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# RESHAPING FINANCIAL LANDSCAPE THROUGH E-FINANCE: IN INDIAN CONTEXT

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**ABSTRACT**

*E-finance, or electronic finance, is precisely an innovation that reshapes individuals' knowledge about the financial set-up and enables developing countries to leapfrog. It provides financial services through electronic network or electronic media and could be a subset of e-commerce where goods and services are sold on the web. E-finance, also called digital finance or cyber finance, is described as "the most promising area of e-commerce" and as "an actuation that's changing the landscape of the finance industry". With the generalization of use of the net round the World, numerous opportunities associated with financial services and electronic payments appeared. Additionally, e-finance may be a tool to spice up the entrepreneurial framework of a nation. This innovation may be a cheaper solution to integrate economic agents into the financial sector. It enables to cut back transaction costs, encourages funding initiatives through easier availability of loans and forges a better relationship between customers and also the financing institutions. With the event of E-Finance, the delivery of economic services becomes quicker, easier and with less collateral required. This last advantage is vital in developing countries. Last but not least, this innovation can help boost entrepreneurship and contribute to the GDP by widening the financial market and making it a safer place.*

***Keywords:*** *E-Finance, Economic, Productivity, Technological Innovation, Entrepreneurship.*

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## Introduction

Additionally, e-finance will be a tool to boost up the entrepreneurial framework of a nation. They develop new solutions and techniques that increase productivity and thus economic development. Innovation and entrepreneurship are key factors for economic process. However, to innovate, it's fundamental to own access to proper financing system. Many entrepreneurs lack financial knowledge, strategic vision, resources and in some cases, the willingness to draw in sources of finance aside from straight debt. Therefore digital finance can constitute an improved access to funding and it's even more important in countries lacking a developed economic system. The productivity of a nation improves and ends up in higher profits with the event of the national economy through a better quality of entrepreneurial projects. A more-developed financial set-up enables the diversification of the danger. Thus, financial intermediaries' services are positively correlated to economic process and they are essential for technological innovation. The acceptance of innovation is correlated to the extent of trust among the population and between sellers and buyers of economic services. The shortage of face-to-face interaction that helps build strong relationships which is present in e-finance may appear risky for both parties.

## Impact of e-Finance on Entrepreneurship and Economic Growth

Digital finance affects all aspects of the business of banking and financial intermediation. The financial sector is crucial for the allocation of resources for investment purposes. A developed financial market permits to higher direct the capital to productive business, to form new projects and thus result in economic process. A doubling of the dimensions of personal credit in an exceedingly developing

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country is related to a 2 percent annual increase in economic process. Therefore, productivity and economic process rely on the extent of development of the national economy. For the authors a developed economic system results in a much better selection of projects and entrepreneurs by diversifying the chance and by bringing to the fore innovative and profitable businesses. An unstable national economy decreases the services provided to entrepreneurs and savers and consequently harms economic process. Today, startups play a key role in the modern entrepreneurial framework together with the ICT revolution. Entrepreneurship is as important because the three factors of production - land, labor, capital. It requires knowledge and know-how since education generates wealth. Additionally, innovation requires funding, hence the key role of monetary services in financing the projects of the entrepreneur/innovator but also to require part the risk associated to the investment. Financial innovations help low-income households in Asia and geographical region to extend savings and to raised manage risks. Thereby, employment rates increase then does productivity and therefore the quality of services. Moreover, e-finance increases competition in financial services by attracting individuals outside the banking industry and increasing competition between providers, that results in lower fees and cheaper financial services. Indeed, electronic finance reduces the value of providing services by 80 to 90 percent (McKinsey Global Institute (2016)). The event of this digitalization results in the restructuration of the financial market and therefore the banking sector by emphasizing the disintermediation. This disintermediation reduces asymmetric information due to lower costs of communication, computation and processing. It ends up in a more equal access to information and to more consolidation in the banking sector by raising scale economies. E-finance enables entrepreneurs to attach affordably with markets and banks and increases their profitability by making the financial transaction less expensive and far safer. Besides, by transitioning to digital payments, entrepreneurs can have higher chances to possess access to credit through credit history in financial institutions. As a result, shifting to e-finance enable to extend savings likewise because the substitution of informal saving. However, to do so, governments, and also business owners, must digitalize their payments to extend financial inclusion E-finance generally and digital payments specifically can help entrepreneurs track better their sales and improve easier their profit margins. This financial innovation also can boos female entrepreneurship by ensuring them secure and personal earnings.It also participates to economic process by increasing productivity through a gain in time and price for businesses and fewer outflow of state expenditure and assembling. At last e-finance play a task in economic process by increasing investments with higher proportion of credit to small businesses.

Other Impacts of E-Finance are:

- **Impact of e-Finance on International Trade:** e-finance affect the international business in many ways like new virtual network intermediaries or electronic marketplaces reduce the necessity for the firm to own human and financial infrastructures necessary for internationalization.
- **Impact of e-Finance on Developing Countries:** E-finance and globalization offer many important opportunities. E-finance has great potential to enhance the standard and scope of monetary services and expand opportunities for trading. For several countries, e-finance will allow easier access to global capital and financial service providers, bringing opportunities to quickly widen access to and improve financial services. Achieving such gains would require that emerging markets give far greater priority to improving the framework for financial and other information, modernizing and strengthening their legal systems, and improving technology-related infrastructure.
- **Impact of e-Finance on Financial Markets**: In this section we consider the impact of transmission and computation on stock markets, bond markets and interchange markets. Now all the stock exchanges, bond markets, exchange markets and financial markets have moved to electronic trading to avoid the chance of fluctuation and to cut back the price of transactions.
- **Impact of e-Finance on Banking Services:** The other sector which is plagued by e-finance services is banking sector. By using e-finance services in banking it'll provide certain gain because it reduce the transaction cost by less use of paperwork.
- **Impact of e-Finance on Non Performing Assets:** e-finance helps in proper assessment of loan risk with the appliance of modern techniques. It also ensures better customer relationship management, better loan monitoring and lessening the Interest rates. Therefore, implementation of e-finance reduces the NPL of banking sectors.

- **Impact of e-Finance on Revenue and Cost:** Last but most significant impact of e-finance is that it reduces the transaction cost additionally paperwork, that may automatically increases the revenue of economic service sectors.

**Components of e-Finance**

As mentioned above, e-finance comprises e-payment, e-money, e-banking, e-trading, e-broking, e-mortgage and e-insurance.

- **e-payment & e-Money:** Electronic payment and e-money both challenge cash-based societies. They're tools to buy goods and services through the net. They're innovative systems that increase the efficiency of transactions and reduce fraud because of their traceability. This money exchange between a buyer and a seller include the utilization of credit/debit cards online, electronic cheques and electronic cash. E-Money or digital money also can be cited as an electronic purse where the worth of money is stored on an electronic devise (phone, computer) or a card.
- **e-banking & e-mortgage:** E-banking include all the banking services online. It facilitates the access to bank accounts through electronic devices and enables a self-directed service 24/7. It includes traditional banking services like bank accounts checking, money transfer, inquiry, customer service etc. Some banks allow further autonomy with wider range of economic services like loan demands and facilitated trading opportunities. This leads us to electronic mortgage where classic mortgage loans are executed online.
- **e-Insurance and Guarantees:** Another part of the e-trade finance module in many banks, E-insurance and guarantee services enable SMEs to use for insurance and guarantee online. This involves the privacy of customer data, thus the bank should clarify to customers that such information are going to be forwarded to a 3rd party. Example: e-Insurance service by EDC Export Development Canada (EDC) has an internet service called EXPORT Protect.
- **e-Credit and e-Loans:** Now days for smooth running and success of SMEs these quite e-finance services are more important. Under e-credit and e-loan facility, SMEs are required to use for credit or loan facility online from the bank. When bank approved loan, than amount are credited on to the customer's account and it'll save the time further because it is more efficient way of getting loans from the banks for SMEs.
- **e-Rating:** E-rating plays important role for both: banks and SMEs because it provide the credit and payment track records of the parties involved in the transactions to FIs moreover as help in managing their risk. While banks have their own risk management and credit assessment units, they also depend on specialized services, which give credit information and assessment data, also as ways and means, like credit risk insurance, to cut back the credit and transaction risks.
- **e-Trading & e-Brokerage:** Trading electronically refers to purchasing and selling securities, exchange and derivatives online. This paperless method affects equity markets and ends up in a major reduction of costs and a faster due to execute orders. Finally, e-brokerage is an innovative system allowing buyers and sellers to trade stocks electronically. It reduces brokerage bias. However the power of use of e-trading and e-brokerage can encourage online investors to require more risks. In 2014, 28 percent of brokerage services in India were provided online and in step with the globe Band and therefore the world organisation Conference on Trade and Development in 2002, in Mexico, e-brokerage was "rather well developed" and the country was leading "Internet banking in geographic region."

**Technology and Quality of Infrastructure in Developing Countries**

The development of e-finance is very dependent to the technology and also the infrastructure of the country. A low financial inclusion is linked to a low rate of credit/debit cards followed by only a few ATMs caused by the shortage of demand. This constitutes a barrier to e-finance and e-commerce normally. Countries with poor telecommunications infrastructures and low Internet penetration because of high costs stay marginalized from this financial innovation. In the case of telecommunications where the infrastructure isn't at the identical level of development altogether regions of the planet, access to the internet in most developing countries is extremely slow and expensive. In some countries, the monthly cost of the web subscription surpasses the monthly income of the bulk of the population and it's the identical for computer equipment. Most of the developing countries with very low numbers of Internet users are in Africa. In 2016, Eritrea, Brunei, Burundi, Somalia and Guinea had quite 98% of the population Internet less. The event of broadband markets, efficient and innovative supply arrangements, and effective use of broadband services require policies that promote effective competition and continued to worry liberalization in infrastructure, network services and applications across different technological platforms.

Few of the factors which are cultural and institutional also enable the increase of E-Finance. First and foremost, the population of developing countries has to be nonresistant to innovation so as to cut back socio-cultural barriers. The acceptance of innovation is correlated to the amount of trust among the population and between sellers and buyers of monetary services. The shortage of face-to-face interaction that helps build strong relationships which is present in e-finance may appear risky for both parties. The expansion of cyber finance permits more transparency in financial transactions and thus less anonymity. Distrust in governments makes people reluctant to having formal bank accounts and being a part of the innovation in the financial sector. Finally, developing countries suffer from a high percentage of uneducated people and thus incomprehension ahead of the online presented in an exceedingly different language. This exact same education is required to control computers and mobile phones. High investments in the educational system are, therefore, essential. But this socio-economic barrier is expounded to political and economic issues in developing countries. Educated people can constitute a threat to dictatorships in developing countries and low revenues and corruption harm public investments in schools for instance.

**Issues and Challenges**

| **Basis** | **Main challenges for e-Finance** |
|---|---|
| **Security** | Software virues |
| **issues** | Hacking, Service disruption, Phishing-latestinternetfraud |
| **Population issues** | • Lack of awareness<br>• Lack of privacy<br>• Cultural barriers<br>• Preference to personalized financial services<br>• Lackof trust |
| **Revenue and cost issues** | Revenue structure complex Pricing complexities<br>High cost of internet services |
| **Legalissues** | Lack of proper rules and regulations Lack of law enforcement<br>Lack of e-certificate and signature |
| **Infrastructural issues** | Lack of integration between institutions<br>Lack of reliable & affordable ICT infrastructure Limited coverage services |
| **Technology issues** | Problem in adopting global technology in local Size<br>Financial issues<br>Lack of proper knowledge<br>Lack of resources |

**Requirements to Make e-Finance Better**

Since everything functions online in e-banking -consulting bank statements or general services like paying bills, applying for a loan or maybe trading securities- there are less paper and mail costs. Due to the internet, clients can edit their profiles for more personalized pricing of economic services. For consumers, Internet banking provides convenience, lower service charges, more accessible information about bank accounts, and a good option for busy people since it saves time to travel to the bank branches and provides 24 hours access. Thus, e-finance may be a disruptive innovation that may impact the economic system and therefore the development of the economy. Nevertheless, this revolution in developing countries may be very risky in an exceedingly legal and regulatory way and theses disadvantages constitute a challenge for the expansion of e-finance. Furthermore, to beat the challenges of e-finance in developing countries, their economies should become more cashless. The speed of economic inclusion is additionally low due to an insufficient ATM network, especially in rural areas so e-finance can help reduce the price of money. In Delhi, for instance, the 11 million inhabitants spend, collectively, around 72 million hours p.a. chasing cash. A study by McKinsey estimates that India could gain Rs 1,000 billion more (1.6 percent of GDP) by becoming cashless. However, during a big majority of developing countries, the cash is king. A cashless society conducts transactions through digital means. Its main advantage is to significantly reduce black money from evasion and crime which lessen the government budget. By ensuring a maximum traceability, the State can levy taxes and improve public services. Turkey used e-finance as an answer to fight shadow economy through the event of e-taxation and e-declaration. However, the primary and foremost disadvantage of cashless societies is the lack of privacy. Also, the chance of exclusion of people in rural areas becomes amplified. The gap between the well-versed stakeholders and therefore the less educated becomes wider. Finally, the web has its flaws and hackings can occur, causing the loss of savings.

## Conclusion

E-finance could be a revolutionary tool to enhance access to financial services in developing countries for under-banked and unbanked people. This inclusion participates to the expansion of business opportunities by reducing the burden of collaterals for credit. These investments need to be combined with educational opportunities to enable better implementation. Today, financial services remain limited in the developing countries. the largest challenge for e-finance in developing countries remains the ubiquity of money and political instabilities affecting the economy and preventing from fostering private initiatives like private investments and innovations. Public and personal investments in infrastructure, technology and telecommunication are essential for the progress of e-finance in developing countries. Governments must set an example by digitalizing their financial services through electronic paychecks and e-taxes as an example. But, so as to accelerate the event of the financial sector, regulations and supervisions need to be implemented. Hence, it can be interesting to check how government initiatives can change societies and mentalities. Besides, following the concept of creative destructive of Schumpeter, will e-finance evict sooner or later traditional financial services in developing countries and make today's payment means by cash obsolete.

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