

DIGITAL FINANCIAL INCLUSION - AN ULTIMATE GAME CHANGER FOR INCLUSIVE GROWTH

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ABSTRACT

The new scenario of banking and financial sector the digital payments are taking center stage across the globe. Many banks have arrived with new banking technology called “Digital finance” which 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..

KEYWORDS: *Financial Inclusion, Digital Finance, Digital Financial Inclusion & E-wallets.*

INTRODUCTION

Financial Inclusion is a essential tool in attaining inclusive growth and economic development. The developing countries including India, a large portion of people, particularly economically marginalized people, have very little access to financial services. The easy access of financial services is prerequisite for poor and vulnerable groups for their financial growth, poverty reduction and social cohesion .Financial Inclusion is defined as extension of banking services to each and every individual in the society without any dissemination. It primary aims to include everybody in the society by giving them basic financial services with out looking at a person’s income or savings. To reach billions of new customers, banks and non-bank financial companies have begun to offer digital financial services for financially excluded and undeserved populations.

DIGITAL FINANCE

The term digital finance is the impact of new technologies on the financial services industry includes various products, applications, processes and business models that have transformed the traditional way of providing banking and financial services. Digital finance provides greater control of customer personal finance, quick financial decision making, and the ability to make and receive payments. Digital finance has the potential to provide affordable, convenient and secure banking service. To achieve cashless India with n in a few years, the Government of India has introduced e-wallet options so that the less fortunate people of the nation are not excluded from going cashless. These e-wallets can be accessed in regional language also apart from English and can use this app conveniently. Since 2014, Government of India has taken various steps to rise the use of digital finance. The implementation of demonetization process in the year November 2016, the need for digital financial services has risen.

Digital Financial Inclusion in India

Digital financial inclusion involves to reach currently financially excluded and undeserved populations with different digital means. Through digital finance, a wide range of formal financial services that are responsibly delivered at a affordable cost to customers and for providers. After digital finance revolution millions of people belonging to low income

groups also started to utilize formal financial services such as payments, fund transfers, deposits, credit, insurance payments etc by using a smart phone or other internet technology . Many developing countries are penetrating the use of mobile phones and Information and Communication Technologies (ICTs) to bring financial services to all people and enable them out of poverty.

The growth Digital Financial Inclusion in India has led to significant innovations in Indian banking and financial sector. Implementation of Pradhan Mantri Jan-Dhan Yojana (PMJDY) scheme in 2014, majority of Indian citizens have opened bank accounts. These accounts have become the channel for different government payments, such as pension, subsidy through the Direct Benefit Transfer (DBT) system. By linking bank accounts to biometric identification (through the Aadhaar scheme) and to mobile numbers, the aim is to advancement traditional models of financial access. Through licensing new tiers of financial institutions, s like Mobile Network Operators (MNOs),fin -techs and microfinance institutions (MFIs) are encouraged to achieve rapid scale penetration intechology which is fit with the market . The government’s sudden demonetization policy in November2016 witnessed the growth of digital finance. Demonetization was the major initiative by the government to move society towards cashless economy. The ban on usage of 500 and 1000 notes led to an increasing demand of alternate mode of payment such as digital payments. Many people belonging to low income groups also started to utilize electronic wallet as they did not have any other choice.

The patronage of the Reserve Bank of India and the Indian Banks Association, National Payment Council of India (NPCI) has established on a mission of touching every Indian through its varied range of digital payment products like UPI, BHIM, RuPay, NETC etc and to facilitate safe and secure digital payments. These products help in

- Person to Person money transfers.
- Person to Business, such as petrol stations, recharges, e-commerce
- Business to Business, such as Retailer to Supplier or Distributor.
- Business to Person as salaries, reimbursements, refunds, claims.
- Person to Government as tax, public distributions services
- .Government to Person as direct benefit transfer payments of various central and state government social security schemes

Table 1: UPI Product Statistics

| Year | No. of banks UPI | Volume (in Mn) | Value (in Cr) |
|--------------------------------|------------------|----------------|----------------|
| 2015-2016 | 21 | 0.09 | 0.38 |
| 2016 -17 | 44 | 6.37 | 2,425.14 |
| 2017-18 | 91 | 178.05 | 2,4172.6 |
| 2018-19 | 142 | 799.54 | 1,33,460.72 |
| 2019-20 | 148 | 1,246.84 | 2,06,462.31 |
| 2020-21 | 216 | 2,731.68 | 5,04.886.44 |
| Source: www.npci.org.in | | | |

Table 2: Unified Payment Interface (UPI) usage in March 2021

| UPI platform | Usage in % |
|--------------------------------|------------|
| Phone pay | 42.5 |
| Google pay | 36 |
| Paytm | 14.9 |
| Amazone pay | 2 |
| Others | 4.6 |
| Source: www.npci.org.in | |

Effect of Digital Financial Inclusion During COVID -19

The world pandemic COVID-19 digital financial services are enabling governments to provide quick and secure financial support to “hard-to-reach” people and businesses, This will help mitigate the economic fallout and potentially strengthen the recovery. As part of the global response to COVID-19, the digital finance industry has been playing a key role in developing and providing services and innovations that have mitigated, on multiple aspects of people’s lives. Fin- tech (i.e. financial technology) carries in preserving people’s livelihoods and businesses by enabling and sustaining cash payment, transfer, credit, deposits, investments, salaries, government-to persons (G2P) and peer-to-peer (P2P) transfers, at national and regional levels.

In India, government’s sudden demonetization policy in November 2016 witnessed the growth of digital finance and it gave the first push to digital payments adoption there after COVID-19 has given it further fillip in 2020. The chart indicate UPI transactions volume and value of the year 2020. Digital transactions has slight decrease in April due to the locked down the entire country then after India witnessed rapid growth of it and recorded total of 2.3 billion digital payment transactions in November . Even though consumers comfortable with traditional banking transactions, a much needed they have started using digital payments for their regular needs and push it to move India towards a less cash society.

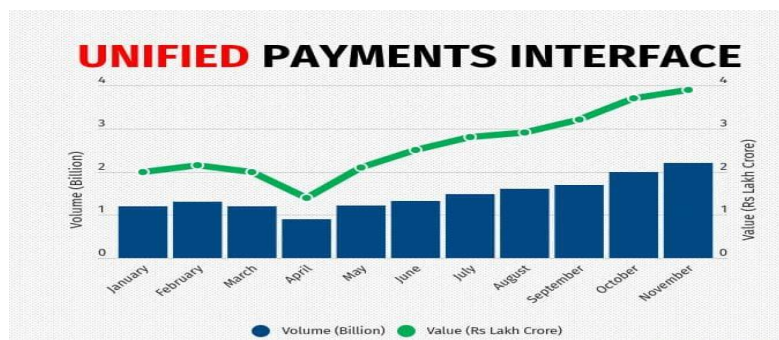


Figure 1

Source: National Payment Council of India (NPCI) Annual reports

CONCLUSIONS

Digital Financial Inclusion benefits economies and societies as a whole. Extending traditional financial services digitally to low-income households and small firms goes hand-in-hand with increasing economic growth and reducing income inequality. Digital financial services show great potential to give excluded people the ability to save, make payments and access credit and insurance allowing them to manage an irregular income stream, plan for the future, recover from economic shocks. Digital finance can act as a catalyst to promote the growth of financial inclusion. Fin -tech has now

become closely integrated with even the most remote areas of India and has emerged as an efficient and reliable component of economic relief. So Digital Financial inclusion is a ultimate game changer that is achieved through digital finance.

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