

The Effect of Traditional Financial Inclusion on the Transition to Digital Finance

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Abstract: *Financial inclusion is the process of ensuring that vulnerable populations, such as those with lower incomes and marginalized communities, have inexpensive access to financial services and enough credit when needed. Financial inclusion includes having access to financial products and services such bank accounts, insurance, remittance savings for future stability, opportunities to save, invest, and get credit, and a high bank deposit level that would enable a stable deposit base. These days, financial inclusion is the main focus of inclusive development. These are enabled by contemporary financial technology when used together. Several banks have launched new banking technologies to meet the needs of the evolving "Digitalfinance" customer. Digital finance has therefore given rise to a new form in the financial industry. Financial services delivered using computers, cellphones, the internet, or cards linked to a reliable digital payment system are together referred to as digital finance. Financial services that are safe, practical, and fairly priced might be provided via digital finance. Digital finance enables faster financial decision-making, more control over personal funds, and the ability to make and receive payments. When it comes to financial inclusion, digital money presents a win-win situation*

Keywords: Digital Finance, Financial Inclusion, Mobile Banking, Fintech, Electronic Payments, Digital Wallets

I. INTRODUCTION

Banking operations Financial inclusion and digital finance benefit consumers, governments, and digital finance providers. Since 2010, in an attempt to reduce the rate of poverty in these and other rising economies, the World Bank and the G-20 have led the push for broader financial inclusion in developing countries. Digital technology access makes a wide range of financial services possible, such as online and mobile banking. Technology has increased the accessibility of credit and debit cards, e-wallets, mobile wallets, and online and mobile banking. It provides the user with many benefits, including as user-friendliness and straightforward financial transactions. However, the threat presented by cyberattacks is a warning that corresponds with the direction that the economy is taking. While it seems that consumers are becoming more accustomed to cashless transactions, a number of negative perceptions are keeping many from adopting the new system. These include beliefs about security risks, insufficient network coverage, merchant resistance, excessive transaction costs, and a lack of user technology awareness.

Digital financial services may be more affordable and practical than traditional banking options, giving those with modest incomes the opportunity to generate money. The public needs it since it makes carrying cash safer and more convenient than leaving it at home or on a trip. However, the supply of digital finance involves a wide range of stakeholders, including clients, regulators, agents, mobile network operators, financial technology suppliers, banks, and other financial institutions (Haider H, 2018).² It may eliminate these transaction costs and provide impoverished individuals in developing countries access to affordable, accessible, and secure financial services.

Financial inclusion, which is the use of a sufficient suite of financial services by households and enterprises, is essential for development since it not only improves the quality of life for disadvantaged families but also encourages financial mobility. In order to enhance financial consideration, digital finance services are positioned as key money-related solutions. Financial inclusion is helping to ease the shift from cash to digital payments. With the use of a digital payment system, customers may transfer money to friends, family, and companies in a cost-effective and timely manner.

1.1 Objectives

The goal of this research is for us, the researchers, to ascertain how digital finance advances people's financial inclusion. Digital finance includes credit and debit cards, mobile and internet banking, mobile wallets (apps), and mobile wallets. Financial inclusion factors for this research include ease of use, affordability, security, convenience, affordability, user-friendliness, low service costs, accurate timing, online monthly statement, ease of access to interbank accounts, speedy financial decision making, Internet connectivity, and usability.

II. REVIEW OF LITERATURE

Yan Shen and Yiping Huang (2016), Summary of the Special Issue: Internet Finance in China Fintech, or "digital finance," is another name for internet finance. The phrase "internet finance" refers to a new business model that uses the Internet and information communication technologies to perform a range of financial functions, such as online lending, crowd funding, direct fund sales, online banking, online insurance, and third-party payment. The Internet may reduce information asymmetry and transaction costs significantly, enhance risk-based pricing and risk management efficiency, and expand the pool of prospective transactions.

Agufa Midika Michelle (2016), The Impact Of Digital Finance On The Financial Inclusion Of Kenya's Banking Sector According to the study's findings, digital finance and financial inclusion in Kenya's banking sector are unrelated because banks use digital financial services to cut costs related to branch opening and operation in order to increase their profitability and financial performance rather than to promote financial inclusion..

Peterson K Ozili (2018), Impact of Digital Finance on Financial Inclusion and Stability: The effects of digital finance on inclusion and stability in the financial system are covered in this article. Financial inclusion is promoted via digital finance through Fintech firms in both established and developing nations. However, for those with low or unpredictable incomes, digital finance's simplicity of use often offsets the higher costs of utilizing conventional, regulated banks for the same services.

Huma Haider (2018), innovative financial technologies The study examined the ways in which advanced financial technology enhances both the quality of life and the economy. Digital technologies, especially mobile phones, internet connections, and biometric identification, provide a wider range of financial services, such as digital credit for the unbanked and online and mobile banking. Digital financial services enable low-income and destitute people in developing countries to save and borrow inside the formal financial system, earn a return on their investment, and manage their consumption. These services are often more practical and affordable than traditional banking services.

Research Methodology

A well-crafted questionnaire was designed to collect first-hand information. A set of well constructed Like rt scale and multiple-choice questions was used to investigate the relationship between digital banking and financial inclusion. At 0.976 for Cronbach's alpha, it is a legitimate and trustworthy source. The data was entered and analyzed using SPSS ver. 20.0, the Statistical Package of Social Sciences. The statistical techniques used to examine the data include one-way ANOVA and reliability testing.

When comparing the mean scores of a continuous variable between two or more groups, a one-way ANOVA is used, much as in testing. It's called one-way since you're looking at how one independent variable affects your dependent variable. The study included a post hoc test to ascertain if group varies significantly from another group.

III. ANALYSIS AND FINDINGS

The purpose of this research is to determine how digital finance—which includes credit and debit cards, mobile wallets (Apps), online and mobile banking—affects financial inclusion. To determine the effect of digital finance on financial inclusion, one-way analysis is used.

In terms of usability, the null hypothesis is rejected at the 1% significance level as the p-value is less than 0.01. The Duncan Multiple Range Test (DMRT) indicates that there is a considerable difference between online and mobile banking, as well as mobile wallets (apps), credit cards, and debit cards at 5%. Therefore, in terms of usability, there are no appreciable differences between credit and debit cards, mobile wallets (apps), online banking, and mobile banking.

Because the p-value for convenience, cheap service costs, accuracy, and easy interbank account facilities is less than 0.05, the null hypothesis is rejected at the 5% level. Duncan multiple range tests indicate that there are substantial differences

at 5% across credit cards, debit cards, internet banking, and mobile wallets (apps). Digital finance, however, is the same for mobile banking as it is for any other company. There are significant differences between online and mobile banking, cheap service fees, and a 5% debit card. The digital payment mechanisms for credit cards and mobile wallets, however, are the same as those used by any other organization. Online banking has significantly exceeded credit and debit cards in terms of accuracy, outperforming them by 5%. On the other hand, mobile banking and mobile wallets (apps) use the same digital currency as every other group. Online banking is 5% more convenient than credit cards, debit cards, and mobile wallets when it comes to interbank account facilities. Digital finance via Internet and mobile banking, however, is no different from any other group.

Credit cards, debit cards, mobile wallets (APPS), online and mobile banking, and online monthly statements are examples of digital finance products that are comparable in terms of flexibility, affordability, security, ease of use, and quick financial decision-making. when the p-value is more than 0.05. Consequently, the null hypothesis is accepted at a 5% level with regard to flexibility, affordability, security, user-friendliness, online monthly statement, and quick financial decision making.

IV. CONCLUSION

This article discusses digital finance and how it affects financial inclusion. Digital money plays a vital role in people's everyday lives. The study's findings show that easy interbank account facilities, simplicity of use, comfort, and exact timing have positive impacts on cheap service fees, accurate time, and mobile banking all have a big impact on mobile wallets (apps); cheap service fees even benefit credit cards. Thus, the study concludes that digital finance—which encompasses mobile and Internet banking, debit and credit cards, mobile wallets (apps), and mobile banking—has a significant impact on financial inclusion. However, there are a number of disadvantages to digital finance, such as adaptability, cost, and security concerns. At some time in their lives, everyone wishes to utilize digital finance.

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