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DIGITAL FINANCE AND ITS IMPACT ON FINANCIAL INCLUSION

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ABSTRACT

Financial inclusion can be described as the process of ensuring that disadvantaged groups, such as weaker groups and low incomes, have access to financial services and sufficient credit where appropriate at an affordable cost. Financial inclusion requires access to financial products and services such as bank accounts, insurance, financial advice services, remittance & payment services, etc. It gives people the opportunity to save for financial prosperity, a high level of bank deposits will allow for a stable deposit base, savings-building opportunities, investment and access to credit. There is now a day of economic development that focuses on financial inclusion. These are done collectively by enabling modern banking technologies. Many banks have arrived with modern banking technologies in the new "Digital finance" scenario for banking customers. Digital finance has thus offered the banking industry a new form. Digital finance is a financial service provided through a reliable digital payment system through cell phones, personal computers, the internet or cards. Digital finance has the ability to provide inexpensive, convenient and safe banking services. Digital finance offers greater control of personal finance for clients, swift financial decision-making and the opportunity to send and receive payments. A win-win situation that is accomplished by digital finance is financial inclusion.

Keywords: *Financial Inclusion, Digital Finance, Financial Products, Innovative Financial Technology.*

Introduction

There are many advantages of digital finance and financial inclusion for consumers of financial services, digital finance providers, governments, and the economy. The initiative for increased financial inclusion in developing countries has been led by the G-20 and the World Bank since 2010 to help reduce poverty levels in developing and emerging economies (Peterson K Ozili, 2018) 1 . A wider variety of financial services, such as online banking, mobile banking, etc, allow access to digital technologies. Online banking, mobile banking, e-wallets, mobile wallets, and credit and debit cards have been spread by this technology. It gives the client many advantages, such as ease, simple financial transfers, etc. The risk of cyber-attacks, however, is the red alert that coincides with the economy's evolution. Although people are comfortable with cashless payments, it seems that some negative perceptions such as security concerns, weak network coverage, and lack of merchant willingness, high transactional costs, lack of technology awareness of consumers, etc., discourage many from embracing the new system. Digital financial services can be more convenient and inexpensive than conventional banking services, allowing low-income and poor people to invest and borrow from the formal financial system in developing countries and to gain a financial return. It is important to the public as it increases their cash protection and is more comfortable compared to having money traveling with the money at home. The provision of digital finance, however, requires the involvement of numerous actors, such as banks/financial institutions, operators of mobile networks, suppliers of financial services, regulators, agents, retail chains, and consumers. It can eliminate such transaction costs and provide poor individuals in developing countries with accessible, easy and safe banking services. Financial inclusion refers to access and the adoption by households and companies of a collection of adequate financial services is important for progress as it can help disadvantaged family units better their lives while also promoting financial movement. In order to improve monetary consideration, digital financial services are kept out as key money-related responses. The gap between cash and digital payments is being bridged by financial inclusion. Customers are linked to a digital payment system, they are able to collaborate with friends, and family and business instantly and cheaply move money.

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Digital Finance Concept

Digital finance is financial services provided by cell phones, personal computers, the internet or cards connected to a secure digital payment system from a practitioner's point of view. Similarly, a McKinsey study defines digital finance as' financial services delivered via mobile phones, internet or cards' digital finance encompasses the magnitude of new financial products, financial firms, software related to finance, and new types of consumer contact and interaction delivered by fin-tech companies and creative providers of financial services. Although there is no standard definition of digital finance, there is some agreement that all goods, services, technology and/or infrastructure that allow individuals and businesses to access payments, savings and credit facilities through the internet (online) are covered by digital finance without the need to visit a bank branch or interact directly with the provider of financial services. In Europe, the internet has emerged as a widely known distribution platform for the banking industry and, relative to other networks; both conventional banks and new players are discovering its effectiveness.

Goal of Digital Finance

Digital financial services made accessible via digital channels are intended to contribute to the elimination of poverty and to contribute to financial inclusion. Ideally, there are three main components of any digital financial service: a digital transactional network, retail agents, and the use of a smartphone by consumers and agents, most commonly a cell phone, for digital platform transactions. For the use of Digital Financial Services (DFS), DFS users will have an existing bank account they own (or third-party accounts with authorized permission to use them) and should have funds (or overdrafts) available in their accounts to make cash payments (outflows) or to receive revenue (cash inflows) through digital platforms, including mobile devices, personal computers or the Internet.

Objectives of Digital Banking

If financial organizations want to survive their industry's digitalization and even prosper by taking full advantage of the latest paradigms, they need to follow six priority targets:

- Create market models that are consumer-centered, with a digital experience that separates them from competition and discusses new purchase habits. 30 percent of financial entities agree that enhancing the user experience is the most critical aspect of their digital strategy, according to a PWC survey.
- Distribution Optimize. The user's experience, especially when it comes to web, mobile and social media, needs to be increasingly multi-channel.
- Simplify transactions and procedures. They need to be re-thought from a 100 percent digital perspective, rather than just bringing off-line processes on-line.
- Obtain information that is important. It would be a strong competitive advantage to acquire the capability and the resources needed to extract valuable knowledge from Big Data.
- Proactively Innovate. This may be one of the most profound shifts in this industry's corporate culture: a shift to proactive innovation that seeks and favors change.
- Invest in security for user identity authentication and secure data and transactions.

Review of Literature

Yan Shen and Yiping Huang (2016), Introduction to the Special Issue: Internet finance in China Internet finance, also referred to as "digital finance" and "Fin-tech" Internet finance in China. Internet finance refers to a modern business model that uses the Internet and ICT to carry out a wide variety of financial operations, such as third-party payments, online lending, direct sales of money, crowd funding, online insurance and banking. The Internet can dramatically reduce the cost of transactions and reduce the asymmetry of information, increase the efficacy of risk-based pricing and risk management, and extend the range of feasible transactions.

Agufa Midika Michelle (2016), The impact of digital finance on financial inclusion in Kenya's banking industry The study concluded that digital finance has no association with financial inclusion in Kenya's banking sector as banking institutions implement digital financial services to lower operational costs associated with opening and operating branches in order to increase their profitability and financial efficiency.

Peterson K Ozili (2018), The Effect of Digital Finance on Financial Inclusion and Stability This paper addresses the impact of Digital Finance on Financial Inclusion and Stability. Fintech-based digital finance has a positive influence on financial inclusion in developing and advanced economies, and the accessibility of digital finance for low- and variable-income individuals is often more important to them than the higher prices they would pay to access such services from conventionally controlled banks.

Huma Haider (2018), The research examined innovative financial technologies to encourage livelihoods and economic outcomes and examined innovative financial technologies to help people's livelihoods. Access to digital technology, in particular cell phones, internet networking and biometric authentication, makes it possible to provide a broader variety of financial services for the unbanked, such as online banking, mobile phone banking and digital lending. Digital financial services can be more convenient and inexpensive than conventional banking services, allowing low-income and disadvantaged people in developing countries to invest and borrow, gain a financial return and smooth consumption in the formal financial system.

Barriers to Digital Banking

The digital transformation of the financial industry also has its dark side, consisting of obstacles to be overcome. So, what is stopping the banking industry from taking full advantage of the digital revolution:

- The banks' own complex, traditional, centralized systems.
- The regulatory environment.
- Lack of funding.
- Cultural organization.
- Lack of talent and/or skills.
- Lack of involvement by upper management.

Conclusion

A discussion on digital finance and its effect on financial inclusion is given in this article. Digital finance plays a critical role in people's everyday activities. The study's findings showed that accessibility, simplicity, precise timing and simple interbank account facilities have positive impacts on mobile banking, low service charge and precise timing have major impacts on mobile wallets (apps) and the credit card has been positively affected by low service charge. The study therefore concludes that digital finance has a huge effect on financial inclusion (internet banking, mobile banking, mobile wallets (apps), credit cards and debit cards). Although on an issue like affordability, protection, adaptability etc., digital fiancé has many negative issues. In their lives, every human being intends to make use of digital finance facilities. As a result of the use of digital financial services, findings show that the insecurity of farmers appears to be alleviated. Digital financial services vary from conventional financial services and have a strong potential to increase access to finance for farmers. It also has a potential effect on the transmission of information, social networks, and e-commerce.

In addition, the impact of ICT companies offering digital financial services is more pronounced than that of conventional banks. We split the sample based on the types of providers and the findings indicate that there is a statistically significant impact of digital financial services provided only by ICT firms. ICT firms have a competitive advantage in information technology and collection processes relative to conventional banks, further reinforcing the future effect of digital financial services on information transfer, social networks and e-commerce. Second, our findings shed light on a channel by which the insecurity of farmers is minimized by digital financial inclusion. We break down the vulnerability of farmers into structural vulnerability caused by asset endowments and risk-induced vulnerability due to risk events in order to examine the possible impact channels. The results of this study show that the use of digital financial services has a significant effect on vulnerability induced by risk, but not on systemic vulnerability. As a theoretical forecast, these findings illustrate the risk-coping channel by which digital financial inclusion can reduce consumption volatility and thus alleviate the vulnerability of farmers. Our findings have significant policy consequences. One direct policy implication is that the access and use of digital financial services by farmers, especially digital financing, should be broadened. First, to improve farmers' understanding of digital finance, more focused initiatives and programs may be required.

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