

DISRUPTION OF TRADITIONAL FINANCIAL SERVICES THROUGH DIGITAL FINANCE --- GLOBAL & INDIAN PERSPECTIVE

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Abstract :

Financial services provided using digital platforms and technological innovations can bring a radical change in the financial sectors across the world. These services range can be a catalyst for the provision and use of a diverse set of financial services – including Money remittances .credit, insurance, savings, and financial education.

Those who are currently excluded will relish enlarged access to money-transfer services, microloans, and insurance.

Offering basic financial services through mobile phones, point-of-sale devices, and networks of small-scale agents, digital financial services have the potential to reach more people, at a lower cost, and with bigger convenience than ancient “brick and mortar” banking services. With the fast international growth of mobile technology, mobile banking and other digital financial services are helping vast numbers of previously excluded people access financial services. Mobile network operators, governments, and financial institutions, ranging from large commercial banks to micro finance institutions, recognize and have begun to leverage the potential of digital financial services.

A number of governments and their central banks have conjointly started “cash-lite” policies to scale back the employment, and therefore cost, of cash in their economies. Digital finance models are being tested with varying degrees of success around the world. Mobile Pesa launched by Vodafone in Kenya maybe the simplest known and most roaring example of mobile banking. Its vast success sparked a wave of start-ups and partnerships that use the service to provide Kenyans other valuable services, such as utility payments, savings accounts, and micro insurance.

Researchers are learning successes and failures of digital money services to know the economic process, business models, and ecosystem requirements to support successful digital financial services deployments else where around the world.

This paper tries to understand the power of digital financial services globally and with Indian perspective.

In across the industries like real estate ,education government remittances utility bill payments and savings are all a part these broad spectrum. The proposal to use technology and gadgets in the area of education is a good move.

Fee payments and other financial services are definitely enhancing he quality of education insutry. Samsung Smart Classes have been set up at over 200 schools across India and another close to 200 more will be added this year.

In every sensible category, students use smart boards and devices, which are loaded with the course curricula, to study the digital way. More than one,60,000 students have already benefited from this initiative.

KEYWORDS: Branchless banking, Digital finance eco system, Cyber laundering, payments apps, Interoperability.

I. INTRODUCTION

OBJECTIVES OF THE STUDY:

- To study the concept of digital finance in the global context
- To study Indian perspective of digital finance
- To study the future of digital finance

RESEARCH METHODOLOGY:

This is a descriptive study .Data is collected through secondary source. Most of the data is collected from the reports published by world development report World Bank 2016., McKinsey, TU-T Focus Group Digital Financial Services. Few of the data has been collected from the various websites including the news paper articles (web based) on these changes.

INTRODUCTION

Using digital platforms like mobile apps, internet, easy pay options is the latest trends in the market. The financial innovations are disrupting the traditional financial services by replacing them with safe secure, transparent and convenient mode of transaction through digital finance.

The channels for digital finance are internet, Mobile phones, Atm's ,Pos terminals NFC enabled devices chips electronically enabled card and bio metric networks.

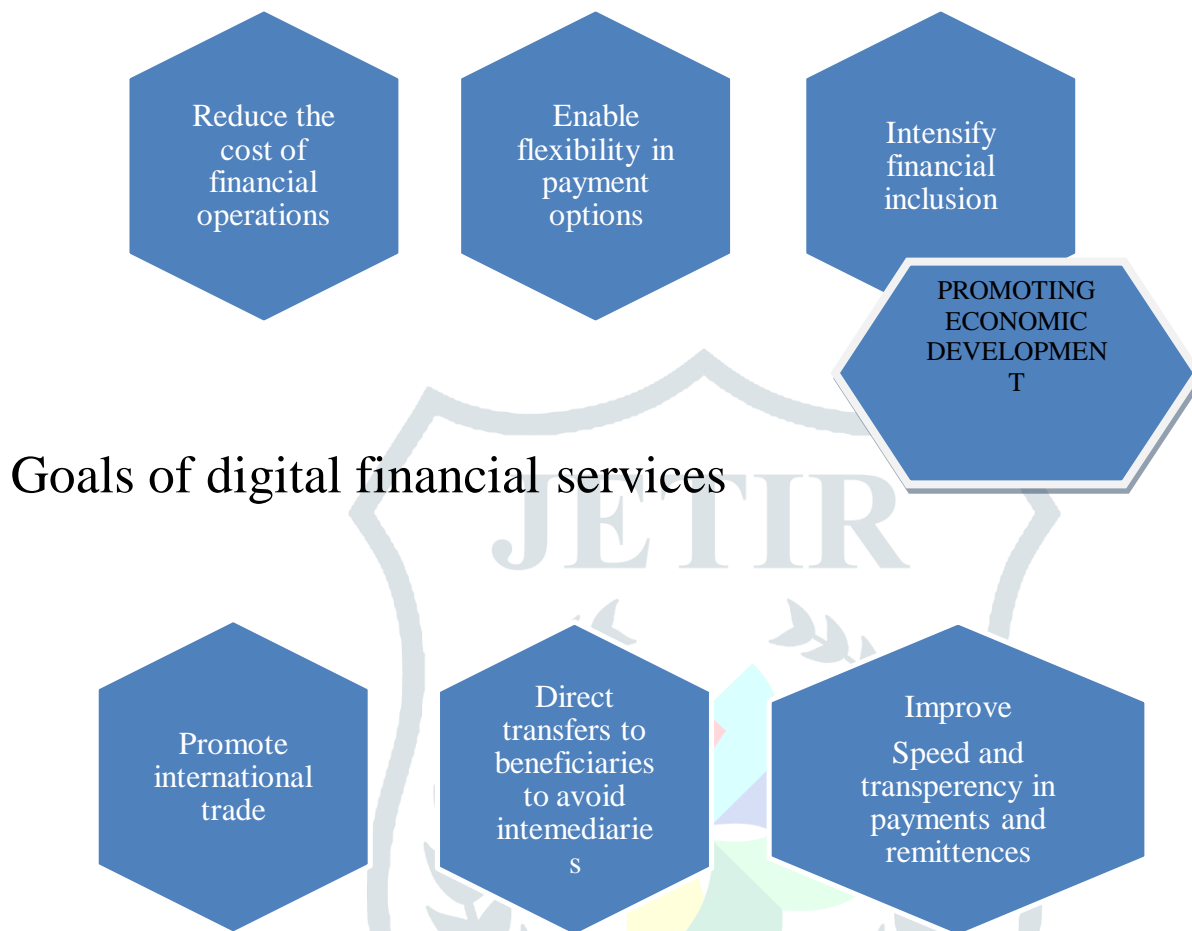
These digital platforms enhance the quality of service and also reduces the overall service and deliver cost for consumers it creates values through convenience, safety and efficiency.

Digital finance is used as a catalyst to boost financial inclusion. It is used a s means to expand access beyond financial sectors to other sectors like agriculture transportation water health education clean energy real estate and intellectual property, account ledgers etc.

A smart phone or a phablet is replacing the age old wallets check books banks and branches

What is Digital financial services ecosystem ?

The eco system of digital financial services consists of Financial technical and other infrastructures that facilitate access to interoperable financial products and services to consumers, businesses, government and non government agencies. It consists of Banks, non banking financial institutions and other licensed financial institutions. The objective of financial ecosystem is to promote Financial inclusion, Economic health, stability and integrity of financial system.



Driver's Digital transformation in financial services:

- The financial crisis of 2008 reduced trust of traditional financial institutions.
- Digital transformations of other industries made customers incline towards tech based solutions.
- Rising number of Millennial workforce who expect transactions to be fast, convenient and technologically supported. By 2025 Millennials are major part of the demographic composition.

Power of Digital Financial Services

According to the report published by McKinsey & company and latest world bank studies digital finance can boost \$3.7 trillion and 6%GDP boost by 2025 and 95 million jobs in developing economies. Financial technologies can create a new credit of \$ 2.1 trillion and \$4.2trillion new deposits by including 1.6 billion new individuals by 2025. This could have been a herculean task for traditional financial service systems.

Potential business opportunities are large for financial start ups retailers and firm banks telecommunication companies and payment providers. Without much increase in additional costs it also strengthens the governments by saving leakage costs and control tax evasion and increase legitimate revenues.

All these opportunities can accelerate the growth of economies of world also promoting financial inclusion for a sustainable better world tomorrow.

CONCERNS OF DIGITAL FINANCE

- 1) Lack of standardized regulatory framework Digital financial service providers are regulated by financial regulatory authorities in many parts of the globe. They come under cyber regulation which is not yet standardized.
- 2) Lack consumer educations and customer protection The large pool of people gathered through Digital platform lack financial literacy, knowledge of preventive measures for fraud and appropriate mechanism of dispute resolution.
- 3) Restrictions and interference by governments and regulatory bodies.
The financial innovations are a competition to countries banking sectors, as they are more convenient and user friendly. Thus, restrictions are imposed by central banks and Governments on digital services
- 4) Financial innovations create distortions in financial markets.
Because of deeper penetrations in to personal finance, Industrial finance which increases the productivity may get neglected.
- 5) Tampering Information: Digital financial services can facilitate flow legitimate funds for illegal and illicit purposes.
- 6) Growing number of cyber-attacks frauds and money laundering across the world.

- 7) There is possibility of illicit financial flows often from developing countries to capital markets in industrialized countries that represents proceeds from tax evasion corruption or by passing of capital control.
- 8) Weak digital security frameworks which can easily tamper personal data in interoperable transactions.

DIGITAL FINANCE INDIA PERSPECTIVE

India is world's fastest growing economy with 2nd largest world's population with growing number of technology users. The statistics shows the number of mobile phone users in India in 2017 730.7 million and is expected to rise 813.2 million by the end of 2019.

Digitalizing its predominantly cash based economy and reforming its centralized tax system has the potential to accelerate India's expansion.

In a report published by Morgan Stanley in 2018 it is estimated that in the coming decade more than 10% GDP growth rate is compounded annually.

The beginning of India's Digital revolution was 2010 launch of Unique Identification number Aadhaar using bio metric identification verified by finger print and iris scan with more than 1.3 billion people now registered in Governments digital data base.

Currently India has about 800 million unique mobile users and about 430 million people have internet access and will double in next 10 years .It is estimated that 915 million Indians will be on the Internet by 2026.

Number of millennial work force is gradually increasing and by 2025 they are going to be the maximum number of millennial work forces. In 2015 the percentage of millennial work force was 36% and 2018 45% ,2019 48% and by 2024 56%.

Digital payments shifts to non card transactions

	2015	2016	2017	2018
Credit cards POS	59%	57%	46%	43%
dEbit cards pos	38%	37%	42%	41%
Debitcards POS Ex rupee	3%	5%	7%	8%
UPI	--	2%	4%	5%
Mwallet	-	-	1%	3%

About 23% of Indians have usable credit history and 80%of 40 million and MSMEs' do not have banking relationship.

RBI and government of India have been initiating financial inclusion through various schemes and policies like Jan Dhan Yojana since 5 years, but policies alone cannot deliver the promise of financial inclusion. It should be supported by technology driven financial innovation which could enable rapid large scale and positive change for strengthening Indian financial sector.

CONCLUSION:

The growing number of Millennial as potential users of financial services desire convenient ,user friendly and secure options of transaction patterns. Today's financial are more customer friendly and focus on enhancing the value to their services through technology as their gateway. The new dimension to provide digital service is through payment apps, online transfers, virtual trading etc. These benefits of digital finance are not only fulfilling the needs of urban population. DFS has definitely contributed for laying the route towards untapped rural markets financial inclusion.

In future Brick and click structures of businesses will go down in number and people are inclined towards financial wellness platforms that allow them to convenient and secure financial dealings,earn rewards ,sustaining relationships and build up loyalty markets towards stake holders,

One more important promoter of digital finance is block chain,which essentially allow for safe and secure trading of investments ,realestate ideas,copy rights or royalty fees while reducing the role of financial intermediaries.

There is gradual increase in digital financial service users in India .It is estimated by world bank 2016 report that by 2025 digital transactions in India could be worth \$1trn a year.This is the result of rapid internet users nation wide, rise in smart phone users .Thus enabling financial inclusion and economic development.

The other side of the coin the gradual rise in cyber attacks which cost India an estimated USD 4 billion annually and estimated to increase to 20 billion USD by 2025.Cyber security and fraud prevention are main areas which India should strengthen to optimize the digital disruption in finance sector.

The disruption of traditional financial services and blooming of digital financial services has the benefit of unprecedented reach and consumer access which was impossible at anytime in the history.

Digital lending is less than 2 % today. There is enough promising innovation in this category to tackle the core issues of credit access and banking reach for small businesses and individuals.

There is a significant start up momentum in a range of other areas such as mobile payments online insurance, remittances, robo advisory services and credit scoring.

There is also scope of high-quality data access providers which is the need of the day.

For lending startups this could be a keydriver of greater financial inclusion.

The future of any industry anywhere in the world is going to be digital .so we should build strategic capabilities to optimally utilize the opportunities of new financial innovations and build a sustainable economy.

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