SEYBOLD Report
ISSN: 1533 - 9211
https://seyboldreport.net/

THE EMERGING ROLE OF APPLYING DIGITAL FINANCIAL INCLUSION IN FOSTERING ECONOMIC GROWTH AND DEVELOPMENT

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ABSTRACT

Financial Inclusion guarantees that all individuals have access to fundamental and effective financial goods and services. That is, they must have a bank account, make credit card payments, request a loan, and obtain guidance. It is consequently a vital instrument for eradicating poverty and combating inequality. Financial Inclusion guarantees that all individuals have access to fundamental and effective financial goods and services. That is, they must have a bank account, make credit card payments, request a loan, and obtain guidance. It is consequently a vital instrument for eradicating poverty and combating inequality. The greatest obstacle for the entities and institutions is to reach developing nations who do not have access to these services, such as some regions of Africa and Asia. In such circumstances, it is conceivable that the people of some locations on these continents live so far from the main population that they are unable to go to the locations of the bank branches. In addition, technological advancement has altered the access to and utilisation of financial services. Almost everything functions through cell phones today. There are banking applications that require an account to function. Those who lack access to these items risk being excluded from the sector of the digital economy.

Consequently, individuals are able to create savings, make investments, and acquire loans. High bank deposits would also facilitate a stable deposit base. Financial inclusion is at the centre of today's inclusive growth. All of these are enabled by contemporary financial technologies. Several banks have emerged with novel banking technology in the new era of banking customers known as "Digital finance." Thus, the financial industry has a new appearance due to digital currency. Customers have greater control over their funds, can make choices quicker, and can send and receive payments with digital currency. Financial inclusion may be achieved through digital finance in a win-win situation.

Keywords: Financial Inclusion, Economic Growth, Correlation Analysis, Chi square test

INTRODUCTION

Financial inclusion may be described as the method of ensuring certain vulnerable groups, such as weaker parts and low income, have affordable access to financial services and adequate credit when needed. Access to financial products and services such bank accounts, insurance, remittance & payment services, financial counselling services, etc. is a component of financial inclusion. As a result, people have the opportunity to develop savings, make investments, and

obtain loans (Ahmad, 2021). A high level of bank deposits would also enable a steady deposit base. Today's inclusive growth is centred on financial inclusion. All of these things are made possible by modern financial technologies. In the new era of banking clients known as "Digital finance," several banks have emerged with innovative banking technologies. Thus, the financial sector now has a new look thanks to digital money. A financial service provided by a reputable digital payment system can be obtained via a card, a personal computer, a mobile device, or the internet. Digital finance has the potential to offer convenient, secure, and cost-effective financial services. With digital money, customers have more control over their own finances, can make decisions quickly, and can send and receive payments. Through digital finance, financial inclusion may be accomplished in a win-win situation (Dogan, 2020).

In order to assist alleviate poverty in developing and emerging economies, the G-20 and the World Bank have been driving the drive for greater financial inclusion in developing nations since 2010. A larger range of financial services, such as online banking and mobile banking, are made possible by access to digital technology. Internet banking, mobile banking, e-wallets, mobile wallets, and credit and debit cards have all been made available through technology. It offers the customers a number of advantages including comfort and simple financial operations. However, the possibility of cyber-attacks is a serious concern that should be taken seriously as the economy develops (Shen, 2021). While it appears that people are becoming more accustomed to cashless transactions, some sort of unfavourable perceptions, such as security issues, poor network coverage, a lack of merchant willingness, high transaction costs, a lack of user technology literacy, etc., are preventing many from implementing the new system. Financial inclusion, which is the use of a range of strong financial services by households and businesses, is crucial for development since it may improve the lives of low-income families while also promoting financial activity. Digital financial services are promoted as important money-related solutions for boosting financial awareness.

The transition from cash to digital payments is being facilitated by financial inclusion. Customers may send money quickly and cheaply to friends, family, and businesses by connecting to a digital payment system. To assess financial inclusion, several international financial organisations have built diverse systems. The G20 Financial Inclusion Indicators, created by the GPFI and supported by the World Bank's Data Group, are a frequently used data source to build these systems. These measures track how well financial services are used both domestically and internationally (Pradhan, 2021). New indicators are added to the site in 2016 to track the use of digital payments and access to digital infrastructure. The elements of digital finance that drive us to create a thorough digital financial inclusion index are provided by this enhanced G20 Financial Inclusion Indicator System. We make modifications to the Human Development Index literature's approach. We specifically employ the displaced ideal technique and the distance-based methodology to aggregate the numerous dimensions of digital financial inclusion and the various variables that make up each dimension. A number of axioms, including monotonicity, anonymity, normalisation, shortfall sensitivity, and hiatus sensitivity to level, are proven to be satisfied by the resultant index.

People may increase access to financial services and promote economic development in

underrepresented market segments by utilising digital financial inclusion. A lack of an accessible financial system would result in income disparity and slower economic growth, according to certain studies that demonstrate the considerable covariant link between financial inclusion and economic growth in a nation (Cai, 2020). Financial inclusion, according to many academics and researchers, is the process of ensuring that all participants in the economy have simple access to formal financial services including bank deposits, credit, and insurance. Additionally, it may be said that the digital economy promotes equitable development while also encouraging growth and productivity. Additionally, it has been demonstrated that digitization helps economies in the OECD as well as Sub-Saharan Africa (SSA) prosper economically.

STATEMENT OF THE PROBLEM

Financial inclusion has supported in offering better access and availability of various financial support and services to different class of people. The research is focused in analysing the impact of financial inclusion in enhancing economic growth and development. The study is intended to measure the economic growth on key metrics covering broader inclusion for financial stability, creating more customer centric services and enabling enhanced legal and regulator aspects. These metrics tend to support in enhancing the financial aspects of the community, support all types of individuals and organisation to manage their finances better, make easier receipts and payments quickly and thereby support in national development.

LITERATURE REVIEW

Internet finance, often known as "digital finance" and "Fintech." Internet finance refers to the new business model that utilises the Internet and information communication technology to conduct a variety of financial operations, including third-party payment, online lending, direct sales of money, crowdsourcing, online insurance, and banking. The Internet may considerably reduce transaction costs and information asymmetries, boost the effectiveness of risk-based pricing and risk management, and increase the number of transactions that are possible (Soekarno, 2020).

Bede (2020), The Impact of Digital Finance on Financial Inclusion in the Kenyan Banking Sector. The study concluded that there is no correlation between digital finance and financial inclusion in Kenya's banking sector, as financial institutions adopt digital financial services to reduce operating costs associated with opening and operating branches in order to increase their profitability and financial performance, and not to foster financial inclusion.

This paper by Ferrata (2019), Impact of Digital Finance on Financial Inclusion and Stability, discusses the impact of digital finance on financial inclusion and stability. Digital finance through Fintech providers has positive effects on financial inclusion in emerging and advanced economies, and the convenience digital finance provides to individuals with low and variable income is frequently more valuable to them than the higher cost of obtaining these services from conventionally regulated banks.

The research conducted by Nguyen (2019), Innovative financial technologies to promote livelihoods and economic outcomes, evaluated how innovative financial technologies assist people's livelihoods. Access to digital technology, particularly mobile phones, internet access,

and biometric authentication, enables a greater variety of financial services, including online banking, mobile phone banking, and digital credit for the unbanked. Digital financial services can be more easy and cheap than traditional banking services, allowing low-income and impoverished individuals in developing nations to save and borrow in the official financial system, receive a financial return, and smooth out their consumption.

Considering the influence of financial development, the interaction between technical advancement and green growth presents three major challenges. 1) Digitization: the outdated information filtering technology in the conventional financial industry exacerbates information asymmetry and reduces the efficiency with which financial resources are allocated. Therefore, financial resources and the advanced technology that accompanies them go to sectors with low levels of productivity and technological innovation, inducing technological innovation stagnation and impeding technological advancement (Mushtaq, 2019). Because of this, technical advancement cannot get the creative power necessary to assist businesses in modernising green production processes and enhancing production efficiency, so impeding green growth. 2) Financial scale: conventional financial elements seldom finance green environmental protection initiatives, resulting in less investment in green technology research and development by businesses (Chaudhry, 2020). Digital financial inclusion will give greater weight to the environmental information disclosure of enterprises during the application process so as to encourage enterprises to increase technology R&D investment in order to improve energy efficiency and reduce pollution emissions, thereby fostering technology-led green growth. 3) Inclusion: the conventional financial industry discriminates against tiny and riskier small and medium-sized firms (SMEs) in financing, leaving these businesses in the "long tail" market without adequate funding for technological innovation. For SMEs, environmental protection project investment comprises a substantial portion of the superstructure (Girón, 2021).

OBJECTIVES

The main objective of the study is to apprehend the emerging role of applying digital financial inclusion in fostering economic growth and development.

HYPOTHESIS

H1: There is no critical difference between creating broader inclusion for financial stability through financial inclusion and economic growth and development.

H2: There is no critical difference between creating more customer centric services through financial inclusion and economic growth and development.

H3: There is no critical difference between enabling enhanced legal and regulatory aspects through financial inclusion and economic growth and development.

RESEARCH METHODOLOGY

The research article is focused in understanding the impact of financial inclusion in fostering economic growth and development. Financial access connects individuals to the official financial system, easing their day-to-day lives and allowing them to create assets, offset shocks caused by emergencies, illness, or death, and make profitable investments. Financial access

connects individuals to the official financial system, easing their day-to-day lives and allowing them to create assets, offset shocks caused by emergencies, illness, or death, and make profitable investments. The research employs a descriptive research approach in order to effectively and methodically characterise the circumstance. This research strategy facilitates a more thorough knowledge of the study topic and is applicable when there are two or more variables. When a researcher wishes to collect primary sources of data for doing research, the descriptive technique is extraordinarily valuable. The current research employs a variety of sources to perform the study; the major data source is collected using a closed-ended questionnaire, and the sample respondents are personnel involved in the supply chain process. The researcher employs a 5-point Likert scale to pick closed-ended supply chain management questions; secondary data sources are acquired from online libraries such as ProQuest, Google Scholar, etc., in order to comprehend past research conducted on the same issue. The research is supposed to be quantitative since the primary objective is to analyse the data gathered from the survey; the researcher used convenience sampling to pick the respondents; 153 respondents have been selected for the study.

ANALYSIS AND DISCUSSION

The analysis section provides overview of the data in a comprehensive manner, the first step in the analysis is to provide a critical understanding of the demographic variables through percentage rate analysis, followed by analysing the relationship of variables through correlation and lastly test the hypothesis through Chi square analysis.

Table 1: Percentage rate analysis

Gender	**Frequency**	**Percent**
Male	134	87.6
Female	19	12.4
Age	**Frequency**	**Percent**
18 - 25 years	43	28.1
26 - 40 years	56	36.6
40 - 55 years	23	15
Above 55 years	31	20.3
City	**Frequency**	**Percent**
Metro City	98	64.1
Non-metro City	55	35.9
Type of Family	**Frequency**	**Percent**
Nuclear Family	85	55.6
Joint Family	68	44.4
Current Occupation	**Frequency**	**Percent**
Salaried Employee	116	75.8
Business owner /	37	24.2

Consultant		
Work experience	**Frequency**	**Percent**
1 - 5 Years	35	22.9
5 - 10 years	52	34
10 - 15 years	25	16.3
15 - 20 years	9	5.9
Above 20 years	32	20.9

The above analysis shows that 87.6% are male respondents and remaining 12.4% were female, 28.1% were in the age between 18 - 25 years, 36.6% were in the age group between 26 - 40 years, 15% were in the age of 40 - 55 years and 20.3% were above 55 years. 64.1% were living in metro city and 35.9% were living in non-metro city. 55.6% were in nuclear family and remaining 44.4% were in joint family. 75.8% are salaried employees and remaining 24.2% were Business owner / Consultant. Lastly, 22.9% were having between 1 - 5 Years, 34% were having 5 - 10 years of experience, 16.3% were possessing 10 - 15 years of experience, 5.9% were having 15 - 20 years of experience and 20.9% were possessing experience of above 20 years.

Correlation analysis

The second aspect is to understand the relationship among the variables, the independent variables are: Creating Broader Inclusion; Customer Centric Services and Legal and Regulatory, whereas the dependent variable is stated to be Economic Growth ad Development.

Table 2: Correlation Analysis

Constructs	**Creating Broader Inclusion**	**Customer Centric Services**	**Legal and Regulatory**	**Economic Growth**
Creating Broader Inclusion	1.000	.879**	.814**	.870**
Customer Centric Services	.879**	1.000	.859**	.871**
Legal and Regulatory	.814**	.859**	1.000	.834**
Economic Growth	.870**	.871**	.834**	1.000

From the analysis it can be identified that all the variables possess higher positive correlation, through the analysis it is noted that the highest correlation exists between customer centric services and economic growth with the value of +0.871, whereas the relationship between creating broader financial inclusion and economic growth with +0.870 and the legal and

regulatory framework and economic growth is at +0.834.

Hypothesis Testing

This section intends to test the hypothesis as set by the authors; hence chi square test is applied for the same.

H0: There is no critical difference between creating broader inclusion for financial stability through financial inclusion and economic growth and development.

Table 3: Creating broader inclusion for financial stability through financial inclusion and economic growth and development

Creating Broader Inclusion		dof	P value
Chi value	319.363a	16	0.00
Ratio	235.454	16	0.00
Linear value	115.073	1	0.00

From table 3, it can be stated that the value of Chi square is 319.36 and the corresponding p value is 0.00, hence can be concluded that there is a critical difference between creating broader inclusion for financial stability through financial inclusion and economic growth and development.

H2: There is no critical difference between creating more customer centric services through financial inclusion and economic growth and development.

Table 4: Creating broader inclusion for financial stability through financial inclusion and economic growth and development

Customer Centric Services		dof	P value
Chi value	324.649a	16	0.00
Ratio	222.282	16	0.00
Linear value	115.373	1	0.00

From table 4, it can be stated that the value of Chi square is 324.64 and the corresponding p value is 0.00, hence can be concluded that there is a critical difference between creating more customer centric services through financial inclusion and economic growth and development.

H3: There is no critical difference between enabling enhanced legal and regulatory aspects through financial inclusion and economic growth and development.

Table 5: Enabling enhanced legal and regulatory aspects through financial inclusion and economic growth and development

Legal and Regulatory		dof	P value
Chi value	323.924a	16	0.00

Ratio	207.445	16	0.00
Linear value	105.812	1	0.00

From table 5, it can be stated that the value of Chi square is 323.92 and the corresponding p value is 0.00, hence can be concluded that there is a critical difference between enabling enhanced legal and regulatory aspects through financial inclusion and economic growth and development.

CONCLUSION

Access to digital technology enables a greater variety of financial services, including internet banking and mobile banking. Technology has made available Internet banking, mobile banking, e-wallets, mobile wallets, and credit and debit cards. It provides clients with several benefits, including convenience and straightforward financial transactions. As the economy grows, however, the threat of cyberattacks should be regarded seriously (Hao, 2021). Although it appears that consumers are growing more acclimated to cashless transactions, negative impressions, such as security concerns, inadequate network coverage, a lack of merchant desire, high transaction prices, a lack of user technological literacy, etc., prohibit many from adopting the new method (Sant'Ana, 2021). Financial inclusion, which refers to the usage of a variety of robust financial services by households and enterprises, is essential for development since it may enhance the lives of low-income families while simultaneously fostering financial activity. Digital financial services are marketed as crucial money-related solutions for enhancing financial literacy. At the macroeconomic level, financial inclusion produces benefits such as economic growth, the reduction of risks and bank costs, job creation, financial stability, and economic activity stimulation. Regarding the micro dimension, as said, system participants have higher options to escape poverty and are less likely to slip into it. The ever-increasing boost of financial inclusion and the revolution in mobile banking (which promises to advance further) will be crucial to achieving the United Nations' sustainable development objectives.