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Financial Innovation and Economic Competitiveness in India: The Role of Digital Transformation

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Abstract: Financial innovation and digital transformation have emerged as key drivers of economic competitiveness in India, particularly with the fast growth of digital payment systems and internet connectivity. This study examined the relationships among financial innovation, digital transformation, and economic competitiveness using annual secondary data for the period 2016–2025. Financial innovation was measured through the annual value of Unified Payments Interface (UPI) transactions, digital transformation by the percentage of internet users, and economic competitiveness by GDP per capita. Data were compiled from the National Payments Corporation of India (NPCI) and the World Bank's World Development Indicators (WDI). A quantitative research design was adopted, and descriptive statistics, trend analysis, Pearson's correlation, and simple linear regression were performed using JASP. The findings reveal a substantial increase in financial innovation, digital transformation, and economic competitiveness over the study period. Correlation analysis indicates strong and statistically significant positive relationships among all three variables. Regression results indicate that financial innovation has a significant influence on digital transformation ($\beta = 0.928$, $p < 0.001$) and economic competitiveness ($\beta = 0.960$, $p < 0.001$), while digital transformation also has a significant positive effect on economic competitiveness ($\beta = 0.915$, $p < 0.001$). The study concludes that financial innovation is a major driver of India's digital transformation and economic competitiveness, highlighting the importance of strengthening digital financial infrastructure, promoting FinTech innovation, and expanding digital inclusion. The findings provide valued insights for policymakers, financial institutions, and industry stakeholders seeking to foster sustainable economic growth and enhance India's competitiveness in the digital economy.

Keywords: Financial Innovation, Digital Transformation, Economic Competitiveness, FinTech, GDP per Capita

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