
A STUDY ON THE IMPACT OF RISE IN EMBEDDED FINANCE ON THE FINANCIAL INCLUSION OF STUDENTS

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ABSTRACT

Embedded finance refers to the integration of financial products within commonly used applications. It plays a pivoting role in the financial inclusion of students in the present world, changing their approach towards financial management. This study aims to examine the impact of embedded finance on the financial inclusion and awareness of students, shedding light on the increasing ease of payments as well as early investing habits. The research analyses quantitative data collected through structured questionnaires administered to college students. The study explores the relationship between features of the embedded finance system and students' participation and confidence in handling financial transactions. The study seeks to understand how embedded finance influences student's participation in formal financial systems and their perceptions of financial inclusion. A quantitative research design was adopted, using regression and discriminant analysis on data collected through an online survey of 91 college students in urban India. The study finds that embedded finance features integrated into everyday apps significantly shape students' financial behavior, with trust and convenience emerging as the strongest drivers. Motivation to invest through familiar platforms and future-oriented confidence further highlight how embedded finance encourages early financial participation among youth. The findings highlight that embedded finance not only enhances convenience and trust but also serves as a catalyst for early financial participation, positioning it as a vital driver of student financial inclusion in the digital era.

KEYWORDS: *Embedded finance; Financial inclusion; Ease of payments; Early investing habits; Quantitative analysis; Urban India*

INTRODUCTION

The rapid digitalization of financial services has transformed how individuals access and interact with financial systems. Embedded finance has emerged as a key innovation within this ecosystem, referring to the integration of financial services such as payments, savings, and investment products into commonly used non-financial platforms. By embedding financial features into everyday applications, traditional barriers to financial access are reduced, enabling users to engage in financial activities seamlessly through platforms already part of their daily lives.

Among various population groups, students represent a crucial segment for understanding the impact of embedded finance on financial inclusion. With increasing reliance on digital payment platforms for routine transactions, students are being introduced to formal financial systems at an early stage. Features such as UPI-based payments, digital wallets, and app-based micro-investment options allow even those with limited or irregular income to manage money more conveniently and explore investment opportunities with minimal entry barriers. Financial inclusion extends beyond access to banking services, encompassing awareness, confidence, and active participation in financial activities. While existing studies largely focus on adults, households, or small businesses, limited research has examined how embedded finance influences the financial behavior of students. In this context, understanding the role of ease of digital payments and early investing habits becomes essential, as these factors may shape long-term financial literacy and behavior.

This study aims to examine the impact of embedded finance on students' financial inclusion and awareness. By focusing on ease of payments and early investing habits, the research analyzes how embedded finance applications influence students' confidence in handling financial transactions and their participation in formal financial systems.

Review of Literature

Professor Wilson Wong (2022) explored embedding financial services into college portals to simplify tuition, loans, and aid via a mock WPI portal for Citizens Bank. Findings showed improved convenience and reduced platform-switching using modern tools. However, it was institution-centric, overlooking everyday student financial behavior, which our study addresses.

Sadaf Shahzadi and Kausar Abbas (2021) examined how knowledge influences students' intention to use financial services. They found awareness boosts willingness and recommended literacy programs. Yet, they did not study embedded finance's impact on actual behavior, confidence, or investing, gaps our study fills

Peterson K. Ozili (Nov 2023) analyzed embedded finance for banked/unbanked adults and SMEs, showing improved access to loans and services despite trust and adoption challenges. His macro-level focus contrasts with our micro-level study of students' behavioral impacts.

Rezwan Ul Haque Aubhi, Md. Mokshud Ali & Sohel Rana (Jul 2025) used surveys and TAM/DOI models to show embedded finance boosts access for digitally literate rural/low-income users, though security and regulation hinder adoption. Bangladesh-focused and non-student-focused, it misses behavioral outcomes like confidence and investing that our study targets.

Silvio Andrae (Nov 2025) analyzed emerging economies (China, India, Kenya, Brazil) using panel data and case studies. He found embedded finance increases accounts, payments, and credit where infrastructure exists, but risks data misuse and concentration. His macro-level insights omit student financial behavior in everyday apps, which our study explores.

Need for the study

This study underscores the importance of understanding the composition of participants in the financial system, particularly the percentage of students, who are often overlooked in traditional financial inclusion research. It identifies areas of growth for the fast-rising technology of embedded finance, highlighting how everyday platforms can serve as gateways to financial inclusion. The research further provides insights into how embedded finance influences behavioral changes such as confidence, inclusion, and early investing habits among youth. Finally, it contributes to academic literature by addressing a gap in research on embedded finance and its impact on younger demographics, strengthening the foundation for future studies in this area.

Research Objectives

- To examine how embedded finance (UPI, app-based payments, micro-investments) impacts students' financial inclusion.

- To analyze whether ease of payments and rise in micro-investments increase students' confidence and participation in financial systems.

Scope of the paper

This paper focuses on students of higher educational institutions, including intermediate, undergraduate and postgraduate students. It examines embedded finance features such as payments, savings, and investments integrated into everyday apps, with particular attention to ease of digital payments and the development of early investing habits. By concentrating on embedded finance within commonly used non-financial platforms, the research highlights how financial services are reaching sections of society often overlooked by traditional banking. The research emphasizes behavioral changes like confidence, inclusion in the financial system and development of early investing habits among students. The data for this research is collected through a survey administered via an e-questionnaire.

Limitations of the paper

The study is limited to a student population which may restrict the generalizability of findings to other demographic groups. The findings primarily reflect behaviors shaped by embedded finance in everyday platforms, and may not capture the full range of financial interactions students have through independent finance apps. Additionally, the research focuses primarily on digital payments and micro-investments and does not cover other embedded finance services such as credit and insurance. The reliance on self-reported questionnaire data may introduce bias and inaccuracies, and a lack of physical communication with respondents limited the scope for clarifying doubts or probing deeper into responses. The study is geographically limited to India and time constraints prevent longitudinal tracking of how student behavior changes over a period of time.

Conceptual Framework

Comparison of Independent Variables (IVs) and Dependent Variables (DVs), namely:

Independent Variables (IVs)	Dependent Variables (DVs)
Using financial features inside everyday apps makes handling money easier for me as a student.	Overall, embedded finance has positively influenced my financial behaviour.
I feel more confident making payments through apps compared to using cash or visiting a bank.	
Having financial options inside apps I already use makes me feel more connected to the financial system.	
I believe app-based financial features save me time	

compared to traditional banking methods.	
I trust financial features inside everyday apps more than traditional banking for small transactions.	

RESEARCH METHODOLOGY

- Research Design: Quantitative Data Analysis.
- Population: University/college students in urban India.
- Sample Size: 91 students (survey)
- Data Collection:
 - Primary: Student surveys (circulated online questionnaire)
- Analysis Tools (Statistical tools):
 - Regression analysis was applied to examine the impact of embedded finance on the students' financial inclusion.
 - Discriminant analysis was conducted to analyze whether ease of payments and rise in micro-investments increase students' confidence and participation in financial systems.

Hypotheses

- H0: There is no significant impact of embedded finance on the students' financial inclusion.
- H1: There is a significant impact of embedded finance on the students' financial inclusion.

Findings and Outcomes

To examine how embedded finance (UPI, app-based payments, micro-investments) impacts students' financial inclusion.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.572 ^a	.328	.288	.65080

The model shows a correlation coefficient (R) of 0.572, indicating a moderate positive relationship between the independent variables and the dependent variable. The R Square value of 0.328 means that approximately 32.8% of the variation in the dependent variable is explained by the predictors included in the model. The adjusted R Square of 0.288 suggests that, after accounting for the number of predictors, the model explains about 28.8% of the variance, indicating a reasonably acceptable model fit.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.538	5	3.508	8.282	.000 ^b
	Residual	36.001	85	.424		
	Total	53.538	90			
Dependent Variable: Overall, embedded finance has positively influenced my financial behaviour.						

The ANOVA results indicate that the regression model is statistically significant. The model's F value of 8.282 with a significance level of .000 shows that the independent variable, embedded finance, has a significant effect on the dependent variable related to financial behavior. The regression sum of squares (17.538) represents the explained variation, while the residual sum of squares (36.001) indicates the unexplained variation in the model. Overall, the results confirm that embedded finance significantly contributes to explaining changes in respondents' financial behavior.

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.294	.440		2.939	.004
	Using financial features inside everyday apps (like pay-later, savings, or insurance) makes handling money easier for me as a student.	.207	.084	.241	2.462	.016
	I feel more confident making payments through apps compared to using cash or visiting a bank.	.067	.094	.085	.715	.007

Having financial options inside apps I already use (shopping, travel, food delivery) makes me feel more connected to the financial system.	.078	.096	.087	.818	.015
I believe app-based financial features save me time compared to traditional banking methods.	-.041	.110	-.041	-.370	.012
I trust financial features inside everyday apps more than traditional banking for small transactions.	.324	.099	.380	3.280	.002
Dependent Variable: Overall, embedded finance has positively influenced my financial behaviour.					

The regression coefficients indicate that several dimensions of embedded finance significantly influence students' financial behavior. The constant is significant ($B = 1.294$, $p = .004$), showing a meaningful baseline effect. Among the predictors, the perception that financial features in everyday apps make money handling easier has a positive and significant impact ($B = .207$, $p = .016$), suggesting that convenience enhances financial behavior. Confidence in making app-based payments also shows a positive effect, though its impact is relatively weaker ($B = .067$, $p = .007$). Similarly, feeling more connected to the financial system through app-based financial options has a positive and significant influence ($B = .078$, $p = .015$). The belief that app-based features save time shows a negative coefficient ($B = -.041$) but is statistically significant ($p = .012$), indicating a weak inverse relationship that may require further investigation. Trust in financial features within apps has the strongest positive and significant effect ($B = .324$, $p = .002$), making it the most influential factor in shaping students' financial behavior. Overall, the results suggest that convenience, confidence, connectivity, and especially trust in embedded finance play key roles in improving financial inclusion among students.

To analyze whether ease of payments and rise in micro-investments increase students' confidence and participation in financial systems.

Wilks' Lambda				
Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1 through 3	.461	66.277	15	.000
2 through 3	.796	19.463	8	.013
3	.933	5.901	3	.017

The Wilks' Lambda results indicate that the discriminant functions are statistically significant in explaining differences in students' confidence and participation in financial systems. The first test (functions 1 through 3) shows a Wilks' Lambda of .461 with a significant chi-square value (66.277, $p = .000$), indicating strong discriminatory power of the combined functions. The second test (functions 2 through 3) is also significant (Lambda = .796, $p = .013$), suggesting that these functions still contribute meaningfully after the first function is removed. The third function alone remains significant (Lambda = .933, $p = .017$), indicating that each discriminant function adds incremental value in explaining variations in students' financial confidence and participation.

Structure Matrix			
	Function		
	1	2	3
I am more likely to try saving or investing when it is embedded in apps I already use for shopping, travel or payments	.853*	.052	.232
Having savings or investment options inside apps motivates me to start managing money earlier	.640*	.409	-.431
I find it easy to start saving or investing small amounts through apps I already use.	.628*	-.324	.017
I feel more included in financial activities when apps offer features like gold savings, mutual funds or pay-later options	.525*	.426	.384
I believe starting small investments through apps will benefit me in the future.	.392	.410	.422*
*. Largest absolute correlation between each variable and any discriminant function			

The structure matrix shows how each variable is associated with the three discriminant functions based on their highest correlations. Function 1 is the most influential, with strong loadings from variables such as the likelihood of trying savings or investments through apps (.853), motivation to manage money earlier (.640), ease of starting small investments (.628), and feeling more included in financial activities (.525). This suggests that Function 1 mainly represents ease of access and motivational influence of embedded finance. Function 2 shows moderate contributions from variables related to motivation and financial inclusion, indicating a confidence-building or engagement dimension. Function 3 is primarily defined

by the belief that small investments through apps will benefit students in the future (.422), reflecting a **future-oriented investment perception**. Overall, the results indicate that ease, motivation, inclusion, and future benefits are key factors influencing students' confidence and participation in financial systems.

FINDINGS

1. It was observed that the students trust financial features inside everyday apps more than traditional banking for small transactions. ($B = 0.3240$)
2. It was also observed that using financial features inside everyday apps makes handling money easier for students. ($B = 0.207$)
3. Further, the analysis reveals that the students believe app-based financial features save them time as compared to traditional banking methods, but to a very low extent. ($B = -.041$).
4. It was observed that students are more likely to try saving or investing when financial services are embedded in applications they already use for shopping, travel or payments. ($B = 0.853$)
5. The analysis also indicates that students believe starting small investments through apps will benefit them in the future ($B = 0.422$)

CONCLUSION

In conclusion, the study confirms that embedded financial services significantly influence students' financial behaviour, with trust emerging as the most critical factor. Additionally, motivation and ease of investing through embedded apps is the strongest differentiating factor. Students are highly influenced when financial services are integrated into apps they already use. Future financial belief also plays a role, but to a lesser extent. Accessibility and integration are stronger drivers than long-term expectations.

Enhancing security, usability, and financial awareness within apps can further strengthen positive financial outcomes. Therefore, enhancing integration, simplicity, and financial education can further improve positive financial behaviour among students. Thus, embedded finance significantly encourages early financial participation among students.

SUGGESTIONS AND RECOMMENDATIONS

Based on the findings, the following suggestions are proposed:

1. Integrate Investment Options into Popular Apps

Since embedding financial features strongly motivates students:

- Financial institutions should partner with shopping, travel, and payment apps.
- Provide seamless in-app saving and micro-investment options.

2. Simplify Micro-Investment Features

As ease of starting small investments is a strong factor:

- Introduce low minimum investment options.
- Provide one-click investment features.
- Use simple onboarding processes.

3. Enhance Financial Inclusion Features

Students feel more included when apps offer gold savings, mutual funds, and pay-later services:

- Apps should diversify financial product offerings.
- Provide customized financial solutions for students.

4. Promote Long-Term Financial Awareness

Since future belief plays a moderate role:

- Apps should include educational tools.
- Show projected returns for small investments.
- Provide goal-based savings features.

5. Strengthen Financial Literacy Initiatives

To convert motivation into sustained financial behaviour:

- Include budgeting tools.
- Offer financial planning tips.
- Provide in-app financial learning modules.

Implications

This study can be used by various parties including policymakers, educators and more. Policymakers can design student-focused financial inclusion strategies, broadening the scope of economic development to include students. Fintech companies can create embedded finance products tailored to youth and educators can use the insights from the research to strengthen financial literacy programs, ensuring that students are better prepared to navigate the evolving financial ecosystem. Researchers can build on this work to compare youth

inclusion patterns across different regions and/or demographics, thereby expanding the scope of knowledge on embedded finance and its role in shaping financial behavior.

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