


Chapter 6

Prospects, Challenges, and Opportunities of Digital Financial Services in Developing Countries

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ABSTRACT

The chapter aims to show the challenges and opportunities of digital financial services (DFS) in emerging markets like India and to show how the adoption of innovative DFS marketing can support the outreach of its large population. The chapter reveals the digital marketing priorities of these forces powered by new digital technologies to drive the rapid transformation of financial sector marketing function into a cash cow position. The implication of this research supports the institutions to formulate the framework to overcome the challenges and create an advantage by grabbing the opportunities. The results reveal the gaps, adjusting the organizational digital strategy for companies across sectors.

INTRODUCTION

Asia is reflected as one of the largest markets with the majority of its population considered as financially excluded due to a lack of well-established economic, monetary and societal foundation. With a large population market, most of the countries have scarce resources and a slow growth rate. The majority of countries have a pretentious history leaving the country with dark financial stability. Due to this very reason, the large population believes in long-term financial saving which can be used during the needed times. With globalization, the institutions have adopted digital technology to market its product and services to the large providing utilities and services at the click of the fingertip. However, after the economic liberalization, the entire financial sector has undergone a seesaw change with institutions

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adopting digital mode reaches their customers around the world. Now, newfangled financial instruments are entering daily which can be called digital financial creativity/ innovation.

The majority of the Indian population believes in risk aversion and saving, making the country a risk aversion culture with a large amount of cash being preserved in the banks protecting the customer from cash storage at home and office. Economic liberalization and technological advancement helped the financial institution to reach large and replace the physical cash movement with cashless transactions providing flexibility in payment and real-time service with lowering the risk and time. Presently, digital financial services have become vital for the economic development of any country. Mobile banking, fund transfer, online payments, etc. are very common in an emerging market like India serving the mass with customized services. Mobile/ digital marketing of the financial product has become a common practice among the financial institution to promote its product/ services and interconnection among participants in monetary activities.

Globally, digital financial services (DFS) are the significant transformation for incorporating financial inclusion (Buckley and Malady, 2015) in their day-to-day activities. DFS provides faster digital financial services using the digital platforms with electronic money models (Scott et al., 2017; David-West et al., 2018) that otherwise take a long time and process for its delivery. Digital platforms and specific channels that allows access to services to the potential desirable parties, benefiting consumers and the financial service providers with low cost and personalized services (Baker et al., 2007; Alam and Imran, 2015; Tarhini et al., 2016; AFI Global, 2017; Thorseng and Grisot, 2017) and categorized others with restriction. Digital technology countenances people lacking the most elementary banking services to move or digitally transfer the assets from them to the desired consent party within no time allowing the smoother, timeless and safer transaction.

The reach and accessibility of DFS are large that provide access to various facilities like banking, insurance, health, retail, moneylending, etc. giving power to its clients for financial transactions using digital media. According to the Global Financial Inclusion Database of World Bank, 2.5 billion people across the world have no access to any financial institution. This critical situation of lack of accessibility and reach restricts them to make any financial transactions. For this very reason, the population depends on cash and ways of informal transactions to meet their everyday financial requirements (Gates Foundation, 2017). Moreover, the women populations involved in jobs or entrepreneurship are mostly from the rural area are worse affected due to lack of financial services and need to depend on males in the family for procuring daily needs (Mathew, 2010). DFS will be a vital channel to provide the most deprived families for any financial transactions using electronic media. Additionally, Women entrepreneurship (Mathew, 2016) will be highly benefited from the exposure of the DFS in MSME and home-based businesses.

It is assumed that the biggest challenges for the financial institution in most of the emerging Asian markets like India, Indonesia, etc. are that the population has either no accessibility or has no connection to the financial institution. According to the Global Findex Database (2017), 1.7 billion adults remain unbanked globally. Among this 56% are women and 44% are men without an account in any financial institution and bank. As per the data, China has the world's largest unbanked population 13%, followed by India with 11% (i.e. 190 million), Pakistan with 6% (100 million), and Indonesia 6% (95 million). From the total, women make up nearly 60 percent of unbanked adults in China and India. While in Bangladesh with a high of 65 percent and Colombia 56 percent of unbanked adults are women (Global Findex Database, 2017).

With the introduction of information and communication technologies with far-reaching networks and huge mobile-cellular systems extends reach to rural India the scope of DFS has been extended to

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