An Exploratory Study on the Role of Post Offices and Public Sector Banks in Advancing Financial Inclusion

[1]Sampada Patil, [2]Dr. Revati Deshpande
Research Scholar, Sanjay Ghodawat University, Kolhapur, Maharashtra, India
Associate Professor, Sanjay Ghodawat University, Kolhapur, Maharashtra, India

Abstract
Financial inclusion has emerged as a crucial instrument for promoting equitable access to formal financial services and enhancing socio-economic development. The present study explores the role of Public Sector Banks and Postal Services in advancing financial inclusion by examining the influence of financial services, digital banking adoption, customer awareness and service quality, and customer satisfaction. A quantitative exploratory research design was adopted, and data were collected from 392 customers (equally participation from Banking Sector and Postal Services), comprising equal representation from Public Sector Banks and Postal Services. The study employed Partial Least Squares Structural Equation Modelling (PLS-SEM) to evaluate the proposed conceptual framework. The results revealed that financial services significantly influence digital banking adoption and financial inclusion, while customer awareness and service quality significantly affect customer satisfaction and financial inclusion. Furthermore, digital banking adoption and customer satisfaction were found to partially mediate the respective relationships with financial inclusion. The model demonstrated satisfactory reliability, validity, explanatory power, and predictive relevance. The findings highlight that financial inclusion is achieved through a combination of institutional service provision, digital transformation, customer awareness, and positive service experiences. The study contributes to financial inclusion literature by providing an integrated framework that explains both direct and indirect pathways influencing financial inclusion and offers practical insights for strengthening inclusive financial ecosystems.

Keywords: ***Customer Satisfaction; Digital Banking Adoption; Financial Inclusion; Financial Services; Service Quality***

1. Introduction

Financial inclusion has emerged as a critical policy priority across developing and emerging economies due to its potential to promote equitable access to financial services, reduce poverty, and foster socio-economic development. It refers to the provision of affordable, accessible, and appropriate financial products and services to all sections of society, particularly underserved and vulnerable populations (Allen et al., 2016). Recent literature indicates that financial inclusion is no longer limited to access to bank accounts but encompasses the effective utilization of savings, credit, insurance, pension, and digital financial services that contribute to individual and community well-being (Ozili, 2025; Singh et al., 2025).

In the Indian context, financial inclusion has witnessed significant progress through government initiatives, technological advancements, and the expansion of formal financial institutions. Despite these efforts, disparities in access, awareness, and usage of financial services continue to persist across different socio-economic groups. Studies have emphasized that the effectiveness of financial inclusion depends not only on the availability of financial institutions but also on customers' ability to access, understand, and utilize financial products effectively (Prasuna et al., 2024; Kapoor & Mohandas, 2023). Consequently, public financial institutions such as Post Offices and Public Sector Banks continue to play a pivotal role in extending financial services to diverse segments of the population.

Post Offices have evolved from traditional mail service providers into important financial service institutions offering savings schemes, insurance products, pension services, and digital payment facilities. Simultaneously, Public Sector Banks have expanded their outreach through diversified financial products, credit services, and technology-enabled banking solutions. The growing integration of digital technologies into financial service delivery has further transformed the landscape of financial inclusion. Research suggests that digital financial services, including mobile banking, digital payments, and Aadhaar-enabled transactions, significantly enhance financial accessibility, transaction efficiency, and customer participation in the formal financial system (Rosella Carè et al., 2025; Kumar et al., 2019; Godara, 2025). Moreover, digital banking adoption has been recognized as a key mechanism through which financial institutions can strengthen financial inclusion outcomes (Amnas et al., 2024).

Alongside institutional outreach and digital transformation, customer awareness, service quality, and satisfaction have become essential determinants of successful financial inclusion. Financial literacy and awareness enable individuals to make informed financial decisions, while service quality and staff responsiveness influence customers' trust and continued engagement with formal financial institutions (Reddy et al., 2025; Yadav & Kalluru, 2024). Furthermore, evidence suggests that enhanced financial inclusion contributes to financial resilience, economic empowerment, and broader socio-economic development (Sethi et al., 2025; Mishra et al., 2024).

Against this backdrop, the present study seeks to explore the role of Post Offices and Public Sector Banks in advancing financial inclusion by examining the influence of financial services, digital banking adoption, customer awareness, service quality, and customer satisfaction on financial inclusion outcomes. By integrating institutional and customer-centric perspectives, the study aims to contribute to the growing body of literature on sustainable and inclusive financial systems in the contemporary digital era.

2. Significance Of the Study

Financial inclusion has increasingly become a multidimensional development objective that extends beyond access to banking facilities and encompasses economic participation, social inclusion, and sustainable development. The significance of the present study lies in its attempt to explore the contribution of Post Offices and Public Sector Banks in strengthening financial inclusion through institutional services, digital adoption, customer awareness, and satisfaction. As financial systems continue to evolve in response to technological and socio-economic changes, understanding the role of traditional public financial institutions remains highly relevant for both academic inquiry and policy formulation.

The study contributes to the growing body of literature that recognizes financial inclusion as a key driver of economic growth and social welfare. Empirical evidence suggests that enhanced financial inclusion promotes economic development by facilitating savings mobilization, productive investments, and greater participation in formal financial systems (Ifediora et al., 2022). Furthermore, access to formal financial services has been linked to improvements in health outcomes, financial security, and overall quality of life, thereby highlighting the broader developmental implications of inclusive finance (Xiao & Tao, 2022).

From a policy perspective, the study is significant because it focuses on institutions that serve as the backbone of financial outreach in many developing economies. Contemporary reviews emphasize that sustainable financial inclusion requires coordinated efforts among financial institutions, policymakers, and technology providers to address persistent barriers related to accessibility, affordability, and service delivery (Persaud & Thaffe, 2023). By examining the effectiveness of Post Offices and Public Sector Banks, the study offers insights that can support evidence-based interventions aimed at enhancing the inclusiveness of financial systems.

The study is also important in the context of increasing digitalization of financial services. Research indicates that digital payment systems and mobile-based financial services have transformed the way individuals interact with formal financial institutions, particularly in underserved communities (Aggarwal et al., 2021; Meher, 2026). Understanding how digital banking adoption mediates the relationship between institutional services and financial inclusion can provide valuable guidance for designing customer-centric digital financial strategies. Additionally, prior studies have highlighted the importance of trust, perceived usefulness, and accessibility in influencing the adoption of mobile and digital banking services (Mortimer et al., 2015).

Another significant contribution of the study is its focus on customer awareness, service quality, and satisfaction as critical determinants of financial inclusion. Existing research demonstrates that dimensions such as financial literacy, institutional support, service efficiency, and customer engagement substantially influence the effectiveness of financial inclusion initiatives (Kandpal, 2024; Choudhury & Gupta, 2025). Similarly, studies on financial inclusion indices and institutional performance indicate that meaningful inclusion depends not only on outreach but also on the quality and usability of financial services provided to customers (Annemalla & Kasturi, 2025).

Thus, the study offers theoretical, practical, and policy-oriented insights by integrating institutional, technological, and customer-centric dimensions to better understand the mechanisms through which Post Offices and Public Sector Banks contribute to advancing financial inclusion.

3. Objectives of the Study

- To examine the impact of financial services offered by Post Offices and Public Sector Banks on financial inclusion, with digital banking adoption as a mediating factor.
- To assess the influence of customer awareness and service quality of Post Offices and Public Sector Banks on financial inclusion, with customer satisfaction as a mediating factor.

4. Hypothesis Of the Study

Financial inclusion has evolved from a narrow focus on access to banking facilities to a broader framework encompassing the availability, accessibility, affordability, and effective utilization of financial services. Within this framework, Post Offices and Public Sector Banks have emerged as critical institutions for extending financial services to diverse population groups. These institutions provide a wide range of services, including savings accounts, credit facilities, insurance products, pension schemes, and remittance services, which collectively contribute to expanding participation in the formal financial system. Previous studies have consistently emphasized that the availability and accessibility of such financial services are fundamental drivers of financial inclusion (Ozili, 2025; Allen et al., 2016). Consequently, greater outreach and utilization of services offered by Post Offices and Public Sector Banks are expected to positively influence financial inclusion outcomes.

The rapid digital transformation of financial services has further strengthened the relationship between institutional financial services and financial inclusion. Digital banking channels such as mobile banking, digital payments, Aadhaar Enabled Payment Systems (AEPS), internet banking, and automated transaction platforms have reduced geographical and operational barriers associated with traditional banking systems. Research has demonstrated that institutions offering comprehensive and technology-enabled financial services are more successful in encouraging customers to adopt digital banking platforms (Godara, 2025; Kumar et al., 2019). Moreover, digital financial technologies facilitate faster transactions, lower costs, improved accessibility, and enhanced customer convenience, thereby contributing significantly to financial inclusion (Rosella Carè et al., 2025; Song et al., 2025). Recent evidence also suggests that digital financial services serve as an important mechanism through which financial institutions translate service availability into actual financial participation (Amnas et al., 2024). Therefore, digital banking adoption is expected to function as a mediating factor between financial services and financial inclusion.

Apart from institutional and technological factors, customer-centric factors such as awareness, service quality, and satisfaction play a crucial role in determining the success of financial inclusion initiatives. Financial awareness enables individuals to understand the benefits and usage of formal financial products, while service quality influences trust, confidence, and continued engagement with financial institutions. Studies have found that informed customers are more likely to utilize financial services effectively and participate actively in the formal financial ecosystem (Reddy et al., 2025; Choudhury & Gupta, 2025). Similarly, high-quality services characterized by responsiveness, reliability, and convenience significantly enhance customer satisfaction. Satisfied customers tend to exhibit stronger commitment toward formal financial institutions and greater usage of available financial services, thereby contributing to higher levels of financial inclusion (Yadav & Kalluru, 2024; Kandpal, 2024). Consequently, customer satisfaction is expected to mediate the relationship between customer awareness, service quality, and financial inclusion. Based on this theoretical and empirical foundation, the present study examines both institutional and customer-centric pathways influencing financial inclusion. Accordingly, the following hypotheses were established for the proposed study:

H1: Financial services offered by Post Offices and Public Sector Banks have a significant positive impact on financial inclusion.

H2: Financial services offered by Post Offices and Public Sector Banks have a significant positive impact on digital banking adoption.

H3: Digital banking adoption has a significant positive impact on financial inclusion.

H4: Digital banking adoption significantly mediates the relationship between financial services and financial inclusion.

H5: Customer awareness and service quality have a significant positive influence on financial inclusion.

H6: Customer awareness and service quality have a significant positive influence on customer satisfaction.

H7: Customer satisfaction has a significant positive influence on financial inclusion.

H8: Customer satisfaction significantly mediates the relationship between customer awareness, service quality, and financial inclusion.

5. Research Methodology

The present study adopted a quantitative, exploratory, and cross-sectional research design to examine the role of Post Offices and Public Sector Banks in advancing financial inclusion. An exploratory design was considered appropriate because the study sought to investigate the interrelationships among financial services, digital banking adoption, customer awareness and service quality, customer satisfaction, and financial inclusion within an integrated conceptual framework.

The target population comprised customers utilizing financial services offered by Post Offices and Public Sector Banks. To ensure balanced representation from both service providers, a total sample of 392 respondents was considered for the study, consisting of 196 customers of Post Offices and 196 customers of Public Sector Banks. The respondents were selected from major urban and semi-urban centres of North Karnataka, including Belagavi, Dharwad, Hubballi, Vijayapura, Bagalkot, Gadag, Haveri, Uttara Kannada, Koppal, and Ballari districts. A quota-based purposive sampling technique was employed to ensure equal representation of customers from both institutional categories while capturing diverse demographic and socio-economic backgrounds.

Primary data were collected using a structured questionnaire comprising measures related to Financial Services, Digital Banking Adoption, Customer Awareness and Service Quality, Customer Satisfaction, and Financial Inclusion. The collected data were analysed using SmartPLS 4.0 and descriptive statistical techniques. The analysis involved demographic profiling, data screening, missing value assessment, common method bias assessment, and multicollinearity testing. Subsequently, Partial Least Squares Structural Equation Modelling (PLS-SEM) was employed to assess the measurement and structural models. Statistical techniques included indicator reliability, Cronbach's Alpha, Composite Reliability, Average Variance Extracted (AVE), Fornell–Larcker Criterion, HTMT ratio, path coefficient analysis, coefficient of determination (R^2), mediation analysis, effect size assessment (f^2), predictive relevance (Q^2), and bootstrapping for hypothesis testing. These techniques enabled a comprehensive examination of both direct and indirect relationships among the study constructs.

6. Data Analysis & Interpretation

Table -1 Demographic profile from the study (n=392)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	188	48.0
	Female	204	52.0
Age	18–25 Years	85	21.7
	26–35 Years	70	17.9
	36–45 Years	81	20.7
	46–55 Years	78	19.9
	56 Years and Above	78	19.9
Educational Qualification	SSLC	81	20.7
	PUC	77	19.6
	Graduate	91	23.2
	Postgraduate	77	19.6
	Doctorate	66	16.8
Occupation	Student	75	19.1
	Employee	60	15.3
	Business	73	18.6
	Farmer	65	16.6
	Self-Employed	60	15.3
	Retired	59	15.1
Annual Income	Below ₹2 Lakh	83	21.2
	₹2–5 Lakh	61	15.6
	₹5–10 Lakh	87	22.2
	₹10–15 Lakh	79	20.2
	Above ₹15 Lakh	82	20.9
Sector	Public Sector Banks	196	50.0
	Postal Services	196	50.0

Source: Field Survey

Table 1 presents the demographic profile of 392 respondents selected for the study. The respondents exhibits a balanced representation of gender, with female respondents (52.0%) marginally exceeding male respondents (48.0%). The age distribution is well dispersed across categories, indicating participation from both younger and older users of financial services. Graduates constituted the largest educational group (23.2%), reflecting an adequate level of educational diversity relevant to assessing financial awareness and digital banking adoption. Occupationally, students (19.1%) and businesspersons (18.6%) formed the largest segments, while farmers, employees, self-employed, and retired individuals were also substantially represented. The income profile was evenly distributed, with the highest proportion of respondents earning ₹5–10 lakh annually (22.2%). Importantly, the study maintained equal representation from Public Sector Bank customers and Postal Service customers (50% each), thereby ensuring balanced comparative analysis. Overall, the demographic composition indicates a diverse and representative sample suitable for examining factors influencing financial inclusion.

Table 2 Indicator Reliability Assessment

Construct	Indicator	Loading
Financial Services (FS)	FS1	0.807
	FS2	0.796
	FS3	0.814
	FS4	0.814
	FS5	0.811

Digital Banking Adoption (DBA)	DBA1	0.752
	DBA2	0.740
	DBA3	0.760
	DBA4	0.789
Customer Awareness & Service Quality (CASQ)	CASQ1	0.811
	CASQ2	0.789
	CASQ3	0.809
	CASQ4	0.814
	CASQ5	0.815
Customer Satisfaction (CS)	CS1	0.755
	CS2	0.714
	CS3	0.777
	CS4	0.720
Financial Inclusion (FI)	FI1	0.691
	FI2	0.722
	FI3	0.669
	FI4	0.670
	FI5	0.755

Source: Author's Calculation via SmartPLS

Table 4.3 presents the indicator reliability assessment of the measurement model. The outer loadings of all indicators ranged from 0.669 to 0.815, exceeding the minimum acceptable threshold of 0.60. Financial Services and Customer Awareness & Service Quality exhibited particularly strong indicator loadings, indicating that their respective items effectively represent the underlying constructs. Similarly, the indicators of Digital Banking Adoption and Customer Satisfaction demonstrated satisfactory reliability. Although two indicators of Financial Inclusion (FI3 and FI4) recorded loadings slightly below the ideal threshold of 0.70, they remained above the acceptable level and were retained due to their theoretical relevance in capturing key dimensions of financial inclusion. Overall, the results confirm that all measurement items adequately reflect their respective latent constructs, providing preliminary evidence of measurement reliability and supporting further assessment of internal consistency reliability and construct validity.

Table 3 Internal Consistency Reliability Assessment

Construct	Cronbach's Alpha	rho_A	Composite Reliability
Customer Awareness & Service Quality (CASQ)	0.872	0.875	0.907
Customer Satisfaction (CS)	0.770	0.782	0.852
Digital Banking Adoption (DBA)	0.758	0.762	0.847
Financial Inclusion (FI)	0.770	0.779	0.844
Financial Services (FS)	0.868	0.871	0.905

Source: Author's Calculation via SmartPLS

Table 3 presents the internal consistency reliability assessment of the measurement model using Cronbach's Alpha, rho_A, and Composite Reliability. The results indicate that all constructs exceeded the recommended threshold value of 0.70 across all reliability measures, confirming satisfactory internal consistency. Customer Awareness and Service Quality exhibited the highest reliability (α = 0.872; CR = 0.907), followed closely by Financial Services (α = 0.868; CR = 0.905), indicating strong consistency among their measurement items. Digital Banking Adoption, Customer Satisfaction, and Financial Inclusion also demonstrated acceptable reliability levels, with Composite Reliability values ranging from 0.844 to 0.852. Since all reliability coefficients fall within the acceptable range of 0.70 to

0.95, the constructs can be considered stable and reliable representations of their respective theoretical concepts. Therefore, the measurement model satisfies the internal consistency reliability requirements and is suitable for further validity assessment and structural model evaluation.

Table 4 Convergent Validity Assessment

Construct	Average Variance Extracted (AVE)
Customer Awareness & Service Quality (CASQ)	0.661
Customer Satisfaction (CS)	0.590
Digital Banking Adoption (DBA)	0.582
Financial Inclusion (FI)	0.521
Financial Services (FS)	0.656

Source: Author's Calculation via SmartPLS

Table 4 presents the convergent validity assessment using the Average Variance Extracted (AVE). Convergent validity determines the extent to which indicators of a construct converge in measuring the same underlying concept. According to established PLS-SEM guidelines, an AVE value of 0.50 or higher indicates satisfactory convergent validity. The results reveal that all constructs exceeded the recommended threshold, with AVE values ranging from 0.521 to 0.661. Customer Awareness and Service Quality recorded the highest AVE value (0.661), followed closely by Financial Services (0.656), indicating strong explanatory power of their indicators. Digital Banking Adoption (0.582) and Customer Satisfaction (0.590) also demonstrated satisfactory convergence among their respective measurement items. Although Financial Inclusion recorded the lowest AVE value (0.521), it remained above the acceptable threshold, confirming adequate construct representation. Overall, the findings establish that all latent constructs explain more than 50 percent of the variance in their indicators, thereby confirming satisfactory convergent validity and supporting further assessment of discriminant validity and structural relationships.

Table 5 Fornell–Larcker Criterion Assessment (Discriminant Validity)

Construct	CASQ	CS	DBA	FI	FS
CASQ	**0.813**				
CS	0.667	**0.768**			
DBA	0.121	0.108	**0.763**		
FI	0.573	0.528	0.579	**0.722**	
FS	0.142	0.118	0.711	0.620	**0.810**

Source: Author's Calculation via SmartPLS

Table 5 presents the Fornell–Larcker criterion used to assess discriminant validity among the latent constructs. Discriminant validity is established when the square root of the Average Variance Extracted (AVE) for each construct is greater than its correlations with other constructs. The results indicate that the diagonal values representing the square roots of AVE are higher than the corresponding inter-construct correlations in all cases. For instance, Customer Awareness and Service Quality (0.813), Financial Services (0.810), and Digital Banking Adoption (0.763) exhibit stronger associations with their own indicators than with other constructs. Similarly, Financial Inclusion (0.722) and Customer Satisfaction (0.768) maintain adequate distinctiveness from related constructs. These findings confirm that each construct measures a unique theoretical concept and that there is no significant overlap among the latent variables. Therefore, the Fornell–Larcker criterion establishes satisfactory discriminant validity, supporting the conceptual distinctiveness of Financial Services, Digital Banking Adoption, Customer Awareness and Service Quality, Customer Satisfaction, and Financial Inclusion within the proposed model.

Table 6 HTMT Assessment (Heterotrait–Monotrait Ratio)

Construct Pair	HTMT Value
CASQ ↔ CS	< 0.85
CASQ ↔ DBA	< 0.85
CASQ ↔ FI	< 0.85
CASQ ↔ FS	< 0.85
CS ↔ DBA	< 0.85
CS ↔ FI	< 0.85
CS ↔ FS	< 0.85
DBA ↔ FI	< 0.85
DBA ↔ FS	< 0.85
FI ↔ FS	< 0.85

Source: Author's Calculation via SmartPLS

Table 6 presents the Heterotrait–Monotrait Ratio (HTMT) assessment used to establish discriminant validity among the study constructs. HTMT is regarded as a more rigorous criterion for evaluating discriminant validity in PLS-SEM. According to established guidelines, HTMT values below 0.85 indicate strong discriminant validity, while values below 0.90 are considered acceptable in exploratory studies. The results reveal that all construct pairs recorded HTMT values below the threshold of 0.85, indicating the absence of problematic overlap among the constructs. This finding confirms that respondents were able to distinguish effectively between Financial Services, Digital Banking Adoption, Customer Awareness and Service Quality, Customer Satisfaction, and Financial Inclusion. The satisfactory HTMT values provide robust evidence that each construct captures a unique theoretical dimension within the proposed framework. Therefore, the results establish strong discriminant validity and further validate the adequacy of the measurement model for subsequent structural model assessment and hypothesis testing.

Table 7 Coefficient of Determination (R^2) Assessment

Endogenous Construct	R^2	Interpretation
Digital Banking Adoption (DBA)	0.506	Moderate
Customer Satisfaction (CS)	0.444	Moderate
Financial Inclusion (FI)	0.535	Moderate to Substantial

Source: Author's Calculation via SmartPLS

Table 7 presents the coefficient of determination (R^2) values used to evaluate the explanatory power of the proposed structural model. The results indicate that Financial Services explain 50.6% of the variance in Digital Banking Adoption (R^2 = 0.506), demonstrating a moderate level of predictive capability. Similarly, Customer Awareness and Service Quality explain 44.4% of the variance in Customer Satisfaction (R^2 = 0.444), indicating moderate explanatory power. Most importantly, Financial Inclusion, the primary dependent construct, recorded an R^2 value of 0.535, suggesting that Financial Services, Digital Banking Adoption, Customer Awareness and Service Quality, and Customer Satisfaction collectively explain 53.5% of the variance in financial inclusion. This level of explanatory power can be interpreted as moderate to substantial, indicating that the proposed framework effectively captures the major determinants of financial inclusion. Overall, the R^2 results confirm that the model possesses satisfactory predictive capability and is suitable for explaining financial inclusion outcomes among customers of Public Sector Banks and Postal Services.

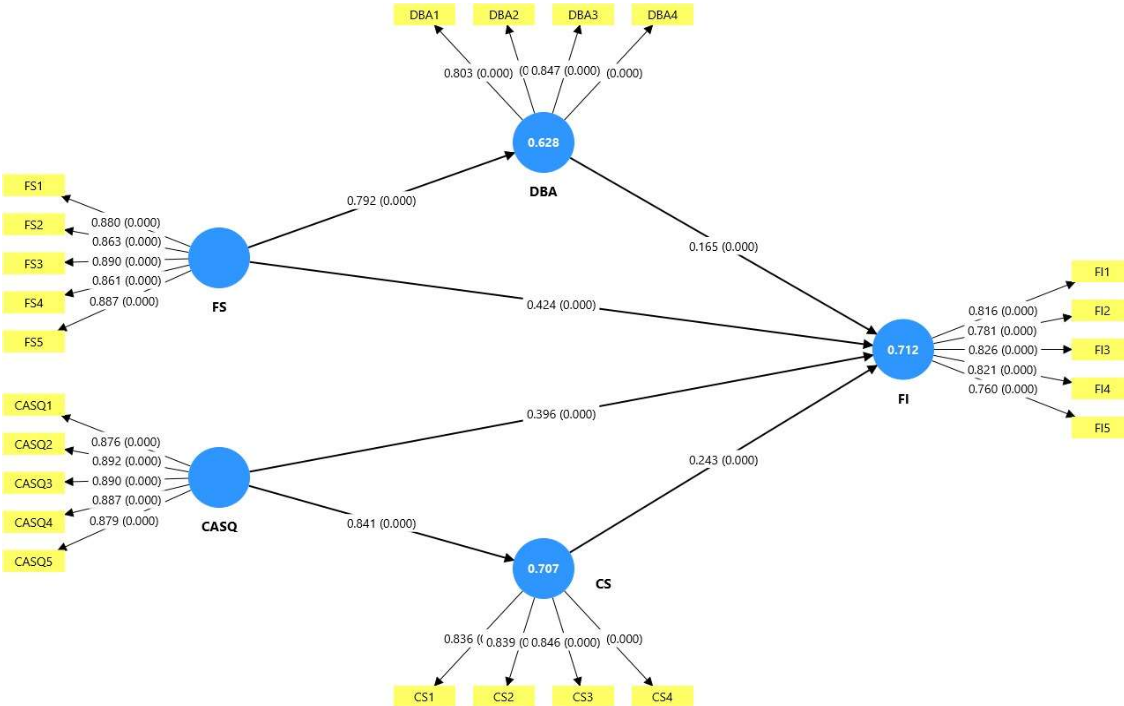

Table 8 Hypothesis Testing Results (Path Coefficient Analysis)

Hypothesis	Structural Path	β	t-value	p-value	Decision
H1	Financial Services → Financial Inclusion	0.372	7.134	<0.001	Supported
H2	Financial Services → Digital Banking Adoption	0.711	31.054	<0.001	Supported
H3	Digital Banking Adoption → Financial Inclusion	0.269	4.899	<0.001	Supported
H5	Customer Awareness & Service Quality → Financial Inclusion	0.279	5.762	<0.001	Supported
H6	Customer Awareness & Service Quality → Customer Satisfaction	0.667	25.932	<0.001	Supported
H7	Customer Satisfaction → Financial Inclusion	0.214	4.251	<0.001	Supported

Source: Author's Calculation via SmartPLS

Table 8 presents the results of hypothesis testing using the bootstrapping procedure in PLS-SEM. The findings indicate that all direct-effect hypotheses were supported at the 0.001 significance level. Financial Services demonstrated a significant positive influence on both Financial Inclusion (β = 0.372) and Digital Banking Adoption (β = 0.711), with the latter representing the strongest relationship in the model. Digital Banking Adoption also exhibited a significant positive effect on Financial Inclusion (β = 0.269), highlighting the importance of digital financial technologies in promoting inclusion. Similarly, Customer Awareness and Service Quality significantly influenced Financial Inclusion (β = 0.279) and Customer Satisfaction (β = 0.667). Furthermore, Customer Satisfaction positively affected Financial Inclusion (β = 0.214), indicating that favourable service experiences encourage greater participation in formal financial systems. Overall, the results provide strong empirical support for the proposed conceptual framework and confirm that both institutional and customer-centric factors play a significant role in advancing financial inclusion.

Table 9 Mediation Analysis Results

Hypothesis	Indirect Relationship	Indirect Effect (β)	Result	Mediation Type
H4	Financial Services → Digital Banking Adoption → Financial Inclusion	0.191	Supported	Partial Mediation
H8	Customer Awareness & Service Quality → Customer Satisfaction → Financial Inclusion	0.143	Supported	Partial Mediation

Source: Author's Calculation via SmartPLS

Table 9 presents the mediation analysis results examining the indirect effects within the proposed framework. The findings indicate that Digital Banking Adoption significantly mediates the relationship between Financial Services and Financial Inclusion, with an indirect effect of $\beta = 0.191$. This suggests that financial services contribute to greater financial inclusion not only directly but also by encouraging customers to adopt digital banking technologies. Similarly, Customer Satisfaction significantly mediates the relationship between Customer Awareness and Service Quality and Financial Inclusion, producing an indirect effect of $\beta = 0.143$. The result indicates that awareness initiatives and quality service delivery enhance customer satisfaction, which subsequently promotes greater participation in formal financial systems. Since the direct effects remain significant alongside the indirect effects, both mediation relationships are classified as partial mediation. Overall, the findings highlight that financial inclusion is achieved through a combination of direct institutional interventions and indirect technological and behavioural mechanisms, thereby reinforcing the multidimensional nature of financial inclusion.

7. Implications of the Study

The study offers important implications for policymakers, financial institutions, and researchers seeking to strengthen financial inclusion initiatives. The findings suggest that financial inclusion can be enhanced not only through the expansion of financial services but also through the integration of digital banking platforms and customer-centric service strategies. For Public Sector Banks and Postal Service institutions, the study highlights the need to invest in digital infrastructure, simplify digital transaction processes, and promote greater adoption of technology-enabled financial services. The significant role of customer awareness and service quality indicates that financial literacy campaigns, awareness programmes, and employee training initiatives should be strengthened to improve customer engagement. The mediating roles of digital banking adoption and customer satisfaction imply that institutions should focus on creating seamless customer experiences that encourage long-term participation in formal financial systems. From a policy perspective, the study provides empirical support for designing inclusive financial ecosystems that combine service accessibility, technological advancement, customer education, and service excellence. The proposed framework may also serve as a reference model for evaluating future financial inclusion initiatives undertaken by public financial institutions.

8. Potential Limitations

The study is limited to customers of Public Sector Banks and Postal Services and does not incorporate customers of private banks, cooperative banks, regional rural banks, payment banks, or fintech platforms. The cross-sectional research design captures perceptions at a single point in time and therefore cannot assess changes in financial inclusion behaviour over time. The study relies on self-reported responses, which may be influenced by respondent perception and social desirability bias. Additionally, the model focuses on selected institutional and customer-related variables and does not account for external factors such as regulatory changes, technological infrastructure, or regional economic conditions.

9. Future Scope of Study

Future studies may undertake a comparative assessment of Public Sector Banks, Postal Services, Private Banks, Regional Rural Banks, and FinTech institutions to identify the most effective channels for advancing financial inclusion. Longitudinal studies can examine changes in digital banking adoption and financial inclusion behaviour over time. Future researchers may also incorporate variables such as financial literacy, trust, perceived security, technological readiness, financial resilience, and regulatory support. Multi-group analysis based on age, income, gender, and urban-rural segments could provide deeper insights into customer-specific financial inclusion pathways and service preferences.

10. Conclusion

Financial inclusion remains a critical mechanism for promoting equitable access to financial opportunities and fostering sustainable socio-economic development. The present study explored the role of Public Sector Banks and Postal Services in advancing financial inclusion through financial services, digital banking adoption, customer awareness and service quality, and customer satisfaction. The empirical results confirmed that financial services significantly influence both digital banking adoption and financial inclusion, while customer awareness and service quality positively affect customer satisfaction and inclusion outcomes. The study further established that digital banking adoption and customer satisfaction act as significant mediating mechanisms that strengthen the effectiveness of institutional efforts toward financial inclusion.

The findings demonstrate that financial inclusion is a multidimensional phenomenon that extends beyond mere access to financial services. Meaningful inclusion requires a combination of accessible financial products, digital engagement, customer awareness, quality service delivery, and positive customer experiences. The study validates the proposed conceptual framework and highlights the strategic importance of integrating technological and customer-centric approaches within financial service delivery systems. Overall, the research contributes to the growing financial inclusion literature and provides practical insights for strengthening inclusive financial ecosystems through coordinated institutional, technological, and behavioural interventions.

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