ABSTRACT

India appears to be poised to embrace its digital destiny with digital financial services that offer interoperability, ease of use, and remote access on the rise. Although the contributions of digital financial services in financial inclusion have been documented, the concept of digital finance is still in its infancy in India. The statistical techniques used for analysing the data are One-way ANOVA and Reliability test. Digital finance includes Internet banking, Mobile banking, Mobile Wallets (apps), Credit card and debit card. Financial inclusion is taken for 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. 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.

INTRODUCTION

In 2016, India was ranked 3rd among 55 countries across the world in having the most enabling environment for financial inclusion, along with Peru, Colombia and Philippines. A key driver in financial inclusion has been the digitalization of financial services since the mid-2000s. In nearly a decade of progress, multiple stakeholders have come together to enable the delivery of digital financial services to low-income households across urban and rural areas by developing a robust ecosystem. These efforts have received support from the central government; Prime Minister Narendra Modi has stood staunchly behind the Digital India campaign, proclaiming, “I dream of a digital India where mobile and e-banking ensures financial inclusion.” The Reserve Bank of India has also issued recommendations encouraging digitalization of financial services, including a 2015 report which states that “a low-cost solution based on mobile technology can be a good candidate for improving financial inclusion by enhancing the effectiveness of ‘last mile’ service delivery.” India appears to be poised to embrace its digital destiny with digital financial services that offer interoperability, ease of use, and remote access on the rise. Given India’s high cash-to-GDP ratio of 12%, these efforts must be concerted and lasting.
FINANCIAL INCLUSION - CONCEPT

Financial inclusion is a strategy to eliminate or to reduce poverty, but it is not the only strategy. Other strategies to tackle poverty include direct government intervention through the provision of welfare benefits and unemployment benefits; or through direct or indirect intervention by foreign governments, generous aids by philanthropists and charity organisations, among others. Poverty reduction via greater financial inclusion can be led by the public sector or the private sector or jointly through the private and public sector.

The private sector offers digital finance as a solution for greater financial inclusion. Private sector players and financial services companies can offer digital finance products and services to the poor and excluded population, to encourage them to participate in the formal financial sector through digital channels from their mobile phones. If the excluded population have digital banking credentials (such as online banking login password and other forms of digital access credentials), they can link their bank accounts to digital payment channels to perform basic financial transactions. Moreover, if the cost for access to digital finance is cheap, low-income and poor individuals will participate in the digital financial system, thereby having positive effects for financial inclusion.

Source: The Ozili Framework of Financial Inclusion

DIGITAL FINANCE FOR FINANCIAL INCLUSION

In December 2016, the RBI instructed all commercial banks, both private and public, to draw up a broad plan for financial inclusion that were to be approved by their respective boards and implemented over the 2016-2019 period. The third iteration of the Board-approved financial inclusion plans (FIPs) is currently ongoing, the first two phases of which were implemented in
2010-13 and 2013-16 respectively. Some of the self-set targets include technology-based opening of basic savings accounts, increased number of rural brick-and-mortar branches, and employment of banking correspondents in light of these financial inclusion goals, digitalization of processes and adoption of digital technologies could help to facilitate financial inclusion for the end customer.

While the adoption of digital technology for process improvement of commercial banks is still limited, the Reserve Bank of India reports that in the last half-decade, there has been a nearly 500% rise in the number of no-frills savings accounts holders in erstwhile unbanked areas and populations. This has been achieved through the promulgation of BCs. Incorporation of digital technology into the BC model, such as BCs collecting customer information digitally on the ground, digital MIS management as well as the offering of a wider range of digital products through BCs could potentially i) increase the monitoring of the BC network to ensure higher quality BC interactions, ii) create a digital footprint for customers that can be used to further understand and cater to the under-served segments, and iii) facilitate the transition to digital products to achieve a less-cash society.

There are a host of other innovative approaches that have been integrated from financial inclusion models in other countries that heavily rely on the uptake and integration of digital financial services. Countries like Kenya, Uganda and Tanzania have pushed for financial inclusion and have benefited heavily from the percolation of mobile money services which were adequately supported by regulatory frameworks of the country along with the technological availability. This does not only increase the access, but also reduces entry barriers like costs and other infrastructural requirements.

LITERATURE REVIEW

Peterson K. Ozili (2018), in his paper entitled “Impact of digital finance on financial inclusion and stability” states that Digital finance and financial inclusion has several benefits to financial services users, digital finance providers, governments and the economy. He also added that full-scale financial data inclusion is needed for digital finance to achieve its full potential to achieve financial inclusion.

Dr. Tabitha Durai & G. Stella (2019), in their paper entitled “Digital Finance and Its impact on Financial Inclusion” states that Financial inclusion is a process of ensuring access to financial services and adequate credit by weaker sections at an affordable cost. They also stated that financial inclusion can be achieved by enabling new banking technologies and it is termed as Digital Finance. It provides greater control of customer personal finance and the ability to make and receive payments.

STATEMENT OF THE PROBLEM

Digital financial services furnish people with more noteworthy comfort, protection and improved security contrasted with saving money at home or carrying the money (Villasenor, Darrell and
Lewis, 2015). 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. The interaction of these actors and the conditions of the regulatory environment and market archetype pose complexities to all participants thus negating their role in financial inclusion. Digital finance mechanisms also require a foundation of dependable and productive bases to make the services user-friendly, secure, and cost-effective manner (World Bank, 2015). As such, although its contributions of digital financial services in financial inclusion have been documented, the concept of digital finance is still in its infancy in India. Thus, the need to explore the impact of Digital Finance on Financial Inclusion.

OBJECTIVES OF THE STUDY

To identify the impact of digital finance in bringing about financial inclusion among people.

METHODOLOGY OF THE STUDY

A well-structured questionnaire was prepared for the collection of primary data. Multiple choices and Likert scale questions were framed to study the impact of digital finance on financial inclusion. The Cronbach’s alpha is 0.976, proving its reliability and validity. Data were entered into the Statistical Package of Social Sciences (SPSS) ver. 20.0 for analysis. The statistical techniques used for analysing the data are one-way ANOVA and Reliability test. One-way ANOVA is similar to test, but it is used when you have two or more groups and you wish to compare the mean scores on the continuous variable. It is called one way because you are looking at the impact of only one independent variable on your dependent variable. The study conducted a post hoc test to find which group is significantly different from another group.

ANALYSIS AND INTERPRETATION

The aim of this analysis is to identify the impact of digital finance (Internet Banking, Mobile Banking, Mobile wallets (Apps), Credit card and Debit card) on financial inclusion. One-way analysis is used to identify the impact of digital finance on financial inclusion. Digital finance includes Internet banking, Mobile banking, Mobile Wallets (apps), Credit card and debit card. Financial inclusion is taken for 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.

Table 1 One-way ANOVA for significant difference among digital finance and financial inclusion

<table>
<thead>
<tr>
<th>Financial Inclusion</th>
<th>Digital Finance</th>
<th>F value</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Internet Banking</td>
<td>Mobile Banking</td>
<td>Mobile wallets</td>
</tr>
<tr>
<td>Convenience</td>
<td>3.37a (1.165)</td>
<td>3.24ab (1.091)</td>
<td>4.05b (1.105)</td>
</tr>
<tr>
<td>Adaptability</td>
<td>3.37 (1.165)</td>
<td>3.35 (9.31)</td>
<td>3.95 (1.050)</td>
</tr>
</tbody>
</table>
Since the p-value is less than 0.01 the null hypothesis is rejected at 1% level of significance with regard to Usability. Based on Duncan multiple range Test (DMRT) the Internet banking, Mobile banking is significantly different with the Mobile wallets (apps), Credit and debit card at 5%. Hence, there is no significant difference between Internet banking, mobile banking, Mobile wallets (apps), Credit card and debit card with regard to Usability.

Since the p-value is less than 0.05 the null hypothesis is rejected at 5% level with regard to Convenience, Low service charge, accurate timing, and easy interbank account facility. Based on Duncan multiple Range tests, Internet banking, Mobile wallets (apps), Credit card and debit card is significantly different at 5%. But the digital finance of mobile banking is not different from any other group. In Low service charge, Internet banking, Mobile banking is significantly different with the debit card at 5%. But the digital finance of mobile wallet and credit card is not different with any other group. In Accurate timing, Internet banking has significantly differed with the credit card and debit card at 5% level. But the digital finance of Mobile banking and mobile wallets (apps) is not different from any other group. In easy interbank account facility, Internet banking is significantly different with the debit card at 5% level. But the digital finance of Mobile banking and mobile wallets (apps) is not different from any other group.
different with Mobile wallets, credit card, and debit card at 5%. But the digital finance of Internet banking and mobile banking is not different from any other group.

There is no significant difference among Digital finance (Internet banking, mobile banking, mobile wallets (APPS), Credit card and Debit card with respect to Adaptability, Affordability, Security, User-friendly, online monthly statement and quick financial decision making. Since the p-value is greater than 0.05. Hence the null hypothesis is accepted at 5% level with regard to Adaptability, Affordability, Security, User-friendly, online monthly statement, and quick financial decision making.

SUGGESTIONS

- The banks and the Government should track the fraudulent activities and should explore cooperative approaches to tackle it.
- Digital Finance should be made more Adaptable and affordable to all classes of people only then financial inclusion is possible.

CONCLUSION

The study provides a discussion on 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 interbank 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 finance 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.

REFERENCES