Digital Finance And it's Impact on Financial Inclusion

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Abstract- *Financial inclusion may be defined as the process of ensuring access to financial services and adequate credit where needed by vulnerable groups such as weaker sections and low income at an affordable cost. Financial inclusion includes access to financial products and services like banks accounts, insurance, remittance & payment services, financial advisory services etc. It provides individuals with the possibility to save for future stability, a high level of bank deposit would enable a stable deposit base, opportunities to build savings, make investments and access credit. Now a day, there is an inclusive growth focused on financial inclusion. Collectively, these are achieved with the enabling of new banking technology. Many banks have arrived with new banking technology that took place in the new scenario of banking customers that is called "Digital finance". Thus, digital finance has given a new shape to the banking industry. Digital finance is a financial service delivered through mobile phones, personal computers, the internet or cards linked to a reliable digital payment system Digital finance has the potential to provide affordable, convenient and secure banking service. Digital finance provides greater control of customer personal finance, quick financial decision making, and the ability to make and receive payments. Financial inclusion is a win-win situation that is achieved through digital finance.*

Keywords: Financial inclusion, Digital finance, Financial Products, Financial services, innovative financial technology.

I. INTRODUCTION

Digital finance and financial inclusion have several benefits to financial services users, digital finance providers, governments and the economy. Since 2010, the G-20 and the World Bank have led the initiative for increased financial inclusion in developing countries to help reduce poverty levels in developing and emerging economies.

Access to digital technologies allows a wider range of financial services such as online banking, mobile banking etc. The technology has spread internet banking, mobile banking, e-wallets, mobile wallets, and credit and debit cards. It provides several benefits like convenience, easy financial transactions etc.ito the customer. However, the threat of cyber-attacks is the red alert which coincides with the evolution of the economy. It seems that while people are getting comfortable with cashless payments, some kind of negative perceptions like security problems, poor network coverage, and lack of merchant willingness, high transactional costs, lack of users' knowledge on technology etc. are holding back many from adopting the new system Digital financial services can be more convenient and affordable than traditional banking services, enabling low-income and poor people in developing countries to save and borrow in the formal financial system, earn a financial return. It is vital to the public as it boosts security for their cash and it's more convenient compared to keeping money at home traveling with the money. However, the provision of digital finance involves the participation of different players such as banks/financial institutions, mobile network operators, financial technology providers, regulators, agents, chains of retailers and clients .It can eliminate such transaction costs and provide affordable, convenient and secure banking services to poor individuals in developing countries. Financial inclusion refers to the access and applying a set of adequate financial services by households and firms is essential for advancement as it can help poor family units enhance their lives while likewise impelling financial movement. Digital financial services are held out as keymoney-related answers for enhancing monetary consideration .Financial inclusion is bridging the gap between cash and digital payments. Customers are connected to a digital payment system, they are able to transfer money instantly and cheaply to friends, family and business collaborate.

II. OBJECTIVES

The researcher intends to identify the impact of digital finance in bringing about financial inclusion among people. Digital finance includes Internet banking, Mobile banking, Mobile Wallets (apps), Credit card and debit card. Financial inclusion is taken if or the study are Convenience, Adaptability, affordability, Security, User-friendly, Low Service charge, Accurate timing, Online Monthly statement, Quick financial decision making, Easy interbank account facility, Internet Connectivity, and Usability.

III. IMPACTS

1. Positive Relationship

The theoretical underpinning for the relationship between digital finance and financial inclusion begins with the premise that a large amount of the excluded population owns (or have) a mobile phone, and that the provision of financial services via mobile phones and related devices can improve access to finance for the excluded population (World Bank, 2016). Provided that the excluded population have a mobile phone and affordable internet connectivity, greater supply of digital finance is often predicted to have positive effects for financial inclusion, all other things being equal; implying a positive correlation between the use of digital finance and access to formal financial services. The positive effects of digital finance for financial inclusion are varied. Greater digital finance when applied to the lives of low-income and poor people can improve their access to basic services, there by leading to greater financial inclusion in rural areas. Two, greater digital financial services channel led to rural and poor communities can improve access to finance for bank customers in rural and poor communities who cannot conveniently access banks located in the formal sector due to poor transportation networks and long queuing hours in banking halls, and will reduce bank customers' presence in bank branches and reduce cost because bank would cost-efficiently maintain fewer branches, and the lower costs would have positive effects for bank profitability and financial inclusion in rural and poor communities. Three, easy-to-use digital finance can provide a more convenient platform for individuals to carry out basic financial transactions including payments for electricity, water supply, money transfer to family and friends etc. If digital finance platforms are easy-to-use, users of digital financial services can help inform and persuade their peers in the formal and informal (rural) sector to take advantage of digital financial services, leading to greater number of individuals using digital finance thereby leading to greater financial inclusion. One cave a worth noting here is that while there may be a positive relationship between easy-to-use digital finance and financial inclusion, it is needful to stress that the implied positive relationship is stronger for high-and-middle income users of digital finance while the relationship may be non-linear or negative for low-income and poor users of digital finance because digital finance users in indigenous and poor communities despite persuasion can refuse to use digital finance service due to (i) superstitious and religious beliefs they have about technological advancements and innovation, or (ii) unaffordable fees charged by digital financial services providers, or (iii) financial illiteracy and (iv) other reasons.

2. Negative Effect

On the other hand, digital finance can have negative effects for financial inclusion. Providers of digital finance services are profit-seeking corporations that use digital finance to maximise their profitability or to maximise the profitable opportunities of businesses affiliated with digital finance providers namely banks, financial and non-financial institutions. Corporate providers of digital finance services can discriminately use a more aggressive marketing tactic to persuade high-and middle income customers to use a new or existing digital finance platform or infrastructure and use a less-aggressive marketing tactic to persuade low-income and poor customers to use new or existing digital platforms or infrastructure if they believe the latter cannot afford the associated fees, thereby leading to lower financial inclusion for poor and low-income customers since the net monetary pay-off to digital finance providers is higher with high-and-middle income customers than with low-income and poor customers. Two, bias in the provision of digital finance can be geographical because digital finance providers, based on their own internal risk assessment which may change from time to time, can choose to withdraw or discontinue the provision of specific digital finance services to high-risk rural areas or communities that do not have the supporting infrastructure to sustain specific digital finance services, thereby leading to lower financial inclusion. Some supporting infrastructure needed to make DFS work efficiently may include mobile phones that have modern (and up-to-date) operating software systems and applications that support digital finance services. Three, educational bias can be introduced in the provision of digital financial services. If the net monetary value of providing digital finance to poor communities is very negligible, digital finance providers, based on their profitability assessment, can choose to focus less on the delivery of digital finance to poor and uneducated communities that do not have the basic financial literacy to use and understand digital finance.

3. Two-Way Casuality

Moreover, there is a two-way causality between financial inclusion and digital finance. In other words, does increase in digital finance lead to greater (or lower) financial inclusion? Or, does greater financial inclusion lead to greater digital finance? On one hand, greater digital finance can lead to greater financial inclusion if high, middle and low-income users of digital financial services are able to persuade their family and friends in poor communities (and in the informal sector) to open a bank account and to use digital finance for their convenience. This kind of test moniali (and personal) persuasion works better in communities where there are cultural or religious beliefs that are hostile towards embracing technology in finance. Individuals in the informal sector and in poor communities often do not trust bankers or bank marketers who come to their homes to persuade them to use digital finance services, rather they are more likely to trust the recommend at on they receive from friends and family members who are already users of digital finance platforms. Upon persu as on, such excluded individuals will open a formal bank account to take advantage of digital financial services. When this is the case, greater digital finance will lead to greater financial inclusion On the other hand, financial inclusion can lead to greater digital finance usage, because greater financial inclusion would increase a bank account holder's awareness of new and existing digital finance platforms which they can use for their own convenience. Greater financial inclusion can lead to greater digital finance if increasing the number of poor or low-income individuals that have a saving or checking account at a formal banking institution makes it easier for banks to inform or persuade new and existing accountholders about available digital finance products and services which they can use for their own convenience. When this is the case, greater financial inclusion (proxy by increase in number of bank account holders) will lead to greater usage of digital finance.

IV. CONCLUSION

This article provides a discussion ion Digital finance and its impact on financial inclusion. Digital Finance plays a vital role in the day to day activities of the people. The findings of the study found that Usability, Convenience, Accurate timing, and easy inter bank account facility has positive impacts on Mobile banking, Low service charge and accurate timing has significant impacts on mobile wallets (apps) even Low service charge has positively impacted on the credit card. Hence the study concludes that the digital finance(Internet banking, mobile banking, mobile wallets (apps), credit card and debit card has a significant impact on financial inclusion. Though digital fiancé has many negative on an issue like affordability, security, adaptability etc. Every human being intends to avail the facility of digital finance in their lives.

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