

Digital Financial Inclusion

Kirti Kapoor¹

Assistant Professor

Department of Business Management

Khalsa College for Women, Civil Lines, Ludhiana

Abstract:- Digital financial inclusion refers to the availability of opportunities of accessing digital financial services by low income groups and weaker sections of society. In the financial service industry, adoption of technology has been accelerating in the recent years. There are various digital applications that offer financial services have been increased and continuously growing. Latest developments in technology can be used very effectively so that it becomes easy to bring those people who are financially excluded under the ambit of digital financial inclusion also in a cost effective manner. Many policy makers and academicians are getting attracted towards digital financial inclusion after seeing its increasing advantages. The objective of this paper is to understand digital financial inclusion. Another purpose of this study is to identify the impact of digital finance in bringing about financial inclusion among people.

Keywords:- Digital Financial Inclusion; Financial Stability; Financial Technology.

I. INTRODUCTION

The concept of Digital financial inclusion came into existence which refers to programmes to provide underprivileged communities of people with inexpensive digital financial access. It offers businesses digital alternatives for saving money, investing, and forming new capital. This is the management and organisation of numerous financial and payment services that are offered and controlled by a group of specialists using mobile or Web technology. This is possible through the development of digital transformation including e-money, mobile banking and cashless transactions. The main aim of digital financial inclusion is to make readily accessibility of financial services in emerging nations through digital platforms.

➤ Objectives of Study

The present study has been taken with an overall objective of highlighting the following aspects—

- To understand the concept of digital financial inclusion.
- To assess the advantages, benefits, constraints and disadvantages of digital financial inclusion.
- To identify the impact of digital finance in bringing about financial inclusion among people.
- To examines the impact of digital finance for financial inclusion and financial system stability.

II. REVIEW OF LITERATURE

(Banerjee, 2016) The Government of India developed a biometric ID system called “Aadhaar” made to increases access to formal financial services for consumers and reduces costs for providers.

(Sarma ,2012) in another study, used data from the World Bank database named the Global digital Financial Inclusion, to demonstrate the positive and significant relationship between development and digital financial inclusion. This study is to prove that the development of the financial and banking sectors is directly related to digital financial inclusion.

(Park and Mercado, 2015) similarly illustrate that changes in the regulation of the financial system led to a decrease in inequality and promote banking and financial stability.

(Jabir, 2017) reveal that financial inclusion dramatically reduced poverty among low-income households by providing net wealth and greater social benefits.

III. MEANING OF DIGITAL FINANCIAL INCLUSION

Digital financial inclusion is the fourth stage of the financial revolution after developing microcredit, microfinance, and financial inclusion. Compared to financial inclusion, digital financial inclusion places more importance on technology to broaden the accessibility to formal financial services. Digital financial inclusion aims to eradicate obstruction to encourage individuals' participation in the financial services offered by financial institutions and benefiting from it. Due to fast technological advances, cell phones and social media have a very high penetration rate in today's internationally linked economy. Many nations across the globe have a tremendous potential to enhance their countries' economic development and financial stability by embracing financial inclusion via mobile payment systems.

➤ Goals of Digital Financial Inclusion

- The goal of digital financial inclusion is to offer financial services for the attainment of the sustainable development goals.

- Digital financial inclusion seeks to provide a variety of digital financial services.
- Digital financial inclusion involves bringing unbanked adults into the formal financial sector by offering digital interface such as a mobile phone or other digital devices.

➤ *Instruments of Digital Financial Inclusion*

Some tools or instruments for digital financial inclusion include:

- E-money accounts
- Debit cards
- Credit cards
- Mobile money
- Internet banking
- Retail point of Sale terminals
- Agent networks

➤ *Advantages of Digital Financial Inclusion*

Digital financial inclusion has many benefits. Some of them are discussed as follows:

- Digital financial inclusion helps in lowering banking transaction costs by reducing queuing lines in banking halls, reduce manual paperwork and documentation and to maintain fewer bank branches.
- With digital financial inclusion, large number of depositors can easily switch banks within minutes; forcing banks to provide quality services or risk losing depositors to rival banks.
- Digital finance can lead to greater financial inclusion, expansion of financial services to non-financial sectors and the expansion of basic services to individuals since mobile phone penetration rate is very high in developing and in underdeveloped countries.
- Digital financial inclusion can improve the welfare of individuals and businesses, which have a reliable digital platform, with which; they can carry out financial transaction and access funds directly from their bank accounts.
- The expected benefits of digital financial inclusion can be fully realized if the cost of obtaining a digital transactional platform by poor individuals is negligible or low, where a digital transactional platform refers to mobile phones, personal computers and related devices.
- Digital finance benefits by reduces the circulation of fake currencies, which is a great boon to any countries economy.

V. DATA ANALYSIS AND INTERPRETATION

➤ *Personal Profile*

- Name: _____
- Age: _____
- Gender: a) Male _____ b) Female _____
- Occupation: a) Service _____ b) Profession _____ c) Business _____ d) Student _____
- Qualification: a) Matric _____ b) Under Graduate _____ c) Post Graduate _____

➤ *Disadvantages of Digital Financial Inclusion*

Though digital financial inclusion appears to be rosy, it has thrones, which causes the source of worry. Some of them are:

- Customer faces, what is termed as ‘Novelty risks’ which arises due to their lack of familiarity with the products, services, and providers and their resulting vulnerability to exploitation and abuse.
- There are few ‘Agent-related risks’ since, the service providers offering services are not subject to the consumer protection provisions that apply to banks and other traditional financial institutions.
- Technology related risks, inherent in the system, which might result in disrupted service and loss of data, including payment instructions, as well as the risk of a privacy or security breach resulting from digital transmittal and storage of data.

IV. RESEARCH METHODOLOGY

Research Methodology is a way to systematically solve the research problem. The Research Methodology includes the various methods and techniques for conducting a research. Here Descriptive research is done through questionnaires or interviews (person or phone), or through observation. For present study, the research was descriptive and conclusion oriented.

➤ *Sampling Technique:*

Convenience Sampling was used to select the sample. Convenient sampling is a non-probability sampling technique that attempts to obtain a sample of convenient elements .In case of convenience sampling, the selection of sample depends upon the discretion of the interviewer. In this project, Questionnaire Method was used for the collecting the data. With the help of this method of collecting data, a sample survey was conducted.

➤ *Tools of Presentation & Analysis:*

Percentage, bar graphs and pie charts are used to analyse the data obtained with the help of questionnaire.

➤ *Data Collection:*

Data Information has been collected from both Primary sources include questionnaires, direct interviewing and Secondary Data includes text books and internet.

➤ *Do you know about the Different Digital or Online Banking Credits Available in Banks nearby your Location?*

Table 1 Availability of Digital Banking Credits

Options	Response	Percentage
Yes	78	78
No	22	22
Total	100	100

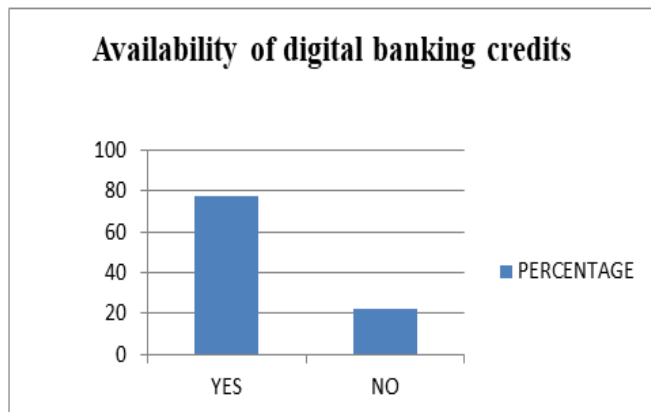


Fig 1 Availability of Digital Banking Credits

➤ *Interpretation:*

- Majority of the respondents are known about the availability of online banking credits.
- Very few people are still unaware about the facilities of online credit available at their nearby banks due to some reasons.

➤ *If ever Borrowed, what was the Type of Credit/Loan had you Borrowed Digitally or Online?*

Table 2 Types of Digital Borrowings/Loans

Options	Response	Percentage
Housing loan	18	18
Business loan	27	27
Education loan	32	32
Vehicle loan	15	15
Not borrowed	8	8
Total	100	100

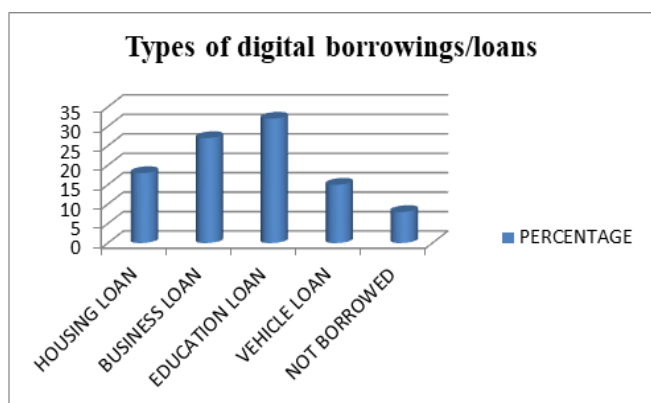


Fig 2 Types of Digital Borrowings/Loans

➤ *Interpretation:*

- Most of the people took loan for educational purposes. It reflects that youth students are very much aware about the banks and online banking credit facilities.
- Another category is of people who had taken Business loan and housing loan facility. Only very less % of people are not taken any borrowings at digital platform ever.

➤ *If Borrowed Online from Banks, which of the Following Reasons Lead to this Choice of yours?*

Table 3 Factors Influencing Online Borrowing

Options	Response	Percentage
Low rate of interest	27	27
Offered/arranged by bank	18	18
Easy & flexible to get	40	40
Trustworthy lender	15	15
Total	100	100

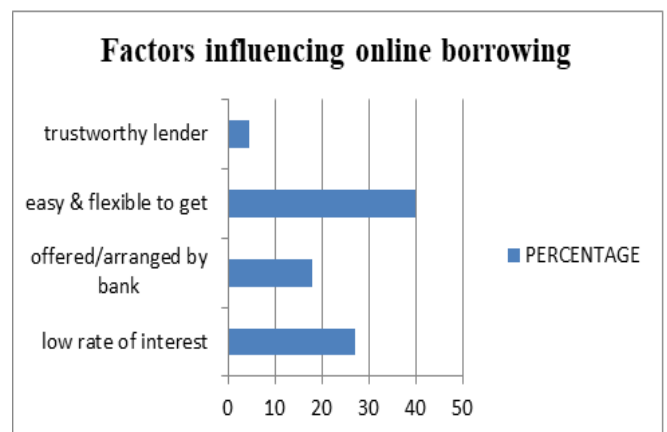


Fig 3 Factors Influencing Online Borrowing

➤ *Interpretation:*

- Majority of the people made online borrowings as according to them it was very easy and flexible to get this facility from banks. The major reason behind it is the initiatives taken by government and RBI so that everyone must become approachable for financial services easily.
- Very few people are in the favour that the source is trustworthy from where they borrowed.

➤ *How did you Find out that Banks were giving such Various Digital Financial Services?*

Table 4 Sources of Information

Options	Response	Percentage
Bank officials	22	22
SHG members	32	32
NGOs	16	16
Neighbours/newspapers/ advertisements	30	30
Total	100	100

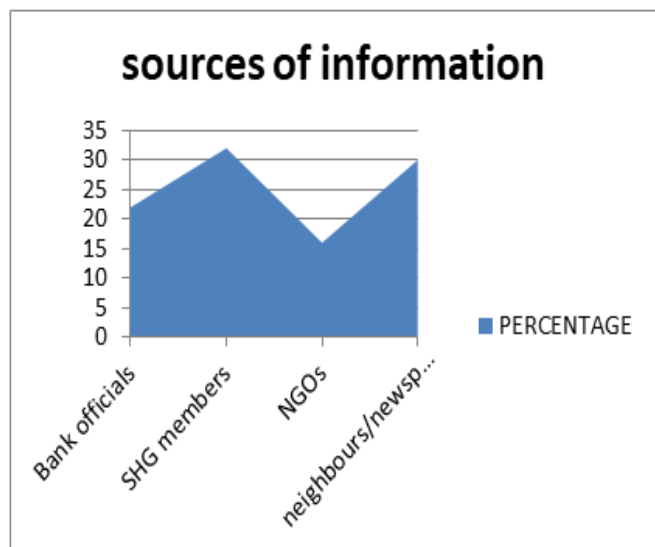


Fig 4 Sources of Information

➤ Interpretation:

- Most of the people are came to know about digital financial services which was an initiative taken by RBI from self-help groups, neighbours, newspapers and advertisements.
- Only few people came to know about from NGOs and bank officials.

➤ What Type/form of Digital Financial Services or Products of Banks or other Financial Institutions are you used?

Table 5 Types of Digital Financial Services

Options	Response	Percentage
Online Insurance services	12	12
Debit card/credit card	18	18
Long/short term borrowing	8	8
All of the above	62	62
Total	100	100

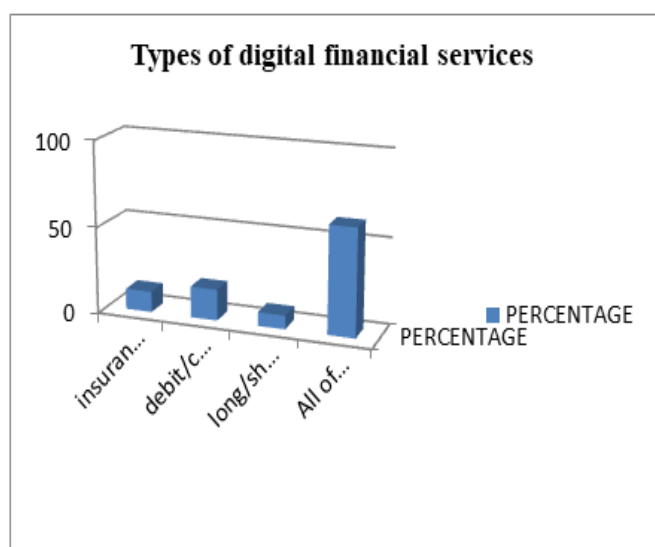


Fig 5 Types of Digital Financial Services

➤ Interpretation:

- Majority of the respondents are using all of the financial products and services like online insurance services, debit and credit card, long term and short term borrowings and many more that are available in the banks and other financial institutions.
- Very Few people are taking advantage of only borrowings of the bank available digitally.

➤ What do you Think that the Government, Local Bodies, Banks, NGOs and others might need to do to Further Achieve Digital Financial Inclusion?

Table 6 Need of Further Achievement

Options	Response	Percentage
Yes	52	52
No	48	48
Total	100	100

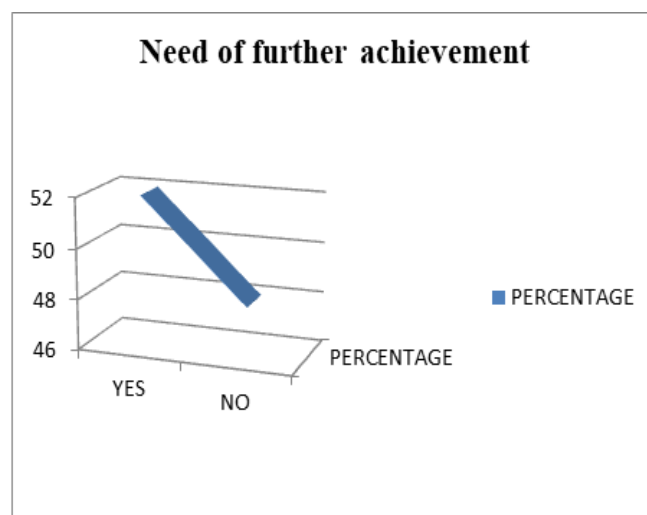


Fig 6 Need of Further Achievement

➤ Interpretation:

- Maximum people are in the favour that some more measures should be adopted by government, RBI and other local bodies to achieve digital financial inclusion.
- Minority of the respondents are wanted to have more initiatives.

➤ Does Demographic Factors in Particular Age, Gender and Education Level Influence the Digital Financial Services Awareness of Students of Higher Educational Institutes?

Table 7 Influence of Demographic Factors

Options	Response	Percentage
Yes	68	68
No	32	32
Total	100	100

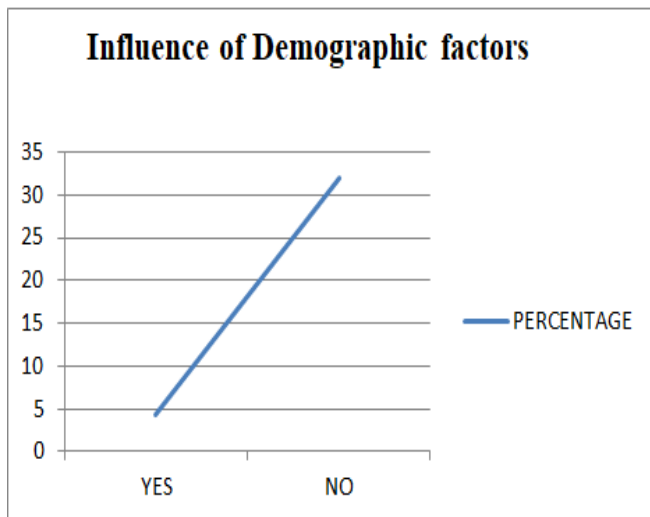


Fig 7 Influence of Demographic Factors

➤ Interpretation:

- Majority of people are agreeing with this fact that different demographic factors influence the digital financial services awareness of students of higher Educational institutes.
- Only few are in the favour that demographic factors affect.

➤ Does a Business Degree Promote Greater Digital Financial Services Awareness of Students of Higher Educational Institutes?

Table 8 Influence of Business Degree

Options	Response	Percentage
Yes	40	40
No	60	60
Total	100	100

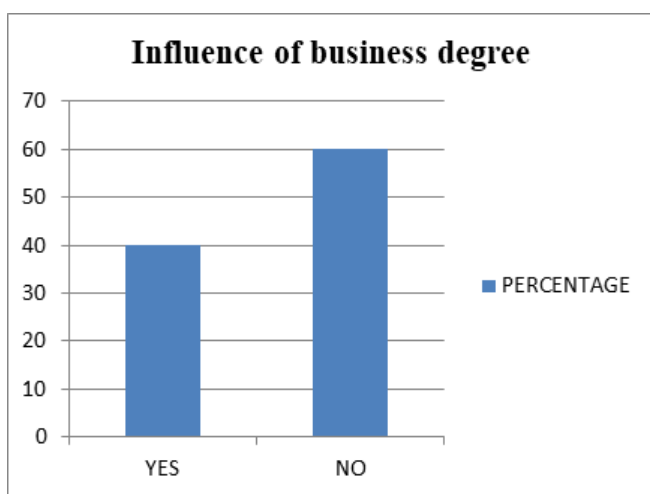


Fig 8 Influence of Business Degree

➤ Interpretation:

- Very less people think that business degree promotes digital financial services awareness of students of higher educational institutes.

➤ What are the main Problems or Challenges to Digital Financial Inclusion?

Table 9 Challenges to Digital Financial Inclusion

Options	Response	Percentage
Lack of access to digital financial inclusion	30	30
Low digital financial education & literacy	30	30
Financial instability policies	22	22
Lack of traditional credit data	18	18
Total	100	100

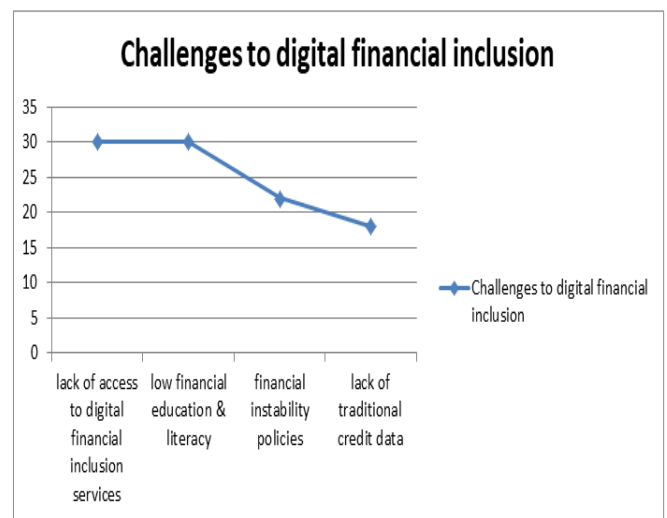


Fig 9 Challenges to Digital Financial Inclusion

➤ Interpretation:

- Equal number of people is of opinion that lack of access to digital financial inclusion and less literacy & financial education are the main challenges to digital financial inclusion.
- Very few think that lack of traditional credit data is responsible as challenge to digital financial inclusion.

➤ How does a Digital Transactional Platform yield Further Benefits for Financial Inclusion?

Table 10 Digital Benefits for Financial Inclusion

Options	Response	Percentage
Interest bearing savings	22	22
Credit facilities	30	30
Insurance facilities	32	32
Investment products	16	16
Total	100	100

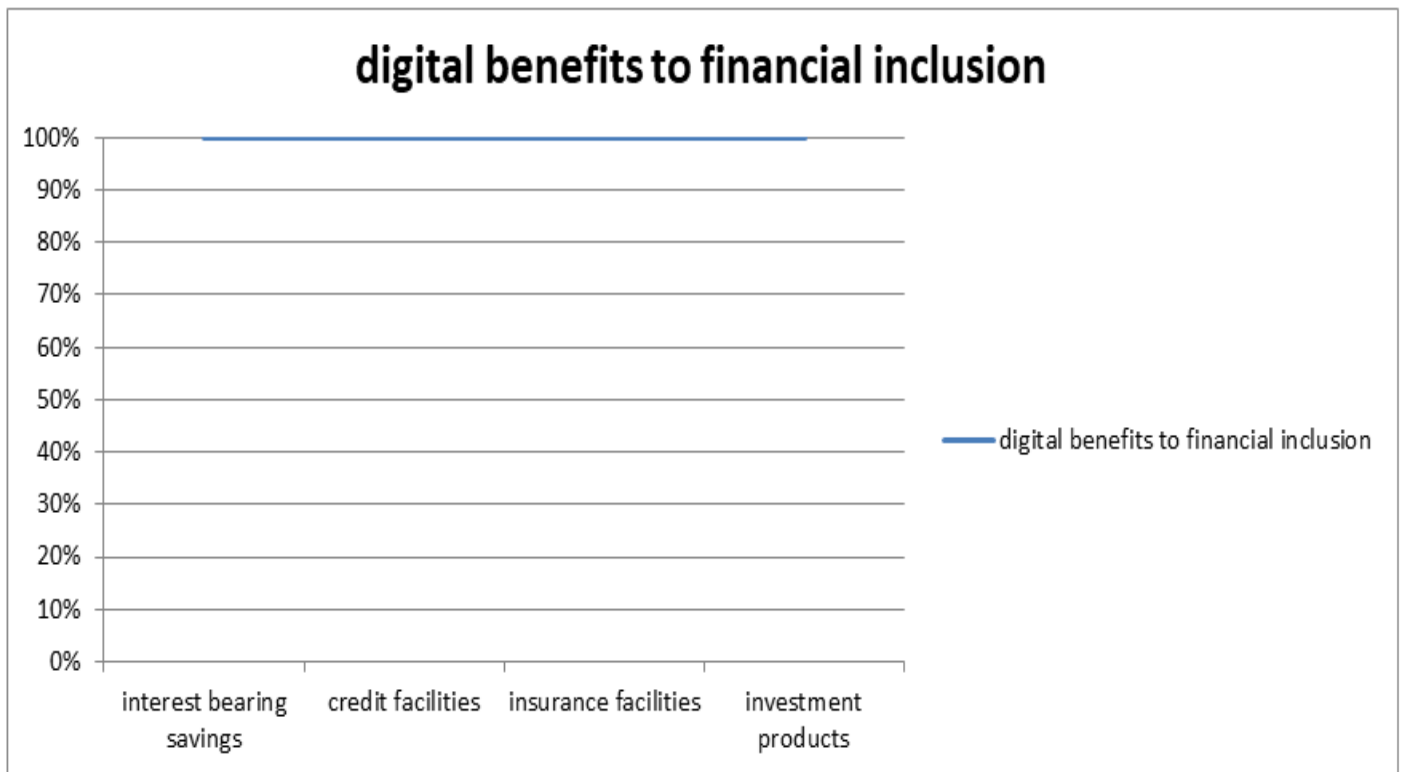


Fig 10 Digital Benefits for Financial Inclusion

➤ *Interpretation:*

- Most of the people think because of availability of insurance and credit facilities, digital platforms yield further benefits to financial inclusion.
- Investment products and interest bearing savings are not so much proving successful as digital platforms to financial inclusion.

VI. FINDINGS/RESULTS

- Most of the people took loan for educational purposes. It shows that youth students are very much aware about the banks and online banking credit facilities.
- The usage of the internet on smartphones enables important banking services, which account for a large portion of digital finance in emerging countries.
- Digital technology has considerably contributed to financial inclusion. Internet and mobile phone use promotes financial inclusion more than other technologies. Strong internet access is required for payments and other online transactions.
- Awareness of all the digital products, services is very important and it increases the usage level which ultimately contributes towards economic growth.
- If people have good knowledge about different products and services available in the market, it contributes towards growth in their own individualistic monetary benefits.

VII. LIMITATIONS

➤ *This Report had to Work under Several Constraints and Limitations. Some of the Key Limitations are-*

- The sample size taken was small, therefore it can be said that the chosen sample is not the representative of the whole population and this hindered quantitative research.
- The psychology and temperament of a respondent play a significant role. Some respondents are more sensitive as against this that is more tolerant. A change in the composition of the respondents can affect the answers adversely or favourably.
- Respondents may not have been true in answering various questions and may be biased to certain this questions.

VIII. CONCLUSION

- As the study was intended to get in-depth notion on the concept of digital financial inclusion and to assess the various prospects and challenges of Digital Financial Inclusion, the researcher listed out various advantages, benefits, constraints and disadvantages of Digital Financial Inclusion from the perspective of rural customers as well as service providers.
- This study is a live guide to the financial institution understands the various challenges and opportunities concerning Digital Financial Inclusion for the financially inclusive growth of all the sections of the society.

- Digital Financial inclusion, a global goal, has attained a commendable progress in terms of ownership of accounts and debit card users.
- The technology deployment and new approaches of digital financial inclusion have quickened the penetration of financial services among the low income groups across the globe.
- This study indicates that financial stability and digital financial inclusion are mutually reinforcing and thus a balance between these two objectives can be achieved by adopting some more measures.

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