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A Contemporary Analysis on the Significant Contribution of Digital Financial Inclusion towards the Achievement of Sustainable Development in India

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Abstract: This article examines what has been achieved in India in terms of digital financial inclusion to date and how we may use current technologies to create a more inclusive society by utilizing various digital drives. The various barriers and difficulties that still stand in the way of creating a society that is digitally inclusive are described in this article. This article discusses the evolution of financial inclusion through e-commerce. We have made suggestions for addressing the major issues, highlighting the importance of interaction and transparency among all significant stakeholders in order to establish a digitally inclusive ecosystem and to make India's next wave of digital financial inclusion more successful. It deconstructs the trends and key players that support them, identifies the adoption barriers, and breaks down the trends and key players that support them.
Keywords: Digital Financial Inclusion, Sustainable Development Goals, Economic Growth, Access to Finance, Environment, Mechanism.
Paper Type: A Contemporary Analysis.

I. INTRODUCTION

The main subject of this study's attention is the effect of digital finance on the stability and dependability of the financial system. Digital media are continually being used by financial institutions, governments, and other authorities to promote financial inclusion. Due to consumer ideology, one of the main obstacles to the development of an e-commerce enabled economy or financial inclusion, digital financial inclusion is not progressing as promised or as it should be, despite these widespread promotion attempts. In addition to evaluating the numerous projects and programs and their level of effectiveness, this essay aimed to identify several consumer ideologies that served as obstacles to the incorporation of digital finance. The availability of digital financial services has increased as a result of the growth of e-commerce. The number of digital financial services that are now accessible to both businesses and individuals has increased as a result of the growth of e-commerce. Non-profit organizations are increasingly providing services at the point of sale, such as credit financing, insurance, and electronic payments. This development is referred to as "E-commerce Enabling Financial Inclusion" or "Digital Financial Inclusion." Financial inclusion has always been a top priority for the Indian government when developing its economic plans. By guaranteeing that India's unbanked population has equitable and affordable access to financial services, initiatives like Jan Dhan, Aadhaar-Mobile, and Digital India have changed the game and reduced income disparities. Although e-commerce has been very successful in spurring demand for digital financial products and services among small businesses and people at the base of the economic pyramid. The expansion of digital financial inclusion in India has been spurred by recent change in both the public and private sectors. The proportion of adult Indians with a financial institution account increased from 52.8 percent in 2014 to 79.8 percent in 2017 (Source: Global Findex 2017). This phase of expansion was fuelled in part by the government's exceptional political push to embrace E-commerce enabled financial inclusion as a vital platform to enhance social and economic progress and Growth. The Pradhan Mantri Jan-Dhan Yojana (PMJDY) was aimed to provide every Indians with a bank account. At the same time, government's effort for financial inclusion collided with two other significant policies: Digital India (led by rapid growth of mobile and internet penetration) and Aadhar (provide unique digital identity to all citizen). The 'J-A-M' sequence was inspired by the 'PMJDY', 'Aadhaar', and 'Mobile', which symbolised the drive towards E-commerce-enabled financial inclusion. Here are eight (HL-P) high-level principles that can accelerate DFI in India. The adult population of India had bank accounts in 80% of cases by 2017, while over 95% of people had Aadhaar cards. Seventy seven percent of Indian women have bank accounts.

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According to C.M. Malladi, R.K. Soni, and S. Srinivasan (2020), PM JDY has 423.7 million participants, of which 279.5 million are semi-urban or rural residents. A number of key initiatives for inclusive development have been launched by policy-making bodies like the RBI and Niti Aayog, culminating in the National Mission for FI. By bringing buyers and sellers together to provide a stable foundation for e-commerce platforms, fintech also aid in digital financial inclusion. In rural and remote areas, many channels play a vital role. The FI-Index for the year ended 31 March 2021 is 53.9 as compared with 43.4 in the year ended in March 2017 (Source: RBI, 7/4/2021). The total number of internet users in India in January 2021 was 624 million with an internet penetration rate of 45 percent (Source: Economic & Political Weekly Report).

The table below shows key payment system statistics in India over the last three years.

SL. No.	Indicators	2018-2019	2019-2020	2020-2021
1.	Large value credit transfers- RTGS(₹ Lakh Crore)	1356.88	1311.56	1056.00
2.	Credit transfers through NEFT ((₹ Lakh Crore)	227.94	229.46	251.31
3.	IMPS ((₹ Lakh Crore)	15.90	23.38	29.41
4.	Credit transfer through UPI ((₹ Lakh Crore)	8.77	21.32	41.04
5.	BHIM Aadhaar Pay ((₹ Crore)	815	1303	2580
6.	Payment through Debit/ Credit Cards(₹ Lakh Crore)	11.97	14.35	12.94
7.	Total Digital Payments (₹ Lakh Crore)	1637.13	1620.89	1414.85
8.	Total Digital Payments (volume in Lakh)	232602	341240	437118

Source: Annual Report of RBI, FY 2020-2021.

The table shows that overall digital payment volume increased by 26.2% in 2020–21, compared to 44.22% in 2019–20; nevertheless, overall digital payment value decreased over the last two years due to negative growth in RTGS. Despite the fact that the value of debit and credit card payments rose. In 2019–21, the value of IMPS transactions climbed by 85%, BHIM Aadhaar pay transfers increased by 217%, and credit transfers via UPI increased by 368%, demonstrating significant utilization of digital platforms in the small-value category. Digital financial inclusion supports the formation of a savings culture among semi-urban, distant, and rural regions, which is crucial for the development of the country's economy. By include low-income groups in the official banking and insurance sectors.

II. CO-RELATED OBSERVATION

By making payment processes easier and more convenient, digital technology has the greatest potential to build an economy that benefits everyone (Kosta Peric, 2015). Financial inclusion (FI), which is essentially the same as financial access, has gained greater traction recently (World bank, 2014; quoted in N. Singh, 2017). Online accessibility is substantially more prevalent in the most remote locations, and real-time data is replacing smart cards there. Real-time transactions can be made for beneficiary enrolment, Aadhaar-based identification, and payments in the field (C.M. Malladi, R.K. Soni, and S. Srinivasan, 2021). By reducing the distance between the cardholder and their bank account, debit cards, according to this research article, lower transaction costs.

By reducing the distance between the cardholder and their bank account, debit cards, according to this research article, lower transaction costs. Account holders changed the mode of transportation they used to access their accounts in response to the lower transaction costs, with a decline in bus transit and an increase in strolling (Pierre, 2018). Financial inclusion benefits from digital financing provided by Fintech firms in both emerging and developed nations. Regarding financial inclusion and stability, there are some difficulties that digital money raises (Ozili, 2018). The physical barrier and the digital divide are clearly separated here. The rural populace has a general lack of trust due to financial illiteracy and a lack of knowledge about cybercrime.

SMS for account transactions is not fully accessed by the consumer, which results in a shortage of mobile devices (C.M. Malladi, R.K. Soni, S. Srinivasan, 2021). Using their normal business practices, Indian banks and other financial institutions were unable to offer high-quality, affordable, and accessible financial services to all types of people in all regions (Ravikumar, 2019). Results revealed that social and human capital, as well as online financial inclusion, have a significant influence on Chinese provincial economic development and growth (Mahmood Ahmad, 2021). The economy of the nation is being hampered by the rural population's lack of financial literacy and management skills (Vinay Kandpal, 2019). If global E-commerce enabled financial inclusion is to be realized, many nations still struggle with a lack of infrastructure, a negative business climate, and weak and ineffective rules and governance. All of these issues need to be addressed. (2018) Francis Koh. During the pandemic, access to financial services is essential, particularly for the poor and people who need financial support to continue their business operations or livelihoods. Therefore, financial inclusion remains a key development challenge, which has become even more urgent with the onset of COVID-19. At the same time, COVID-19 has accelerated the digital transformation of financial services. Governments and health experts are encouraging the adoption of cashless and other digital modes of payment and financial services to reduce the risk of virus transmission through currency handling. This opens up new possibilities for potential
adoption of digital financial inclusion. Mobile money services and internet banking, well as other financial technology advances, could help small businesses and low income families to continue their livelihoods.

III. OBJECTIVES OF THE STUDY

1) Learn more about the current state of affairs and explore the key drivers that have had a significant impact on the growth of digital financial integration.
2) Identify the bottlenecks in digital financial inclusion adoption. "

IV. METHODOLOGY

Secondary data is data that has been collected by someone for a different purpose or study. In terms of analysis and interpretation, these secondary data support the primary data source or primary data. However, a researcher can gain insights and knowledge from the secondary data in another way. Most of the data for this study was collected from secondary sources like book chapters, research journals, government publications, newspapers, article, and reports. Since the research topic was wide and the data sources were spread across different locations, this method was used. In order to meet the goals of this article, it would be beneficial to analyse and evaluate existing data in order to get a good and positive result.

V. INDIA'S DFS CONCEPTS AND KEY PLAYERS OF DFI

Since 2014, India's digital financial service (DFS) growth has been broken down into three phases. The first phase, which ran from 2014 to about August 2016, saw a steady increase in volume growth on the leading digital platforms of about 2% monthly average. Demonetization was the main driver of the second phase, while the third phase was driven by the Unified Payments Interface (UPI).

The key players in India's path to digital financial inclusion are as follows:

1) *Pradhan Mantri Jyotiya or PMJDY:* The PMJDY is an initiative to promote digital financial inclusion. It follows the legacy of a bank-led financial inclusion program that was launched in India in August 2014. Data shows that the income gap in terms of accessibility has started to decrease from 2014 onwards, after increasing from 2011 to 2014. In 2011, only 27% of Indians with the lowest income had a bank account, while 41% of those with the highest income had bank accounts. The gap widened to 16% in 2014 (43% vs. 59%) and to 5% in 2017. By 2017, 79% of rural Indians had bank accounts, while 76% of urban Indians had bank accounts.
2) *G2P payments and Direct Benefit Transfers:* The expansion of the government's DBT program, which currently administers 433 schemes from 56 ministry divisions, has been closely linked to PMJDY. (Journey Map Report, March 2019). 11 DBT is a government-driven program consisting of a series of schemes where benefits are directly transferred to beneficiaries, usually through state organizations.
3) *RuPay:* RuPay debit cards have been provided to the 330 million people who have opened a PMJDY bank account. The Global Findex report shows that debit card penetration in India increased from 22 percent in 2014 to 33 percent in 2017.
4) *Aadhaar:* As of August 2018, Aadhaar has been used in more than 83 percent of PMJDY accounts, with the number of e-KYC verifications increasing from 48 million in 2016-17 to 138 million in 2017-18.

5) *Demonetization and the Goods and Services Tax (GST):* Demonetization may have played a role in the rapid growth of digital transactions. The rise observed at the start of 2016 is attributed to the development of Unified Payment Interface (UPI), which coincided with the improvement of the business framework and with the implementation of the Goods and Services Act (GST).
6) *Licensing to New Levels of Banking Institutions:* The financial inclusion era in India between 2014 and 2018 also saw the emergence of a new, differentiated banking structure. The new legislative agenda in favour of differentiated banking has led to the development of strategic models from across conventional banking institutions, including some fintech firms and global firms to promote competition and innovation in the financial and banking market.
7) *Payments Banks:* The purpose of payment banks is to bring non-traditional players in the formal banking system, such as telcos, fintech's, business leaders, and the postal system, to use existing channels to expand DFI through modest savings and payment. "Paytm Payments Bank" processes 124 million mobile enabled banking transactions monthly which is 47% more than SBI, which is the second largest bank in terms of mobile banking transactions. Aditya Birla Idea Payments bank handled 0.35 percent of total transactions in March 2019, according to Journey Map Report.
8) *Small Finance and Microfinance Banks:* The objective of creating and licensing a new tier of SFBs is to leverage digital technology to reduce the cost of bank services and reach more low-income borrowers. Ten institutions, scattered across the country, were licensed. According to MFIN data, as of June 2018, the number of loan accounts reached 17.6 million, which is higher than the 17.3 million accounts reached a year ago and the 15.8 million accounts in 2016.
9) *Fintech:* Payment firms that process P2P and retail payments, along with technology firms such as Pine Labs and MS wipe, are examples of fintech. Many of these emerging fintech now have a business model due to the digital infrastructure offered by India Stack and Aadhaar. The growth of India's payments fintech's is closely linked to the growth of e-commerce. Between October 2016 and January 2017, the number of pre-paid instrument (PPI) transactions more than doubled from 127 million to 296 million (RBI data).
10) *Smartphones and the Internet Penetration Rate:* How quickly smartphones and cheap internet reach communities that are traditionally excluded from digital economy. This has helped India's rapid growth in digital finance instruments (DFI). The former benefits from the declining cost of hardware.

VI. EXISTING OBSTACLES AND CONSIDERATION

There is no doubt that India has made tremendous strides in bringing the marginalized segments of the economy on the path of digital financial inclusion. However, the digital

Divide is far too large and there are many barriers and challenges that need urgent attention:
1) Due to the legacy of state-owned banks, it is more challenging for new, private institutions to build a level of trust and loyalty that will reinforce customer ideology to transfer their money into such an account.
2) Low literacy and the ability to understand the principles and implications of using digital financial products will be a challenge for digital finance supplier companies that are expanding into low-income
3) Consumers prefer cash, and sellers also transact in cash, so staying in a cash-based system makes sense. One of the primary reasons for not adopting digital payments is lack of demand
4) Some business owners and traders believe that the transition from a cash economy to a digital economy will force small businesses and individuals to pay taxes that have not yet been paid.
5) In rural and remote areas, many people still lack the necessary network and digital infrastructure to build trust and use digital services frequently.
6) Rural economies are still largely cash-based, despite the relatively early adoption of digital finance in rural and remote areas. Poor people are also more sensitive to data prices. So, data prices are also a fundamental obstacle in connecting rural people with digital financial inclusion
7) Most of the digital financial products are available in English, and some are available in Hindi as well. However, most of the people in rural areas are reluctant to use digital financial products in other languages because of their illiteracy and lack of knowledge, and prefer to use them in their native language
8) One of the biggest barriers to digital financial inclusion is a lack of relevant financial products.

VII. CONCLUSIONS AND RECOMMENDATIONS

Financial inclusion is essential for economic growth as it motivates people to save which provides a foundation for financial system resources. Financial inclusion also safeguards the financial wealth and other resources of low income people by bringing them in the formal banking system and saves the poor people from being exploited by money lenders in remote locations. With the help of government efforts, this growth and demand has pushed financial inclusion in digitization across the regions and even in rural and remote areas. Over the years, financial inclusion has become a top priority for RBI, government and such authorities, with various actions taken and significant progress made. Major initiatives and efforts of government and development sector, such as JHA, Aadhaar, Direct Benefit Transfer, Rupay, Demonetization & GST, licensing to new banking institutions, payments banks, small finance & micro finance banks, internet & smart phones, and fintech have played a crucial role in the success of DFI. However, there are a number of bottlenecks and challenges hindering the growth of DFI, including trust issues, illiteracy, and lack of knowledge, cash-based economy, especially in rural areas, lack of digital infrastructure, local languages, lack of suitable digital services, and lack of skill. There are significant barriers to providing access to the underprivileged and improving their standard of living, including infrastructure, adequate services, and bringing the underprivileged up the economic pyramid. The main objective of DFI is to connect the poor with their peers and a wide range of providers. In the context of Financial inclusion, the infrastructure needed for DFI. Governments and authorities in rural areas should accelerate and coordinate the development of e-models that are in line with the needs of

micro-enterprises at the bottom of the economic pyramid by improving connectivity and infrastructure, maintaining appropriate regulations, and encouraging remote areas to accelerate and coordinate digital financial services. Help with the transition from cash to digital processes. Encourage micro-enterprises to integrate into formal electronic commerce platforms by increasing demand. Provide digital skills and training programs. Digital financial inclusion amplifies the benefits of economic progress. Not only will it reduce the cost of financial services but it will also address issues related to security and accuracy of financial transactions.

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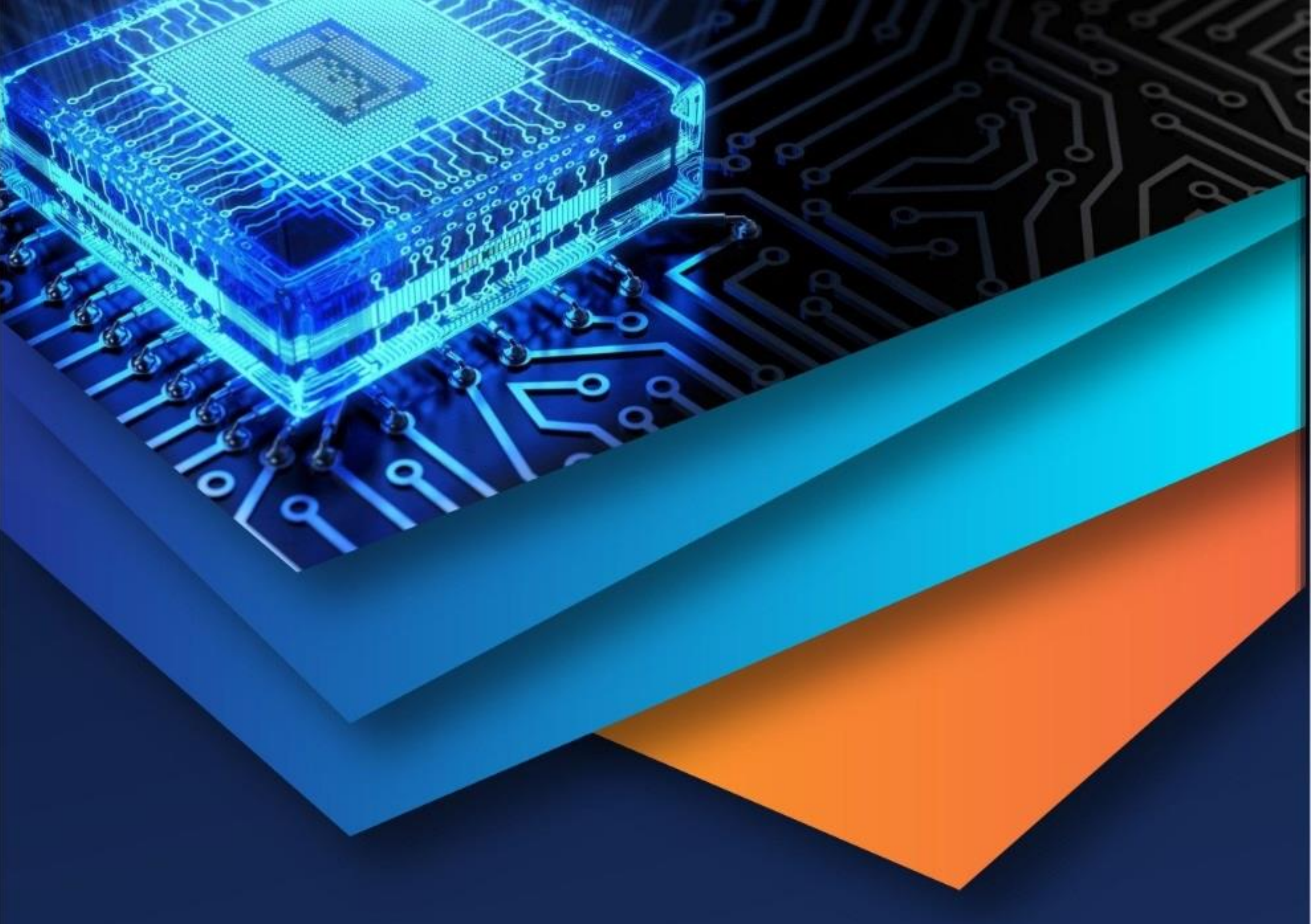

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