Bridging the Digital Divide: Innovative Approaches to Enhancing Digital Financial Inclusion among Scheduled Castes and Scheduled Tribes

SHIVAKUMARA PT
Assistant Professor, Poornaprajna College, Udupi, Affiliated to Mangalore University

Abstract- Digital Financial Services (DFS) hold the possibility of delivering financial inclusion to the final mile in a rapidly digitising country. Vulnerable and disadvantaged populations can use DFS to lessen the danger and cost of using cash, as well as gain access to a variety of financial services that might otherwise be unavailable or difficult to obtain, such as credit, savings, insurance, and pensions. This paper presents high-level information on the extent of digitization across India's demographic categories as well as an overview of the policy framework governing digital finance in India. The report then goes on to discuss digital preparedness, present use of digital financial services, and special concerns and solutions for three vulnerable and marginalised groups with significant digitization potential: women, micro entrepreneurs, and domestic migrants. The quest to accomplish the United Nations Sustainable Development Targets (SDGs) by 2030, particularly goals like no poverty, gender equality, decent employment and economic growth, innovation, and decreased disparities, relies heavily on technology-driven financial inclusion. A financially inclusive society will assist economies in reaping the benefits of increased economic growth, which will eliminate poverty and inequality of opportunity. With great prospects come possible risks and obstacles when it comes to digital financial inclusion. Technology-driven initiatives may result in considerable exclusion on several levels, worsening the current digital gap, particularly among SMEs; raise concerns about consumer data privacy; and increase the frequency of cybersecurity breaches. These issues, if not solved, may restrict the benefits of digitization. People are becoming more aware of financial products and services as a result of their reliance on digital financial technologies, which contributes to digital financial inclusion. This digital financial inclusion adds to the community's socioeconomic change.

Indexed Terms- Digital financial inclusion, digital financial technologies, digital preparedness, consumer data privacy, cybersecurity breaches, policy framework

I. INTRODUCTION

Financial inclusion is defined as the provision of financial services to underprivileged and low-income parts of society at reasonable costs, as opposed to financial exclusion, which occurs when those services are not available or cheap. Financial inclusion refers to all forms of financial services provided by formal financial institutions, including credit, savings, and payments. Because it allows users to keep money, send and receive payments, having access to a transaction account is considered a first step toward broader financial inclusion. A transaction account can also serve as a doorway to other financial services, which is why the World Bank Group's Universal Financial Access 2020 strategy is focused on ensuring that everyone in the world has access to one (RBI, 2017). The availability of various financial services to diverse groups of society and their successful utilisation by whatever means is used to gauge the achievement of financial inclusion. In recent years, the Union Government has launched the 'Digital India' programme, which aims to turn India into a knowledge-based, digitally empowered economy. The national government launched the Digital India programme on July 1, 2015, with the goal of making government services available to residents electronically. Digital banking, as part of the digital India ambitions, will be extremely beneficial to financial inclusion. India is currently pursuing "Digital Financial Inclusion," which is defined as excluded and underserved populations having digital access to and use of formal financial services (CGAP, 2017). Such services should be tailored to the needs of customers and delivered in a responsible manner, at a price that is both accessible for users and sustainable for providers. In India, the creation of 'Digital Financial Services' binds these advances in the digital and financial spheres together, signalling an era of rapid innovation for the industry. The growth of digital financial technology, or "fintech," and, in particular, the global proliferation of mobile phones, has made it possible to provide low-cost, low-risk financial services to hard-to-reach communities and small enterprises. Opening an account is now easier than ever before thanks to Digital IDs. More people are being introduced to transaction accounts as a result of the digitization of cash payments, and mobile-based financial services provide simple access even to rural places. All of these advancements increase the rate at which the lower sections of society are integrated into the formal financial system. In this context, digital platforms are anticipated to bring low-cost financial services to both the unbanked and underbanked populations, particularly in rural and remote areas, and so expand digital financial access to provide high-quality, inexpensive financial services. Transaction expenses may be lower when using digital channels than when using traditional methods. The digitalization machinery is continuously claiming that digitalization and new digital technologies have reached every part of the country and have transformed people's lives. However, whether these measures genuinely reach the bottom level and marginalised groups such as SC, ST, OBC, OEC, and others, and whether the methods of digital advances are known to these people, is a serious matter. Financial inclusion leads to the country's inclusive development. It is a major goal for the majority of the country. Despite the progress made to date in expanding financial inclusion, according to a worldwide findex research, nearly half of the world's young adults are financially excluded. The distribution of cost-saving digital means to influence currently financially excluded and underserved populations with a range of formal financial services tailored to their needs that are reliably distributed at a cost affordable to customers and sustainable for financial service providers is referred to as digital financial inclusion. Banks provide digital financial services to financially excluded and underprivileged people in order to reach billions of clients. Using smartphones and other digital technology, a large number of formally excluded and underserved clients are transitioning from cash-based transactions to formal financial services such as payments, savings, fund transfers, credit application, and so on.

II. REVIEW OF LITERATURE

As with the two sides of a coin, proper financial inclusion among all sections of society is a pre-requisite for effective economic growth (Joseph& Varghese, 2014). Even though India is in the midst of a digital innovation period, the majority of the population remains outside the reach of full financial inclusion (Bhuvana & Vasantha, 2013). The lack of sufficient information, accessibility, and cost of various financial services, among other factors, are the key causes of under inclusion (Dev, 2006) (Iqbal & Sami, 2017). Increasing one's level of financial knowledge can help one achieve financial freedom and inclusion (Banthia & Mangaraj, 2017). In India, the concept of digital financial inclusion is a relatively new trend (Deb and Aarti Agrawal 2017).

Its importance grows as a result of the development of digital tools and know-hows as part of the Digital India Initiatives (Mas & Porteous, 2017). The central government's initiatives, like as the Digital India programme, Aadhar card, Direct Benefit Transfer, Retail Banking, PMJBY, Mudra Bank, PMBY, and others, were also beneficial in achieving digital financial inclusion goals (Srinivas, 2017). Along with government initiatives, banks, as the actual implementors, have played a bigger role in achieving financial inclusion using digital technology (Atroley, et al., 2015). They are launching a slew of projects and programme to promote digital financial inclusion (Aalurl et al., 2016). In India, the notion of digital financial inclusion is becoming increasingly essential, and the country was recently ranked third among 55 nations in the world with the most favourable environment for digital financial inclusion (SIDBI, 2017). India is undergoing a technical shift in order to transition to a less complex economic system. The emergence of a variety of technologically assisted financial inclusion methods has expanded the scope of digital financial inclusion (Source: SIDBI, 2017).

Digital transformations are extremely beneficial because they allow for quicker responses, easier flexibility, task optimization, and transparency in all dealings (Kumar, 2017). These digital financial innovations and advances have the potential to revolutionize the economy as well as the country's population. A change in a citizen's socio-economic status from traditional cash payment to any form of less payment or the usage of any type of creative digital technology is a change in their socio-economic status (Thorat, 2008). Citizens' socio-economic transformations as a result of the development of digital financial technology are a research subject that has yet to be investigated (Rastogi & Ragabiruntha E, 2017). As a result, it appears to be important to evaluate the success of digital financial inclusion, particularly for marginalised groups, in terms of whether Scheduled Castes and Scheduled Tribes have experienced socio-economic transformation as a result of digital financial inclusion.

Financial inclusion is the process of integrating the weaker or underserved segments of society into the official financial system in order to provide them with a range of financial services and facilities. The provision of adequate financial services to citizens is a prerequisite for effective economic growth. Many financial troubles are caused by a lack of understanding of financial literacy concepts. The lack of sufficient understanding, accessibility, and affordability of various financial services has always been an issue for the development of financial inclusion in India, according to diverse literature (Iqbal & Sami, 2017). Individuals with a higher level of financial understanding will be better able to achieve financial independence (Banthia & Mangaraj, 2017). The notion of Digital Financial Inclusion was coined by technology and associated developments, and it gained prominence with the use of digital means and technologies as part of the Digital India Initiatives (Mas & Porteous, 2017). The many so-called initiatives of the central government, such as Digital India, Aadhar card, Direct Benefit Transfer, Retail Banking, PMJBY, Mudra Bank, PMBY, and others, were successful in achieving the goals of digital financial inclusion (Srinivas, 2017). With the use of digital technologies, banks are also playing a bigger role in promoting financial inclusion (Atroley, et al., 2015). The government, central bank, and other organisations are pursuing a variety of steps to promote digital financial inclusion. In their research article, the authors argue that the lack of training in digital transaction usage in rural areas is the fundamental issue. A questionnaire was used to collect primary data for research purposes. Cronbach Alpha was used to evaluate the questionnaire's reliability. Data was analysed using a variety of statistical techniques and visualizations. It is the goal of this study to identify the variables that influence the adoption of digital payments, to study the level of awareness and adoption of digital payment in rural areas by demographic profile and the hurdles of adoption for digital payment and technological limitations associated with digital payment

III. RESEARCH PROBLEM

Because all banking and financial services are now available at the customer's fingertips, the conventional concept of branch banking is becoming obsolete. The Indian financial ecosystem is currently undergoing a technological transformation. With the use of digital advances in banking services, the government has adopted many measures, including digital India initiatives, to accelerate the pace of financial inclusion. The use of digital technologies to reach the unbanked population is one of the recent measures taken by RBI for financial inclusion, based on the realization that the economy can only be empowered when the country is able to achieve a holistic development of all segments of society, which would open up huge opportunities for financial services. In this instance, digital platforms are more likely to provide financial services to the unbanked and underbanked, particularly in rural areas. When compared to traditional channels, the usage of digital channels helps to cut transaction costs. Indian individuals' lifestyles have changed as a result of the development and availability of digital technology. The government, through its financial apparatus, is constantly attempting to persuade individuals to rely on digital technologies to access banking and financial services, in order to overcome the barriers to financial inclusion that exist in the old system. A new idea of digital financial inclusion has been introduced with the goal of transforming people, particularly those who are economically and socially underprivileged. However, it is debatable if these digital updates reach the masses and have a substantial impact on their lives. India has a complex social class system. SC, ST, OBC, and OEC are still economically and socially marginalised groups. In this light, this study presents a research issue about the extent to which digital economic inclusion has resulted in socio-economic transformation among SCs and STs.

Digital readiness and digital financial inclusion of vulnerable groups

Digital technology, finance, and inclusion intersect at a granular level when topics are examined in the context of their real-world contexts. Women, microbusinesses, and migrant workers are three of India's most vulnerable groups, and we present their points of view. Technology has the ability to have a positive impact on each segment if it systematically addresses the complex, multifaceted obstacles that exist in each one.

Technology, gender, artisans and inclusion

Non-farm employment in rural India's handicrafts sector is the most common source of employment for women and is the largest non-farm sector overall. Handicraft exports, which totaled $3.39 billion in FY20, are the only verifiable market data (till February 2020). More than 67,000 exporters/export houses promote regional art and craftsmanship in domestic and international markets in the Indian craft industry. As part of the Atal Innovation Mission, the Niti Aayog funded the establishment of the Catalyst Atal Incubation Centre (AIC), which aims to support artisanal start-ups serving underserved communities with innovative technology solutions. Catalyst AIC did a scoping study on the operational and digital readiness of artisan communities in Rajasthan and Uttar Pradesh. The initial scoping research attempts to map their operational elements and their preparedness for technology-embedded solutions in broad strokes of the canvas.

Merchants and microenterprises

The MSME sector in India continues to have difficulties in obtaining finance. Despite decreasing non-performing assets, micro-enterprises have a $230 billion deficit in lending. Insufficient capital is damaging since it hampers the expansion of these businesses.

The majority of micro-enterprise credit needs are therefore satisfied through informal sources of funding, which remain beyond the scope of formalization and hence fuel additional exclusion.

Research demonstrates that despite the increasing use of digital payments in value chains, transactions between merchants and consumers are still mostly conducted in cash in rural as well as metropolitan locations.

As a result of the COVID-19 situation, retail customers in some industries (groceries, pharmacies, utilities, to name a few) have raised their desire for digital payments in both rural and urban locations. If this emergency-driven rise in uptake will lead to long-term behavioural changes or it will fade away as it did after demonetization, we don't yet know for sure. The COVID19 epidemic, however, has accelerated growth in this sector, and Goldman Sachs14 estimates that online food sales will expand by 81% annually between now and 2024 as a result of the growing use of e-commerce platforms. In order to achieve a fair and inclusive change toward a digital economy, it is not yet known if small retail stores will be able to gain from this transition or if they will be forced out by larger firms.

Digital Financial Inclusion

"Digital financial inclusion" is a wide term that refers to the use of digital financial services to achieve greater financial inclusion. Through digital means, it hopes to provide inexpensive, safe, and transparent access to a variety of formal financial services and products for those who are financially underserved or unbanked. Furthermore, it facilitates effective and efficient communication between the parties. The three primary components of any digital financial service are transactional platforms, devices, and retail agents. Digital financial services are poised for rapid expansion, thanks to the wide dissemination and rapid availability of the necessary components.

While some of the BRICS countries' digital challenges and solutions may be similar, the underlying heterogeneity that presents distinct challenges necessitates policies tailored to the specific demands of each country. Even if there are dangers involved with universal digital financial inclusion, if they are properly addressed, the advantages surpass any potential drawbacks, allowing millions of people and thousands of enterprises to participate in the formal financial system.

CONCLUSION

Digital financial services and fintech companies have the potential to extend financial inclusion to the final mile in a quickly digitising country. Inclusion of vulnerable and marginalised groups in formal financial services, such as credit, savings, insurance, and pensions, can be made easier by ensuring that they have access to digital finance. This can lessen the time and dangers associated with obtaining and storing currency. This paper's examples show that expanding access to digital financial services is crucial, but it's not enough to ensure that people actually use them. Data privacy is becoming more important as the number of internet users grows. It is clear that regulators are committed to providing citizens with the highest level of privacy protection, as seen by the introduction of Account Aggregators and the Data Protection Bill which shall be passed in 2019. We need to keep a close eye on these institutions' installation and rollout in the next month's so that we can quickly identify any developing concerns and remedies. However, educating the public about their rights and the workings of these organisations appears to be a pressing need that has yet to be addressed. It will be particularly difficult to ensure that people from disadvantaged and marginalized groups, who are already less technologically and financially sophisticated, unless the mandate to take up this obligation is clearly allocated to an institution, that they are protected.

REFERENCES

[1] Aaluri, S., Naratana, S. & Kumar, V., (2016), A study on financial Inclusion initiatives and progress with reference to Indian banking industry in digital era. International Journal of Research in Finance and Marketing, October, 6(10), pp. 125-134

[2] Abosede Adebiyi Julius, and Onakoya Adegbemi Babatunde (2013), "ENTREPRENEURSHIP, ECONOMIC DEVELOPMENT AND INCLUSIVE GROWTH." International Journal of Arts and Entrepreneurship 1 (3): 1-13

[3] Bamoriya, P. S. & Singh, P., (2011) Issues & Challenges in Mobile Banking in India: A customer Perspective. Research Journal of Finance and Accounting, November, 2(2), pp. 1-12

[4] Banthia, D. & Mangaraj, S., (2017). A Literature reviews on financial literacy- A pathway for achieving financial freedom. Siddgant, January, 17(1), pp. 98-102

[5] Behl, A., Singh, A. & Vashistha, M., (2015), Road to sustainable financial inclusion: Diffusion of smart card technology. Annual research journal of SCMS Pune, Volume 3, pp. 118-132

[6] Bhuvana, M. & Vasantha, S., (2017) A structural Equation Modeling (SEM) Approach for Mobile Banking Adoption- A strategy for Achieving Financial Inclusion. Indian Journal of Public Health Research and Development, April, 8(2), pp. 175-182

[7] Bindra, Pawandeep Kaur, and Anukrati Chauhan (2016) "Financial inclusion initiatives taken by Government of India." International Journal of Management, IT and Engineering 6 (8): 44-53

[8] Charles Akol Malinga, Okello George Candiya Bongomin, Munene John C, Joseph Mpeera Ntayi, and Charles Akol Malinga. (2017). "Financial intermediation and financial inclusion of the poor: testing the moderating role of institutional pillars in rural Uganda." International Journal of Ethics and Systems. doi: https://doi.org/10.1108/IJOES-07-2017-0101

[9] Christabell, P. J. & Vimal Raj, A., (2012). Financial inclusion in rural India: The role of microfinance as a tool. IOSR Journal of Humanities and Social Sciences, September, 2(5), pp. 21-25

[10] Dalal, K. K., (2016), A review of financial literacy and gender issues in India. International Journal of Research in Social Sciences, July, 6(7), pp. 644-658

[11] Goyal, V., Pandey, U. S. & Batra, S., (2012) Mobile Banking in India: Practices, Challenges and Security issues. International Journal of

Advanced Trends in Computer Science and Engineering, May, 1(2), pp. 56-66

[12] Gwalani, H. & Parkhi, S., (2014). Financial Inclusion - Building a success model in the Indian context. Elsevier-procedia, Issue 133, pp. 372-378

[13] Hameedu, M. S., (2014). Financial Inclusion- Issues in measurement and analysis. International journal of current research and academic review, February, 2(2), pp. 116-124

[14] Joseph, J. & Varghese, T., (2014) Role of Financial Inclusion in the Development of Indian Economy. Journal of Economics and Sustainable Development, 5(11), pp. 6-13

[15] Karlan D, Ratan AL, Zinman J (2014) Savings by and for the poor: a research review and agenda. Rev Income Wealth 60(1):36–78

[16] Prasad RajendraByakod, Chaya U., Pooja Kulgude, Abhishek Sharma, Priyanka Singh and Chandra Sen Mazumdar (2017) “A Study on Penetration of Digital Payment System in Selected Areas of Rural Karnataka” Journal of UAS-JMC, Vol 04, Issue 2

[17] Sarkar, S. s. & Phatowali, A., (2012). Urban financial inclusion: An analysis of banker’s perception. An empirical study in Assam. SS International Journal of Business and Management Research, September, 2(5), pp. 91-104

[18] Taneja, G. & Bhasin, N. K., 2016. Role of payment banks and small banks in achieving financial Inclusion. International Journal of Management and Information, September. Pp. 85-90