



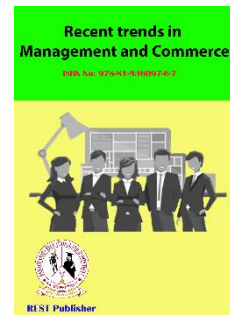
Recent trends in Management and Commerce

Vol: 5(3), 2024

REST Publisher; ISBN: 978-81-936097-6-7

Website: <https://restpublisher.com/book-series/rmc/>

DOI: <https://doi.org/10.46632/rmc/5/3/21>



The Role of Digital Banking in Financial Inclusion: A Review Study

* Sakshi Arora

Suresh Gyan Vihar University, Mahal Road, Jagatpura, Jaipur, Rajasthan, India.

Corresponding author Email: sakshi.arora@mygyanvihar.com

Abstract: Digital banking has emerged as a pivotal force in enhancing financial inclusion by providing access to banking services for underserved populations, particularly in developing economies. This paper explores the impact of digital banking innovations, including mobile banking, internet banking, and fin tech applications, on improving access to financial services. The study employs a comparative analysis between developed and developing countries, examining how digital banking solutions are deployed, the challenges faced in each region, and their effectiveness in reaching the unbanked and under banked populations. By drawing from case studies, data from financial institutions, and interviews with banking professionals, this research highlights the critical role of digital banking in bridging the financial inclusion gap. It also identifies key success factors such as technological infrastructure, regulatory frameworks, and digital literacy. The paper concludes with recommendations for policymakers and banking institutions to optimize the use of digital banking platforms for financial inclusion, promoting economic growth and social equity across different regions.

Keywords: Digital banking, financial inclusion, mobile banking, fintech, digital wallets, financial services, developed economies, developing economies

1. INTRODUCTION

As the financial industry changes, digital banking has become a vital tool for financial inclusion, drastically changing the way people can obtain financial services. Due to the widespread availability of internet-based financial services, banking facilities are now more accessible, effective, and convenient than ever before, democratizing access to them. Digital banking has had a significant influence, providing not just better service delivery but also a mechanism to bring underserved and unbanked individuals into the official financial system. The significance of digital banking goes beyond the ease of internet transactions and touches on more significant social and economic ramifications. Through enhancing savings rates, enabling more effective financial transactions, and increasing credit availability, it plays a crucial part in economic development.

Digital Banking: The significance of digital banking extends beyond the ease of business online and touches on wider social and economic ramification. By enabling more effective financial transactions, raising saving rates, and extending credit availability. It plays crucial part in economic development. These services can have a big impact on people's and communities' financial well being and are essential for personal financial management. Technology adoption in the form of smart phones and internet connectivity is essential to promote secure and affordable financial services such as payments, money transfers, local and international transfers, insurance, credit, and savings, among others. The CGAP defines digital financial inclusion as "access to technology and use of critical financial institutions by the excluded and disadvantaged populations." On July 1, 2015, Indian Prime Minister Narendra Modi fervently introduced the country's digitization programme. The primary goal of the digital India effort is to give rural areas digital access by utilising high-speed Internet networks.

Objectives:

1. To analyze the impact of digital banking on financial inclusion in different economies.
2. To study digitalisation of banking services.
3. To compare the adoption and effectiveness of digital banking in developed and developing countries.

2. LITERATURE REVIEW

Uchenna Innocent Nnaomah Et.al(2024), This study compares and contrasts methods and results in these two different economic environments as it looks at how digital banking is promoting financial inclusion in the US and Nigeria. This study concluded that both nations have made progress in using digital marketing to promote financial inclusion. the degree of success and scope of implementation varies because of variations in technological infrastructure, regulatory frameworks, and economic development. It implies that adapting best practices and learning from other countries could increase the efficiency of digital banking in advancing financial inclusion on a worldwide scale.

Mamta Yadav et.al (2024), E-banking and digital financial literacy are therefore more important than ever. This paper's introduction addresses the connection between e-banking and digital financial literacy as well as their significance in the modern world. Possessing the information, abilities, and confidence to handle your finances online is known as digital financial literacy. People need to understand online transfers, mobile payments, and safety because e-banking services are growing. This study aims to ascertain whether e-banking usage is influenced by digital financial literacy.

Inès Gharbi and Aida Kammoun(2022), The researcher examined the relationship between the digitization of the Tunisian banking sector and financial inclusion and whether Fin-tech developments have contributed to an inclusive financial system .digital banking has played an important role in the inclusive growth process of countries. This research explored the effects of bank digitalization on financial inclusion by developing a questionnaire survey for bank employees.

Srinivasu Bathula and Ankita Gupta(2021), In India the availability of financial services and digital financial services has not but evolved into their everyday usage. Thus, The present study compares the individual factors influencing a few key indicators of the two primary aspects of financial inclusion and digital financial inclusion: access and use. This study concluded that access to financial services and digital financial services, as well as the utilization of the majority of financial services and digital financial services, are positively correlated with education and workforce engagement. Another intriguing finding is that poverty and being a woman decrease the likelihood of utilizing mobile banking, although traditional banking is unaffected.

Mohammed Farzana Begum (2018), The athor explained about digital financial services have significant potential to provide a range of affordable, convenient and secure banking services to poor people in developing countries. With the number of smart phone users in India expected to increase to 450 million by 2022, every financial institution is convinced that online delivery of services is the way forward Technology-led innovation in financial services is needed to enable rapid, large-scale, and positive change. The digital India initiative can easily connect the different groups of society and can help to achieve the objective of financial inclusion through digital banking.

Methodology: This research is mainly based on secondary data such as books, news papers, internet etc.

TABLE. Findings

	Name of the Authors	Title of the paper	Findings
1.	Uchenna Innocent Nnaomah	Digital banking and financial inclusion A review of practices in the USA and Nigeria	both countries have made strides in leveraging digital banking for financial inclusion, the success and scale of implementation vary due to differences in economic development, regulatory environments, and technological infrastructure.
2.	Mamta Yadav	A comparative study on digital financial literacy and E-banking	There is correlation between digital financial literacy and e-banking adoption. Higher digital literacy tends to correspond with higher adoption rates of e-banking services
3.	Inès Gharbi and Aida Kammoun	Relationship Between Digital Banking and Financial Inclusion: Evidence from Tunisia	Study found that bank digitalization has positive effects on financial inclusion, it is perceived to improve access, quality and efficiency of financial services. However, it does not improve the use of financial services.
4.	Srinivasu Bathula and Ankita Gupta	The determinants of financial inclusion and digital financial inclusion in India: A Comparative study	One of the main findings is that being a poor and woman significantly reduces the access to digital financial services but not financial services. Also, being a woman significantly reduces probability of using mobile banking but do not affect traditional banking.
5.	Mohammed Farzana Begum	An overview of Digital Financial Services in India: Concept , initiatives and advantages.	There is an urgent need to create awareness among the citizens, especially in rural and semi-urban areas regarding basics of digital finance services.

3. CONCLUSION

Digital banking has emerged as a powerful tool for enhancing financial inclusion, especially in developing countries where traditional banking services have been limited. The comparative analysis highlights the varying roles of digital banking across different economic contexts, with significant contributions to financial inclusion. However, challenges such as digital literacy and regulatory hurdles must be addressed to fully harness the potential of digital banking. Future research should explore the impact of emerging technologies like block chain and AI in digital banking, as these could further transform access to financial services.

REFERENCES

- [1]. Uchenna Innocent Nnaomah Et.al(2024) , Digital banking and financial inclusion A review of practices in the USA and Nigeria, Finance and accounting research Journal, 6(3):463-490.
- [2]. Mamta Yadav et.al (2024), A comparative study on digital financial literacy and E-banking, Journal for research in applied science and engineering technology, DOI Link: <https://doi.org/10.22214/ijraset.2024.63616>
- [3]. Inès Gharbi and Aida Kammoun(2022), Relationship Between Digital Banking and Financial Inclusion: Evidence from Tunisia, International Journal of Business Studies Vol. 6 No. 3 (October 2022)
- [4]. Srinivasu Bathula and Ankita Gupta(2021), The determinants of financial inclusion and digital financial inclusion in India: A Comparative study , The Review of Finance and Banking Volume 13, Issue 2, Year 2021 [http:// dx doi org/10.24818/ r fb.21.13.02.02](http://dx.doi.org/10.24818/rfb.21.13.02.02), Pages 109-120 S print IS SN 2067 -2713, online IS SN 2067 -3825
- [5]. Mohammed Farzana Begum (2018), An overview of Digital Financial Services in India: Concept , initiatives and advantages. Asian Journal of management.2018; 9(3):1139-1144. doi:10.