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THE IMPACT OF DIGITAL FINANCE IN FINANCIAL INCLUSION

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ABSTRACT

Ironically, even in the twenty-first century, more than a third of the population in developing countries is still ineligible for financial services. The inclusion of those are financially excluded in banking has been shown in several studies to be individuals and society as a whole. The G-20 countries and the World Bank have been leading the campaign for increased financial inclusion in poor countries since 2010 in order to assist alleviate penury in developing and emerging economies. Today, policy makers and researchers are paying more attention to the importance of digital banking and financial inclusion for eradicating poverty and improving the economy. Small transaction requirements are easily met by mobile technologies and digital currencies. Digital finance and financial inclusion bring to consumers of financial services; providers, governments, and the economy are increased access to finance for the poor, decreased growth in the cost of financial intermediation for banks, Fintech providers and increased aggregate spending for financial services and drawing increased attention. The link between these and the issues they present for financial inclusion have not received much attention in the past. This study examines how digital finance affects both financial inclusion and Finance system continuity.

KEYWORDS: Digital Finance, Financial Inclusion, Financial Stability, Mobile technology, Digital Currency etc.,

1. INTRODUCTION

The objective of digital financial inclusion is to offer populations that are currently underserved and financially excluded a variety of formal financial services that are responsibly delivered at a cost that is accessible for customers and sustainable for providers. Digital financial inclusion, according to the CGAP, is "digital access to, and the use of, formal financial services by the excluded and underserved population" (CGAP, 2015). Novel digital financial services via mobile phones and comparable devices have currently being launched in at least 80 countries (GSMA, 2014) in an effort to convince millions of poor consumers to exclusively use digital financial services rather than cash-based transactions. In order to undertake basic financial transactions remotely, it is assumed at the outset of the process of

digital financial inclusion that the underserved or excluded population has some sort of official bank account. The demands of the underserved and excluded people should be taken into account when designing an effective digital financial inclusion program, and it should be responsibly supplied at a price that is both cheap for users and sustainable for service providers. This is presuming that the underserved and excluded population is aware of the promised advantages of digital financial inclusion and is receptive to being persuaded of them. Fintech companies can promote economic growth by increasing the volume of financial transactions in the financial system during good economic periods. But it's still unclear whether fintech companies.

It is assumed at the outset of the process of digital financial inclusion that the underserved or excluded population has some sort of formal bank account and requires digital access in order to conduct basic financial activities remotely. An effective digital financial inclusion program should be tailored to meet the needs of the excluded and underserved population and should be responsibly delivered at a cost that is sustainable for providers and affordable for customers. This is assuming that the excluded and underserved population understands and can be convinced about the intended benefits of digital financial inclusion. By boosting the amount of financial transactions in the financial system during prosperous economic times, fintech providers can stimulate economic growth.

A. Digital Finance

The provision of financial services is connected by means of digital infrastructure, including point-of-sale (POS) systems, smart phones, PCs, and other internet-connected devices. By connecting a person or business to a national digital payment infrastructure, digital finance makes it possible for all parties to transact in an efficient manner. As a result, visiting a bank branch is no longer necessary, and banking is no longer limited by location.

B. Digital Financial Services

Most financial services and goods, including as payments, savings, credit, insurance, and remittances, are now available online through a number of channels. These "channels" include smart phones (including both smart and ordinary phones), point-of-sale (POS) terminals, automated teller machines (ATMs), two computers, tablets, NFC (Near Field Communication) cards/chips, and other digital devices. Three pillars serve as the foundation for this digital financial system: the digital platform, agents/merchants, and the use of digital devices by customers and merchants during transactions. Microfinance Institutions, Banks, Mobile Operators, and other service providers are increasingly turning to mobile banking, POS devices, and a network of small-scale agents to deliver basic financial services on a large scale, with better convenience, and at a lower cost than traditional banking.

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2. REVIEW OF LITERATURE

The literature review identified the following studies examining Digital Finance and Financial Inclusion.

Banerjee et. al. (2017) his suggests that awareness can facilitate financial inclusion by increasing the usage level of all financial products and services. The underlining theory used by the researcher is the Theory of Cognitive Dissonance by Leon Festinger (1957) which postulates that there is an inconsistency between action and belief and that causes disparity and help in a change in behavior action and attitude. The Theory of Cognitive Dissonance, when applied in the case of Digital Financial Literacy and Digital Financial Inclusion, suggests that there is an inconsistency between awareness and utilizations level of digital goods and services which creates a dissonance. If the dissonance is addressed in the right manner change can be seen in both awareness and usage. Therefore, this theory mainly contributes towards the basis of the problem addressed. Most researches contributed to the impact of financial literacy on financial inclusion. He found that financial literacy and financial inclusion has a mediating variable of awareness.

Prasad et. al. (2017), It has been demonstrated to contribute to inclusivity through promoting literacy. By gathering questions in the same subject area and introducing digital principles, a structured questionnaire was created. The researcher's model, according to which digital financial inclusion is influenced by digital financial literacy, has been shown to be accurate. Data analysis was done using Smart PLS Version 3 and a sample of 200 respondents. The findings demonstrate that the researcher's hypothesis is statistically significant. Additionally, the number of people who are financially literate online is 76.42%, while the percentage of people who are financially included online is 62.2%. This data implies that having a higher degree of financial literacy online helps people become more included, which in turn increases utilization.

Peterson K Ozili (2018), the article that follows discusses digital finance and its consequences for financial inclusion and stability based on his paper Impact of Digital Finance on Financial Inclusion and Stability. The convenience that digital finance offers to people with low and variable income is frequently more valuable to them than the higher price they will pay to obtain such services from conventional regulated banks. Digital financing using Fintech vendors is positive effects for financial stability in that emerged and modern economies.

3. Need and Importance of the Study

It is important to research how financial inclusion and digital finance promote economic growth through fostering entrepreneurship, raising savings levels, and enhancing investment options. It increases consumer spending and company growth, which results in new jobs being created and increased productivity. It improves the accessibility of financial resources and encourages among the

poor the idea of investing. A key step toward sustainable development is financial inclusion. It supports the poor population's entire growth in economy.

4. Objectives of the Study

The objectives of the study are:

I. To study the continuous transactions and Usages of the Digital Finances Services
II. To analysis the Digital Finances facility, Connectivity and Usability
III. To Examine the Digital Finance and Financial Inclusion

5. RESEARCH METHODOLOGY

The required primary data came from published and structured questionnaires on digital financial literacy and inclusion. The digital component is being introduced to each segment of the final questionnaire. Digital Financial Literacy was assessed using questions about awareness, whereas Digital Financial Inclusion was assessed using questions about consumption. Such multiple choice and Likert scale queries seemed carefully constructed to be used in the study. The reliability and validity metric, Cronbach's alpha, is 0.976. The data were examined using SPSS version 20.0, Statistical Package for Social Sciences. The statistical techniques used to assess the data include the reliability test and one-way ANOVA.

A one-way ANOVA is used to compare the average results on a continuous variable between two or more groups, much like a test. One-way analysis is the practice of looking at how one independent variable affects just one dependent variable. In order to evaluate whether one group varied significantly from the others, a post hoc analysis was conducted in the study.

Conclusions and Analysis Determine how digital finance, including credit and debit cards, mobile wallets (Apps), Internet banking, and mobile banking, influences financial inclusion is the aim of this inquiry. One-way analysis is used to assess how digital finance affects financial inclusion.

6. LIMITATIONS

1. Primary Data is used in the study; hence all the limitations of Primary Data are there in the study. Collected Data is self-reported by the respondents, hence there are chances of false information being provided by the respondents.
2. Non-Probability sampling is used; thus, it is not true representative of the population.

7. SCOPE OF THE STUDY

The survey looks into how consumers perceive digital financial services including mobile banking, internet banking, and ATM services, as well as whether they embrace them as alternatives to

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traditional banking channels or not. To do this, the TAM is extended with specific factors, including Awareness, Ease of Use, Accessibility, Affordability, Security, Trust and Privacy, Self-Efficacy, and Subjective Norms, and used to analyze client opinions. In addition, the reasons or barriers for not adopting these services, the effect of demographics on adoption, and issues users confront after adoption will also be researched.

8. DATA ANALYSIS

This section, which analyzes digital finance and financial inclusion, goes into great length into the facilities, connectivity, and usability of digital finance. Utilizing data, these financial inclusion indicators are presented. ANOVA.

Table 1: One-way ANOVA for the significant difference between financial inclusion and digital finance

Financial Inclusion	Digital Finance					F value	P value
	Internet banking	Mobile banking	Mobile wallets (Apps)	Credit card	Debit card		
Convenience	3.36a (1.164)	3.12ab (1.090)	4.04b (1.104)	4.00b (.849)	3.89b (1.023)	2.554	.036*
Adaptability	3.36 (1.164)	3.29 (.929)	3.84 (1.040)	3.97 (.833)	4.04 (1.406)	2.237	.050
Affordability	3.34 (1.219)	3.49 (.939)	4.04 (.923)	4.00 (.849)	3.89 (1025)	1.167	.270
Security	3.36a (1.154)	3.36ab (1.006)	4.04ab (1.040)	4.11ab (.754)	3.93b (1.035)	2.273	.056
User friendly	3.31a (1.160)	3.31a (1.121)	4.10ab (.885)	4.00ab (1.103)	3.93b (1.045)	2.319	.053
Low Service charge	3.26a (1.154)	3.18a (1.130)	4.14ab (1.030)	4.00ab (.849)	4.05b (1.035)	2.528	.038*
Accurate timing	3.06a (1.154)	3.34ab (1.158)	4.14ab (1.020)	3.00b (.829)	4.11b (.862)	2.528	.038*

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Online Monthly statement	3.57 (1.061)	3.31 (1.111)	4.04 (1.040)	3.95 (.823)	3.83 (1021)	1.307	.226
Quick financial decision making	3.57a (1.218)	3.34ab (1.056)	4.21ab (778)	4.00ab (.849)	3.93b (1.057)	2.306	.054
Easy inter bank account facility	3.46a (1.218)	3.34ab (.931)	4.24b (.785)	4.00b (.856)	3.93b (1055)	2.761	.026*
Internet connectivity	3.46 (1.123))	3.34 (1.006)	4.04 (1.040)	4.00 (.849)	3.93 (1.045)	1.588	1.80
Usability	3.36a (1.154)	3.23a (1.089)	4.04b (1.040	4.11b (.765)	4.05b (1.045)	3.274	.011**

Highly Significant*Significant Inference (Source: Primary Data)

**with the Duncan Multiple Range Test (DMRT),
At Usability the probability value is in the range of 0.01 and the null hypothesis is disproved at the 1% level of significance. When using mobile wallets (apps), credit cards, and debit cards, Internet and mobile banking diverge significantly from one another by 5%, according to the Duncan Multiple Range Test (DMRT). Because of this, the usability of Internet banking, mobile banking, mobile wallets (apps), credit cards, and debit cards is very similar to one another.

*With the Duncan Multiple Range Test (DMRT), Regarding convenience, reasonable service fees, accuracy in timeliness, and straightforward interbank account facilities, the hypothesis of no significance is rejected at the level of 5% as the p-value is below 0.05. Online banking, mobile wallets (apps), credit cards, and debit cards all differ by 5%, according Duncan multiple range tests. However, mobile banking uses digital finance in the exact same way as the other categories do. The cheap service charge, internet banking, and mobile banking are noticeably different with the debit card at 5%. However, when it comes to digital banking, credit cards and mobile wallets are identical to every other category. When compared to practical interbank account facilities that accept credit cards, debit cards, and mobile wallets at a rate of 5%, internet banking is very different. However, there is no difference between Internet banking and mobile banking and any other type of digital money. Digital finance

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(Internet banking, mobile banking, mobile wallets (APPS), credit cards, and debit cards) are similar to one another in a select few significant ways when it comes to adaptability, affordability, security, user-friendliness, monthly statements online, and speedy financial decision-making. Consequently, the p-value is higher than 0.05. Therefore, the null hypothesis is accepted at a 5% level in terms of flexibility, affordability, security, user friendliness, online monthly statement, and quick financial decision making.

9. FINDINGS OF THE STUDY:

- A variety of formal financial services that are specifically suited to the needs of underserved and existing financially excluded communities are what digital financial inclusion aims to supply. This is accomplished for less money.
- It is crucial to be aware of all digital goods and services because doing so boosts usage, which ultimately aids in economic progress.
- People's individualistic financial benefits increase when they are well-informed about the many goods and services that are on the market.
- Bringing the banking industry's reach to the financially excluded population has positive effects on social as well as individual welfare.
- Since 2010, the G-20 nations and the World Bank have taken the shows in promoting greater financial inclusion in developing nations to assist lower poverty rates in those nations.
- Mobile technology and digital currencies can easily meet the needs of tiny transactions.
- It is bringing that multifaceted benefit to financial service users, digital finance providers, governments, and the economy, such as increasing access to finance for the underprivileged and lowering the cost of financial intermediation for banks and Fintech providers. It can also help in reducing time, more accurately, and speeding up large-scale transactions.
- By boosting the capacity of financial transactions in the financial system, fintech companies can spur economic growth during prosperous economic times. However, it is still unclear if fintech companies' operation is worsening economic crises during difficult economic times.

10. CONCLUSION

Given that a significant portion of the excluded population own mobile phones, offering financial services via mobile phones and related devices may expand their access to finance. Financial inclusion is typically predicted to benefit from a rise in the accessibility of digital finance, given that the population that is excluded maintains access to a mobile phone and acceptable connectivity to the internet. Improved access to vital services for low-income and underprivileged persons will boost financial inclusion in rural areas. Therefore, there is a huge opportunity to offer banking services and digital financial inclusion in a nation like India where a large section of the populace is still unbanked.

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