times 100$$

The analysis compares registered digital users with active digital users and issued debit cards with active debit cards to identify the difference between service availability and actual utilisation.

3.6 Scope of the Study

The research focuses on the usage dimension of financial inclusion at ESAF Small Finance Bank. It covers account activity, dormant accounts, digital banking adoption, debit-card utilisation, customer segmentation and the role of banking delivery channels.The study also considers the wider Indian financial inclusion environment to understand the importance of customer engagement and sustained financial participation.

4. RESULTS AND ANALYSIS

The present section analyses the available organisational information relating to ESAF Small Finance Bank. The

analysis focuses on customer composition, account categories, account activity, digital banking adoption and debit-card utilisation. The findings are interpreted in the context of the broader financial inclusion literature.

4.1 Profile of the Customer Base

According to the supplied organisational report, ESAF Small Finance Bank has a customer base of 1,02,15,422, of whom 79,94,073 are women. Rural and semi-urban customers account for 53.50% of the total customer base, while urban and metropolitan customers represent 46.50%. The 38–47 age group constitutes the largest customer segment, followed by the 28–37 age group, while younger customers aged 18–27 represent a potential segment for digital banking adoption. These demographic patterns highlight the importance of developing customer engagement strategies that address differences in age, gender, geographical location and banking needs. Therefore, financial institutions should adopt differentiated and accessible banking initiatives to encourage regular service utilisation and strengthen financial inclusion.

4.2 Composition of Operational Accounts

The composition of operational accounts provides an understanding of the types of banking relationships maintained by the institution.

Table 1: Composition of Operational Accounts

Account category	Percentage
Savings Accounts	64.14%
BSBDA Accounts	35.19%
Current Accounts	0.67%
Total	**100.00%**

The findings indicate that savings accounts represent the largest share of operational accounts, accounting for 64.14% of the total. Basic Savings Bank Deposit Accounts contribute another 35.19%, while current accounts constitute only 0.67%. The combined share of savings and BSBDA accounts is 99.33%, indicating that the operational account portfolio is predominantly concentrated in individual and household banking relationships.

4.3 Analysis of Account Activity

Account activity is an important indicator of whether customers are regularly utilising the banking services available to them. The classification of accounts into active, inactive and dormant categories provides information about customer engagement.

Table 2: Distribution of Accounts According to Activity Status

Account status	Percentage
Active	54.98%
Inactive	3.32%
Dormant	43.70%
Total	**100.00%**

The findings reveal that 54.98% of operational accounts are classified as active, whereas 43.70% are classified as dormant. The remaining 3.32% fall under the inactive category.

The dormant-account proportion represents a considerable challenge for sustained financial inclusion. Although customers have access to formal banking facilities, a significant share of the reported operational portfolio is not currently being utilised according to the bank's classification. Dormant accounts may arise for several reasons, including limited awareness of available services, insufficient income, geographical constraints, changes in customer circumstances, limited digital literacy or the use of alternative financial channels. However, these reasons cannot be individually established from the available aggregate information.

4.4 Analysis of Digital Banking Adoption

Digital banking has become an important component of financial inclusion because it allows customers to access banking facilities through mobile devices and internet-based platforms.

Table 3: Mobile and Internet Banking Usage

Indicator	Reported figure
Registered mobile banking users	5,79,388
Active mobile banking users	99,948
Active internet banking users	1,42,586

The data indicate that 5,79,388 customers are registered for mobile banking, whereas only 99,948 are reported as active users.

The active-user percentage is calculated as follows:

$$\frac{99,948}{5,79,388} \times 100 = 17.25\%$$

Thus, approximately 17.25% of registered mobile banking users are reported as active.

This difference indicates that digital registration does not necessarily translate into continuous digital engagement. Customers may register for mobile banking but fail to use it because of limited awareness, difficulties in operating applications, security concerns, connectivity problems or a preference for traditional banking services.

The reported number of active internet banking users is 1,42,586. However, the total number of internet banking registrations is not available, and therefore an internet banking activation percentage cannot be calculated from the supplied information.

The increasing importance of digital payments in India provides a broader context for these findings. The Ministry of Finance and Government of India have reported

substantial growth in digital transactions, with UPI accounting for a major proportion of retail digital payments. These developments indicate that digital infrastructure is expanding rapidly, although individual institutional adoption levels may differ considerably (Press Information Bureau, 2026).

4.5 Analysis of Debit-Card Utilisation

Debit cards provide customers with access to cash withdrawals, merchant payments and other banking facilities. Their utilisation is therefore another important indicator of financial participation.

Table 4: Debit-Card Issuance and Active Utilisation

Indicator	Reported figure
Total debit cards issued	96,00,199
Active debit cards	53,51,826
Active debit-card percentage	55.75%

The calculated active debit-card percentage is approximately 55.75%. This indicates that slightly more than half of the issued debit cards are classified as active. The remaining cards represent a potential opportunity for improving payment-channel utilisation. However, the bank should first examine whether inactive cards are associated with customer preference, lack of merchant acceptance, security concerns or limited awareness.

4.6 Comparative Analysis of Financial Access and Actual Usage

The findings demonstrate that the availability of banking services and their actual utilisation are different aspects of financial inclusion.

Table 5: Comparative Assessment of Usage Indicators

Indicator	Finding	Interpretation
Active accounts	54.98%	More than half of the reported accounts are active
Dormant accounts	43.70%	Significant account inactivity
Active mobile users among registered users	17.25%	Registration-to-usage gap
Active debit cards	55.75%	Scope for improving card utilisation

The comparative analysis indicates that account dormancy and low mobile banking activity represent important areas requiring managerial attention.The active-account percentage is higher than the active mobile banking percentage, suggesting that customers may continue using traditional banking services without necessarily adopting digital platforms.Therefore, financial inclusion strategies should not focus exclusively on digital adoption. They should also improve the overall usefulness and accessibility of banking services across physical and digital channels.

5. DISCUSSION

The findings highlight a significant gap between access to banking services and their regular utilisation at ESAF Small Finance Bank. Although the bank serves a customer base of over one crore, the reported 43.70% dormant accounts indicate the need to encourage more consistent banking activity. Similarly, only 17.25% of registered mobile banking users are reported as active, suggesting scope for improving digital service adoption and customer engagement. The substantial representation of women and rural and semi-urban customers further emphasises the importance of accessible banking facilities and targeted financial awareness programmes. The age distribution also suggests that customer engagement strategies should consider the different banking preferences and technological familiarity of various age groups. Overall, the findings indicate that financial inclusion should be assessed not only through account ownership but also through regular usage, digital participation and effective access to financial services.

6. CONCLUSION

The study concludes that sustainable financial inclusion requires a transition from providing banking access to ensuring the active and continuous utilisation of financial services. The findings from ESAF Small Finance Bank demonstrate the importance of addressing account dormancy, improving mobile banking adoption and strengthening customer engagement. Financial literacy initiatives, digital awareness programmes, simplified banking facilities and responsive customer support can play an important role in encouraging regular banking transactions. Banks should also develop targeted strategies for women, rural and semi-urban customers, and different age groups to address their specific banking requirements. Since the study is based on secondary data and organisational reports, its findings are limited to the information available in these sources. Nevertheless, the study highlights that improving the usage dimension of financial inclusion is essential for promoting financial empowerment, strengthening customer participation and achieving inclusive economic development.

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