



Financial Inclusion Through Digital Banking: Case Studies From Developing Countries

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Abstract

A key component of economic progress and poverty reduction, especially in developing nations, is financial inclusion, which means that all members of society have access to and use financial services. Digital banking has arisen as a potential way to improve financial inclusion by removing conventional obstacles like cost, distance, and bureaucracy, thanks to the fast growth of digital technology. Using a number of case studies, this research study will attempt to determine how digital banking has affected financial inclusion in poor nations. This study analyses digital banking programmes' methods, obstacles, and results by drawing on empirical information from a variety of developing settings, including nations in Latin America, Africa, and Asia. We examine the function of several parties involved in fostering digital financial inclusion—including governments, banks, telecoms, and fintech startups—by comparing case studies. Income inequality, gender inequities, and rural development are some of the socio-economic ramifications that the research explores in depth as a result of digital banking adoption. By shedding light on what makes digital banking solutions work and how to make them scale, this study adds to the expanding canon of literature on financial inclusion and digital banking. Policymakers, practitioners, and academics may benefit from this paper's illuminating best practices and lessons gained from real-world experiences about successful tactics to use digital technology for financial inclusion and sustainable development objectives.

Keywords - Financial inclusion, Digital banking, Developing countries, Empirical evidence, Socio-economic impact.

Introduction

Millions of people in developing nations do not have access to formal financial services, despite their importance to economic growth and poverty reduction. Financial exclusion is a problem that makes it harder to achieve sustainable development objectives and keeps economic inequality in place. By employing digital technology to overcome conventional hurdles like distance, cost, and bureaucracy, digital banking has recently become a strong instrument for boosting financial inclusion. Digital banking is an umbrella term for a variety of online financial services that help people manage their money more easily and cheaply. These services include mobile banking, internet banking,

and digital payment systems. Traditional banking infrastructure is often absent in underserved regions and urban slums, while digital banking uses mobile phones, the internet, and other digital channels to reach these places and their underprivileged people.

As a result, emerging nations are serving as test beds for cutting-edge digital banking technologies with the goal of expanding access to formal financial services. For the benefit of low-income and disadvantaged populations, governments, banks, telecoms, and fintech firms are working together to develop and launch digital banking programmes. Insurance, microcredit, digital savings accounts, and mobile money transfers are just a few of the many services that are a part of these programmes and help people save for the future, invest in themselves, and manage risk. Digital banking has the ability to increase access to financial services, but its effect and rate of adoption varies depending on the setting. When it comes to reaching the underbanked and unbanked, digital banking projects may be successful or unsuccessful depending on factors including regulatory climate, technical infrastructure, digital literacy, and socio-cultural norms. Consequently, in order to promote digital financial inclusion successfully, it is vital to study the experiences of different nations and stakeholders to find out what works and what doesn't.

By offering a number of case studies, this research study hopes to add to our knowledge of how digital banking might help underdeveloped nations become more financially inclusive. Our goal is to learn about digital banking projects' tactics, difficulties, and results as well as their effects on social and economic growth by examining data from various settings. Our goal is to help academics, practitioners, and policymakers who are trying to figure out how to use digital technology for inclusive finance by comparing case studies and figuring out what worked and what didn't when it came to digital financial inclusion.

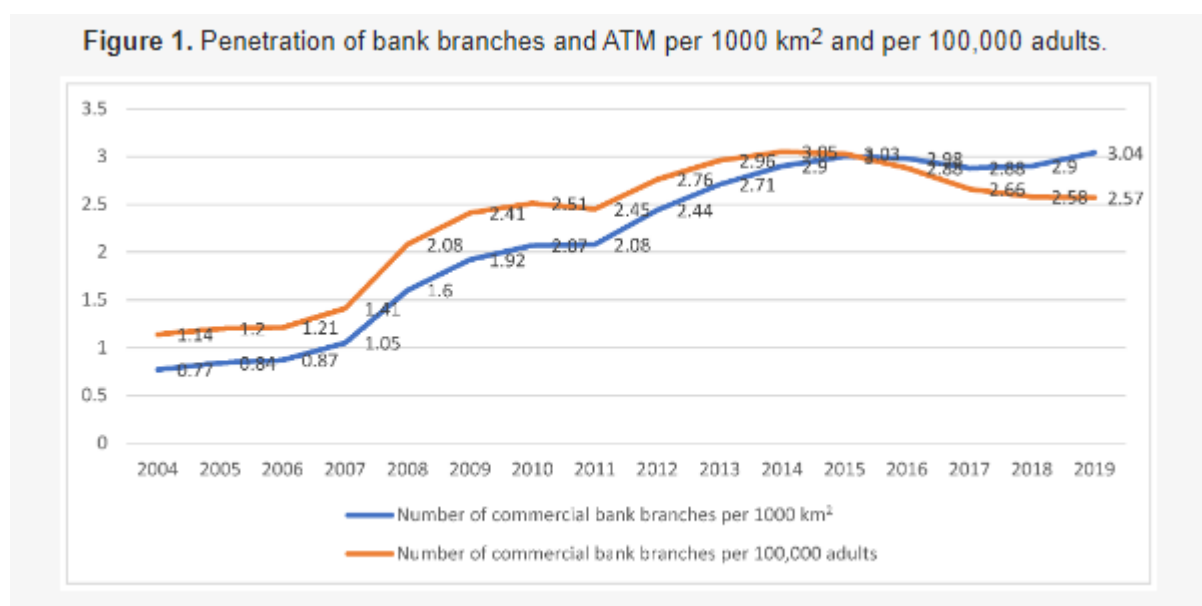
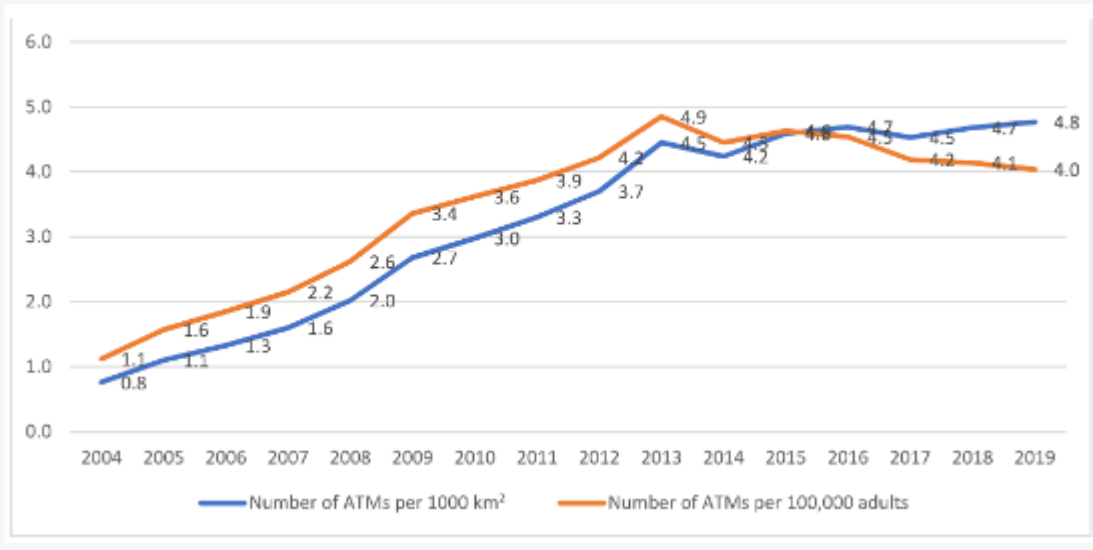


Figure 2. Number of ATMs per 1000 km² and Number of ATMs per 100,000 adults.



Literature review

In their 2018 study, Bachas, Gertler, Higgins, and Seira analyse the impact of one digital financial product on financial inclusion. The product in question is a debit card, for example. Beneficiaries of Mexico's "Oportunidades" cash distribution programme were gradually given debit cards linked to their existing savings accounts in a natural experiment that they studied. After getting their debit cards, recipients can still get their benefits in the savings account, but they may use them at any ATM in the bank. Additionally, customers may use the card at point-of-sale terminals or check their balances at any ATM that accepts the card. Debit cards reduce transaction costs by making bank accounts more accessible, as they discovered during the natural experiment. They discover that when transaction costs are reduced, people react by altering the way they go to their bank accounts. For example, they walk more and take the bus less.

Assessing the role of digital technologies employing mobile phone penetration and the Internet in increasing financial inclusion is done by Senou, Ouattara, and Acclassato Houensou (2019). They make use of information gathered between 2006 and 2017 by the International Telecommunication Union (ITU) and the Central Bank of West African States (BCEAO). They discover that for West African Economic and Monetary Union nations, financial inclusion is significantly impacted by the combination of mobile phone and Internet usage.

In their 2017 study, Shen, Hueng, and Hu look at the many ways that China might expand access to financial services. Results show that financial inclusion in China has grown substantially due to rising levels of financial literacy and the use of digital financial products made possible by the widespread availability of the Internet. Ozili (2016) uses

a representative cross-section of 79 nations to determine if more financial inclusion is connected with higher financial risk.

Digital financial services, including electronic payment methods and debit/credit cards, were accounted for by Ozili (2016) in the research. The research shows that industrialised nations' financial sectors were able to mitigate risk due to the rise of digital payment instruments like debit and credit cards, but emerging and transition economies were unable to do so. In addition, emerging nations' financial sectors became more efficient as more people used digital finance products and opened official accounts. The results suggest that the financial system as a whole, and not only the excluded population, benefits from digital financial inclusion.

Objectives of the study

- Assessing the Impact of Digital Banking on Financial Inclusion.
- Identifying Successful Strategies and Best Practices.
- Understanding the Socio-Economic Implications of Digital Banking Adoption.

Research Methodology

To examine how digital banking has affected financial inclusion in underdeveloped nations, this research will use a case study approach. In order to cover all the bases, we'll use a number of case studies, each of which will spotlight a different location, set of regulations, and socioeconomic situation. Case studies will be chosen intentionally, with an emphasis on well-recognized nations and programmes that have worked to expand access to digital financial services. Regulatory frameworks, levels of digital infrastructure, stakeholder participation, and geographical variety are some of the criteria that may be used to pick examples. We will use both primary and secondary sources to compile our data. Participants in digital banking projects, such as government officials, financial regulators, bankers, telecom operators, fintech entrepreneurs, and end-users, may be interviewed, surveyed, or part of a focus group to gather primary data. Reports from the government, scholarly journals, and businesses, as well as data made public by banks and telecommunications firms, are all examples of secondary data sources. We will use both qualitative and quantitative methodologies to analyse the data that has been gathered. The data will be analysed qualitatively using methods including pattern recognition, content analysis, and thematic coding to find important themes and linkages. Survey results or financial indicators pertaining to the uptake of digital banking and financial inclusion may be subject to quantitative examination using statistical methods.

Case Studies

Krishna Mantri Programme of Jan Dhan Yojana (PMJDY): Launched in 2014, PMJDY is the government of India's main programme for financial inclusion. All citizens will be able to use the plan's banking services, including as checking accounts, savings accounts, money transfers, loans, insurance, and pension plans. Increased bank account penetration,

especially among disadvantaged populations, was the primary goal of this case study's review of implementation tactics, obstacles, and results.

Users are able to perform financial transactions using their Aadhaar number and fingerprint identification using the Aadhaar Enabled Payment System (AePS), a biometric-based payment system. This case study looked at how AePS helps people in rural and outlying locations have easier access to banking services, which promotes financial inclusion. The study also looked at the potential privacy, security, and scalability issues of utilising Aadhaar for online banking.

Case Studies on Mobile Wallets and Payment Apps: Google Pay, Paytm, and PhonePe are some of the most well-known mobile wallet services in India, and they have been instrumental in increasing the usage of digital payments there. Factors like as merchant acceptance networks, cashback incentives, and user-friendly interfaces were investigated in relation to the extensive usage of mobile wallets. The effect of mobile wallets on financial inclusion, especially for marginalised communities, was also investigated in the case study.

Mutual Aid Organisations (MAOs) and Community-Based Organisations (CBOs): In order to provide low-income people, particularly those living in rural regions, access to microcredit and other financial services, MFIs and SHGs have played a crucial role. Case studies showcased effective models of microfinance institutions (MFIs) and self-help groups (SHGs) that use digital technology to boost efficiency, reach more people, and increase financial inclusion. An examination was conducted into the function of microfinance institutions (MFIs) and self-help groups (SHGs) in enhancing women's agency, encouraging business ownership, and supporting local economic growth.

Instantaneous mobile fund transfers are now possible thanks to the Unified Payments Interface (UPI), a real-time payment system created by the National Payments Corporation of India (NPCI). In this case study, we looked at how UPI changed the digital payment scene in India and how quickly it caught on. The effects of UPI on digital literacy, financial inclusion, and the formalisation of the informal sector were investigated in the research.

Discussion

Several achievements in expanding access to banking services for low-income Indians have been detailed in the case studies. One example is the Pradhan Mantri Jan Dhan Yojana (PMJDY), which has been quite successful in getting more people to create bank accounts, particularly those who didn't have one before. In rural regions, where conventional banking infrastructure is limited, the Aadhaar Enabled Payment System (AePS) has greatly improved the security and convenience of financial transactions using biometric identification.

Mobile wallet services like Paytm, PhonePe, and Google Pay have been instrumental in propelling the use of digital payments in India. Both urban and rural customers are drawn to these platforms because to their user-friendly interfaces, extensive networks of merchants, cashback incentives, and convenience. These case studies show how mobile wallets have opened up new avenues for digital financial services, such online shopping, bill paying, and peer-to-peer transfers, which has helped to increase financial inclusion.

Women and other low-income people have been empowered via the provision of microcredit and other financial services by Self-Help Groups (SHGs) and Microfinance Institutions (MFIs). Digital technology have allowed microfinance institutions (MFIs) and self-help groups (SHGs) to streamline their operations, reach more underprivileged populations, and process loans and payments digitally.

A revolutionary player in India's digital payments scene, Unified Payments Interface (UPI) facilitates safe, fast, and interoperable transfers between financial institutions. Case studies show how UPI has helped some groups become more financially included and digitally literate by allowing them to pay bills, send money to one other, divide bills, and pay for utilities.

Possibilities and Obstacles: The digital gap between rural and urban regions, issues related to data privacy and security, and the difficulty of learning how to use digital technologies continue to be obstacles, even if digital banking programmes have been successful overall. Governments, banks, telecom companies, fintech companies, and civil society groups must all work together to solve these problems. To make sure that digital banking programmes are accessible, equal, and long-lasting, we need to work together. On the other hand, the case studies show how digital banking may help reduce poverty, increase economic development, and drive financial inclusion in India.

Conclusion

Finally, the case studies highlight how digital banking has the ability to revolutionise financial inclusion and individual empowerment, especially in emerging nations like India. In order to promote equitable economic growth and increase access to financial services, stakeholders must use digital technology and creative business models to overcome current obstacles and seize new possibilities.

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