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IMPACT OF DIGITAL FINANCIAL INCLUSION DURING COVID-19 PANDEMIC

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Abstract

This new decade has seen the world affected by an unprecedented health predicament with a pandemic that has been never ever been experienced earlier in our lifetimes so ruthlessly affecting numerous individuals, families and a huge section of the community. Nearly many people have been affected by COVID-19 (Corona Virus Disease). Most of the employees are facing restrictions in their jobs at their work places. Therefore, as a productive outcome of the outbreak, state governments are bound to provide stimulus packages to people who are unable to afford feeding their families. Mostly, the banks are affected by the pandemic since only half percent of the employees are allowed to work in the branches. The opening and closure hours of the banks have been restricted to constraint the spread of the disease. Most of the employees are requested to work remotely from their homes in an effort to curb the spread of the disease.

Key Words: Digital, Finance, Employees, Banks, Disease, Pandemic, Financial, Individuals, Small-scale, Inclusion,

Introduction

Financial inclusion is a process of offering financial and banking services to individuals. It is the availability of opportunities to acquire financial services. It is a method by which individuals and corporate businesses can obtain relevant and nominal financial products and services regardless of their income and savings in a timely manner. Financial inclusion helps the poor and marginalised people to make use of their money in the best way possible and also to procure education on finance. This is the process to involve society and make them participate in financial management judiciously. It benefits individuals, society and economy as a whole. The Covid-19 pandemic indicates that the inclination towards greater digitalization of financial services will stay here. Digital financial inclusion certainly saves operating costs, brings greater efficiency and generates greater profitability.

Statement of the Problem

The Covid-19 pandemic has resulted in critical and prolonged disruptions to the individuals and small-scale firms. Small firms and under-privileged households can benefit from online banking, mobile banking services and fintech services. Financial inclusion is a digital financial service that increases economic growth. Due to the limited bank hours, there are restrictions in procedures of banks that the household and society have to follow. As the pandemic is bound to increase the use of these kind of financial services has put forth challenges for individuals and industries alike. It has also spotlighted dissimilar access to digital infrastructure. The restrictions have affected not only the society but also the banks in an effort to curb the growth and increase of Corona virus. With more restrictions that are being coerced at the moment, access to finance becomes crucial in today's digital environment. This crucial situation, therefore, cries out for the dire need to provide financial solutions to the underprivileged.

Objectives of the Study

1. To understand the economic crisis being experienced by individuals, small scale industries and society in general.
2. To suggest some tentative solutions for the existing problem.

Need for the Study

The highly complicated global scenario today urgently calls for an in-depth study into the problem with a motive to unearth a solution that would be a boon to the economically underprivileged. This would include mode of savings and loan services that would not be burdensome and painful to the client.

Scope of the Study

The study will provide an opportunity to understand the requirements of the people and the psychological apprehensions they harbour before approaching the banks and other financial services while applying for loans etc. It is the responsibility of such financial service providers to remove such qualms and uncertainties through proper counselling and encouragement thereby building up their confidence to apply for loans and small-time savings that would come to their instant aid even if the pandemic were to persist.

Research Methodology

Nature of Research

Descriptive research is employed in this study. It provides answers to such questions as who, what, where and how.

Sampling Framework

A sample framework has been designed from a sector of the population available for consideration. So Convenient Sampling is taken for study.

Data Collection

Secondary data has been collected from various journals, newspapers, magazines, internet and respondents at random.

Financial Inclusion and Digital Finance

The foundation for interconnection between financial inclusion and digital finance is the premise that a large number of populations owns mobile phones and related devices that can improve access to finance. Individuals and householders should be able to afford internet connectivity as digital finance is envisaged to have positive effects of financial inclusion. There is a positive correlation between the utilization of digital finance and its approach to financial services.

Challenges faced by individuals and Society during Covid times

The DFS (Digital Finance Services) uses enterprising marketing strategies to induce the low-level individuals and householders to use various digital platforms thereby leading to lower digital financial inclusion for those with poor income because the monetary pay off to the digital service providers will be higher when compared to middle and higher income groups. Digital financial inclusion compels individuals, small scale industries and normal bank account holders to activate the bank related transactions digitally to improve the welfare of bank account holders but it does not improve and benefit the individuals if they do not have a bank account. Digital finance services will be of no use to individuals who do not use digital devices for financial transactions. In this regard the main problems faced are:

- Digital financial inclusion mainly relies on internet connectivity
- Some digital platforms are fee based which will benefit only the high and medium sector people but where poor individuals are concerned, they will not be able to afford the transaction costs
- The individuals who do not have devices like mobile phones, etc., will not gain access to digital financial transactions

Financial inclusion & Covid-19 recovery

Due to the pandemic, lockdowns have led to long waiting times for those who have opted for telephone banking because many branches of the banks have either merged or forced to close down. So, the individuals of all ages discover the benefits of digital banking offered by the banks with the help of modern technological tools.

The impact of digital transformation on financial services has been realized over the past few years. This is through the shift from traditional banking to online and mobile banking digital services that include digital payments. Hence, digital financial inclusion plays a vital role in attracting the investors, individuals and the society. It can also increase the growth of gross domestic product and may bring down poverty level in the country.

Suggestions

From the pandemic point of view, digital financial inclusion should be conveniently accessed by the low-income level individuals if the transaction fee is reduced. If the digital service providers do not charge any fees for the poor individuals or waiver the transaction amount, then digital financial services can be used by all hopefully. The regulations and procedures can be altered accordingly to suit the needs of the people. It can increase the transaction limits and maximize the wallet balance. It can also lower the minimum amount required for a transaction as this will encourage the digitalization of routine payments.

Conclusion

With the pandemic changing the way of thinking with regard to financial services, it is time for investors and governments to think holistically and on a long-term basis about this new reality and compromise with hitherto challenging circumstances. Financial inclusion and digital financial services can be crucial tools in improving levels of financial inclusion. It would identify issues of inequalities and potentially help to minimise the gap between the developing countries and the developed world.

COVID-19 has impacted financial inclusion trends across the world in many complicated ways. The shift towards digital financial services had come to the aid of the public even before the pandemic started. Thus, many low-income households and small business firms had been much benefitted. Today lockdowns and social distancing are accelerating the demand for use of digital financial services. In fact, in some countries digital payment services have started offering digital lending. Marketplace lending uses digital platforms to directly connect lenders to borrowers, even on a small scale, thus creating a confidence in individuals and small-time traders. However, the pandemic shows that the inclination towards digitalization of financial services has come to stay. So, to infuse a greater trust in the consumers there is a dire need to address the inequalities during and after the ongoing crisis. This can only take place by striking a right balance between enabling financial innovation and addressing several other risks such as insufficient consumer protection, lack of financial and digital literacy, poor access to digital infrastructure, and data biases that demand action at the national level.

The aim of this study, therefore, is to illustrate the opportunities and risks associated with the use of digital financial services, thereby providing ideas on how to understand the changes affecting the overall approach and perspective towards digital financial services with a view to promote financial inclusion and development.

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