

Determinants of Digital Financial Services: A review of literature

Mr. Ashok Botta*, & Dr. Chintala Balaji**

*Research Scholar, Department of MBA, Koneru Lakshmaiah Education Foundation,
Vaddeswaram, AP, India.

**Research Supervisor, Department of MBA, Koneru Lakshmaiah Education Foundation,
Vaddeswaram, AP, India.

Abstract:

Indeed, the world we live in today is heavily influenced by digitalization. Information and technology have become crucial in enhancing knowledge and driving value creation in businesses. This review paper focuses on descriptive research, providing insights into financial services delivered through digital platforms. Innovation is key to improving effectiveness and efficiency, and organizations need to recognize the significance and popularity of digital platforms to remain competitive. Embracing virtual policies and adopting information technology tactics are essential for organizations to cater to the increasingly "Tech-Savvy" demographic. The digitalization of the financial sector requires a long-term cognitive approach. It showcases how financial services are accessible globally, potentially impacting marketing opportunities for newly established businesses. Digital financial services, being a central point of competition, can attract customers and contribute to a company's value. Building strong customer relationships is vital for businesses in today's competitive landscape, and offering digital services to valued clients is one way to achieve this. Furthermore, technology has not only focused on one aspect but has also considered various perspectives, including legal, political, economic, social, and technological factors (PESTL). Understanding how digital financial services operate and their potential value in the future is beneficial for everyone. In summary, this review paper highlights the importance of digitalization in the financial world and how it influences businesses, customers, and the overall market. By embracing digital financial services and leveraging technology, organizations can enhance their competitiveness and create value for their customers.

Key words include: Finance, Digitalization, Globalization, financial literacy.

Introduction:

Digitalization has indeed been a game-changer in the IT industry, particularly in the realm of financial services. The affordability and convenience of digital payment and money transfer services have revolutionized the way people conduct financial transactions. This has resulted in increased digital literacy levels, particularly among households, as more individuals embrace digital platforms for their financial needs.

Banks and financial institutions have recognized the importance of digital financial services (DFS) in enhancing customer experience and have leveraged technology to provide better services. DFS prioritize seamless connectivity with customers, allowing for quicker and more efficient interactions. The impact of DFS is particularly significant in bridging the gap between urban and rural areas, potentially influencing the overall economy.

DFS has opened up new avenues for the growth of financial services on a global scale. Financial inclusion, which combines digital services and finance, focuses on making financial services affordable and practical for various needs such as payments, transactions, savings, credit, and insurance. It aims to reach populations that have traditionally been excluded from formal financial systems.

Through the use of modern platforms, such as mobile phones and other cutting-edge technologies, DFS plays a crucial role in providing essential financial services to underprivileged individuals. Educating people about the benefits of shifting to digital financial services is essential in preparing them for the future and enabling them to take advantage of these services.

In today's world, online payments have become the preferred choice for most individuals, and businesses recognize the importance of offering digital payment channels to remain customer-friendly. Collaboration between businesses and their IT departments is crucial in opening up channels for online payments and other financial services. As the adoption of DFS increases, the market becomes more competitive, leading to further impact and advancements in the field.

Overall, this review paper sheds light on the reasons behind the development of digitalization in financial services and emphasizes the significance of investing in digital financial literacy to alleviate financial burdens, particularly among disadvantaged

populations.

Paper Title: "DIGITAL FINANCE AND ITS IMPACT ON FINANCIAL INCLUSION" by Dr. Tabitha Durai and G. Stella

Dimensions: The paper aims to identify the impact of digital finance in bringing about financial inclusion among people.

Research Methodology: The methodology used in the study is not specified.

Financial Services Concepts and Its Impacts: The paper discusses non-participation in stock markets as a response to deficiencies in advanced financial literacy and lack of risk attitudes. It also explores the linkage between the gender gap in stock market participation and financial literacy, considering education level and wealth as external factors.

Paper Title: "A study of digital financial awareness among youths" by Joyce, Lisa, and Rathakrishnan (2010)

Dimensions: The study focuses on the awareness of digital financial services among youths.

Research Methodology: The study collected primary data through a survey method with a sample size of 280 students. Multivariate analysis of covariance was conducted for hypothesis testing. **Financial Services Concepts and Its Impacts:** The study found that the financial and basic awareness of youth is influenced by factors such as age, subjective knowledge, family background, study stream, and sources of financial information. The awareness level of digital financial services includes understanding risk factors, inflation, interest rates, financial products, and time value of money. The findings can inform policymakers in making policies related to insurance, mutual funds, and pension funds.

Paper Title: "Mobile banking adoption of the youth market" by Ulun Akturan and Nuray Tezcan (2012)

Dimensions: The paper explores the adoption of mobile banking among the youth market as a part of digital banking.

Research Methodology: The study collected 435 usable data from non-user university students of mobile banking. The perception and intention of individuals towards the adoption of mobile banking systems were assessed.

Financial Services Concepts and Its Impacts: The study highlights the importance of individuals' attitudes towards adopting mobile banking for establishing an efficient digital financial system. It focuses on the communication channel created between consumers and mobile banking and the perception of youth towards mobile banking adoption.

These papers contribute to the understanding of the impact of digital finance on financial inclusion, the awareness of digital financial services among youths, and the adoption of mobile banking in the youth market. Each study employs different research methodologies to investigate various dimensions of digital financial services.

Paper Title: "New Frontiers: Launching Digital Financial Services in Rural Areas" by Cameron Peake (2012)

Dimensions: The paper focuses on the provision of mobile network operator services and digital financial services in rural areas.

Research Methodology: The paper undertakes a review of innovative digital financial services implemented in rural areas.

Financial Services Concepts and Its Impacts: The study highlights the provision of bank-related financial services digitally in rural areas with well-documented processes.

Paper Title: "Challenges and solutions for marketing in a digital era" by Peter S.H. LeeFlang, Peter C. Verhoef, Peter Dahlström, and Tjark Freundt (2014)

Dimensions: The paper discusses the challenges and solutions for marketing in the digital era, including business-to-business marketing and other markets.

Research Methodology: The study used a convenient sampling method to survey marketing executives worldwide, collecting 777 usable responses. Regression models were used for analysis.

Financial Services Concepts and Its Impacts: The paper emphasizes that digitalization has become an integral part of various markets, including business-to-business and business-to-consumer levels.

Paper Title: "The Impact of Digital Finance on Household Consumption: Evidence from China" by Jie Li, Yu Wu, and Jing Jian Xia (2019)

Dimensions: The paper aims to examine the impact of digital finance on household consumption in China, considering consumption structure, family characteristics, and geographical features.

Research Methodology: The study used the China Household Finance Survey in 2013, 2015, and 2017 to analyze the impact of digital finance on household consumption using a mediating model.

Financial Services Concepts and Its Impacts: The paper explores the influence of digital finance

on household consumption, examining possible mechanisms and factors related to consumption structure, family characteristics, and geographical features.

Paper Title: "Intention to adopt internet banking in an emerging economy: a perspective of Indian youth" by Rambalak Yadav, Vikas, and Govind (2014)

Dimensions: The paper focuses on the determinants of digital financial services adoption, specifically individuals' intention to adopt internet banking in India.

Research Methodology: The study collected 210 usable questionnaires using a self-structured survey method and employed structural equation modeling for data analysis.

Financial Services Concepts and Its Impacts: The study highlights that individuals' perceived usefulness, intention, and perceived risk are important determinants of digital financial services adoption. Additionally, knowledge of information technology and financial knowledge positively impact the adoption of digital financial systems.

These papers cover various aspects of digital financial services, including their impact on financial inclusion, digital financial awareness among youth, mobile banking adoption, marketing challenges in the digital era, and the impact of digital finance on household consumption. Each study employs different research methodologies and explores different dimensions of digital financial services and their impacts.

Paper Title: "Managing Digital Money" by Mark Dodgson, David Gann, Irving Wladawsky-Berger, Naveed Sultan, and Gerard George (2015)

Dimensions: The paper discusses the theory and review of digital money and its impact on globalized trade.

Research Methodology: The study involves a review and theoretical exploration of digital money and its application in globalized trade.

Financial Services Concepts and Its Impacts: The paper highlights the use of digital platforms and globalized trade for commercial transactions of goods and services, particularly in urban areas.

Paper Title: "Digital Finance and FinTech: current research and future research directions" by Peter Gomber, Jascha-Alexander Koch, and Michael Siering

Dimensions: The paper focuses on digital finance business functions, relevant technologies and

technological concepts, and institutions providing digital finance solutions.

Research Methodology: The study aims to identify the state of research and future research directions in the field of digital finance.

Financial Services Concepts and Its Impacts: The paper introduces the Digital Finance Cube, which encompasses the key dimensions of digital finance and FinTech, including business functions, technologies, and institutions involved.

Paper Title: "Research and Impacts of Digital Financial Services" by Dean Karlan, Jake Kendall, Rebecca Mann, Rohini Pande, Tavneet Suri, and Jonathan Zinman (2016)

Dimensions: The paper explores the impacts of digital financial services on productivity in various fields.

Research Methodology: The study involves the collection and compilation of literature on financial inclusion and innovative financial services.

Financial Services Concepts and Its Impacts: The paper highlights the positive impacts of digital financial services on productivity and innovation.

Paper Title: "Central Bank Digital Currency and the Future of Monetary Policy" by Michael D. Bordo and Andrew T. Levin (2017)

Dimensions: The paper focuses on the importance of central bank digital currency in transforming the economy and monetary policy.

Research Methodology: The study presents a working paper on the significance of central bank digital currency in the transformation of the economy.

Financial Services Concepts and Its Impacts: The paper emphasizes the role of digital currency in facilitating economic and financial transactions, as well as the development of related policies.

Paper Title: "Digital Financial Inclusion: A Payoff of Financial Technology and Digital Finance Uprising in India" by Ravikumar T

Dimensions: The paper aims to study the development and adoption of financial technology and digital infrastructure in India, analyze digital financial innovations, and assess the role of digital finance companies in promoting financial inclusion.

Research Methodology: The study focuses on the role of financial technology in digital finance and financial inclusion in India.

Financial Services Concepts and Its Impacts: The paper highlights the role of digital technologies and digital financial products in promoting financial inclusion through speed,

convenience, and an inclusive approach.

Paper Title: "Financial Capability" by Margaret S. Sherraden (2017)

Dimensions: The paper explores the financial capability of people residing in rural areas.

Research Methodology: The study used a structured survey method to assess the financial capability of rural individuals.

Financial Services Concepts and Its Impacts: The paper emphasizes the importance of financial capability for people in rural areas, providing an opportunity for them to gain knowledge and manage their financial households effectively.

Paper Title: "Financial Knowledge, Risk Preferences, and the Demand for Digital Financial Services" by Christian Königsheim, Moritz Luka, and Markus Nöth (2017) 2017 The Impact of Digital Financial Services on Firm's Performance: a Literature Review Mobile banking, Branchless banking, Electronic banking, Digital banking, Internet banking are important dimensions of digital financial services An extensive literature review of 39 works was done to check the impact of DFS on firm's financial performance. Digital financial services are positively associated with Firms performance, Firms Cost effectiveness, Banks performance, Firms efficiency and Firms profitability.

Asli Demirgüç- Kunt, Leora Klapper, Dorothe Singer, Saniya Ansar and Jake Hess 2018 Opportunities for Expanding Financial Inclusion Through Digital Technology Effect of Digitalization on payments and its security. Compilation of digital library to make people technology savvy Digital Technology in terms of Finance evolved the speed of payments and hence expansion of financial services all over the world (urban and rural areas).

Mohammed Farzana Begum 2018 An Overview of Digital Financial Services in India: Concept, Initiatives and Advantages Impact of Digital financial services over rural areas and developing areas in India. An article on importance of DFS for financial inclusion to make financial system more healthy and sound. It showcases the convenience and secured banking services for people belonging to developing cities.

Dr.Nageswara Rao DARA 2018 The Global Digital Financial Services: A critical review to achieve for digital economy in emerging markets Digital financial services are important tool to increase digital financial inclusion as it increases digital financial literacy. Extensive literature review on global digital financial services Mobile Payments are important tool of Digital Financial Services which creates healthy interconnection between people of economy.

Paper Title: "The Global Digital Financial Services: A critical review to achieve for digital economy in emerging markets"

Dimensions: The paper focuses on global digital financial services and their role in achieving a digital economy in emerging markets.

Research Methodology: The paper conducts an extensive literature review on global digital financial services to gather insights and information.

Financial Services Concepts and Its Impacts: The paper emphasizes the importance of digital financial services as a tool to increase digital financial inclusion. It highlights mobile payments as a significant aspect of digital financial services, creating connections between people in the economy.

Paper Title: "Digital Financial Services: Challenges and Prospects for Liberalized and Globalized Indian Economy"

Dimensions: The paper examines the challenges and prospects of digital financial services in the context of a liberalized and globalized Indian economy.

Research Methodology: The paper likely uses an analytical approach to study the challenges and prospects of digital financial services in the Indian economy.

Financial Services Concepts and Its Impacts: The paper discusses the concept of a cashless economy and presents digital financial services as a step towards developing a cashless economy. It addresses the challenges faced by the economy in achieving this transformation while considering the tremendous growth in the Indian landscape.

Please note that the provided information is based on the limited details provided, and the actual content and findings of the papers may vary.

S.NO	Challenge	Brief description	References
1	Risk of using digital services	Security and privacy risks for digital services like mobile banking can stop individuals from using DFS	Leefflang et al. (2014); Lauer and Lyman (2015); Gupta et al. (2017); Scott et al. (2017); David-West et al. (2018)
2	Safety and reliability issues	Consumer engagement of using DFS will reduce with security gaps and nonexistence of defence against fraudulence and cyberattacks in the DFS	Fatima (2011); Kumar and Goyal (2016); Tarhini et al. (2016); Gupta (2017); Rana et al. (2018)
3	Privacy issues	Consumer trust and engagement for using DFS will reduce with an intervention of private and confidential information	Fatima (2011); Weill and Woerner (2015); Castle et al. (2016); Athey et al. (2017); Rana et al. (2018)
4	Weak or poor authentication process	Consumer intention to use DFS will reduce with weak or poor authentication process of digital services	Fatima (2011); Karlan et al. (2016); David-West et al. (2018)
5	Lack of digital literacy	Consumer can be discouraged from using DFS with lack of digital literacy	Dwivedi et al. (2016); Harsh and Wright (2016); Khokhar (2016); Gabor and Brooks (2017); Nedungadi et al. (2018); Rana et al. (2018)

S.NO	Challenge	Brief description	References
6	Less information about advantages of DFS	Consumer intention of using DFS but they do have proper information about advantages of DFS	Harsh and Wright (2016); Lloyd et al. (2016); Siddiquee (2016); Gupta et al. (2017); Nedungadi et al. (2018); Rana et al. (2018)
7	Technology and networking issues	Consumers/Mobile Network Operators (MNOs) trust toward DFS will lower by facing the critical issues such as digital disruptions	Au and Kauffman (2008); Harsh and Wright (2016); Scott et al. (2017); Rana et al. (2018)
8	Lack of training to agents/Mobile Network Operators (MNOs)	Lack of designing the right type of agent training and skills development program to keep agents updated with information required to serve the consumers can reduce agents' intention to effectively run the digital financial services program	Chauhan (2015); Kanobe et al. (2017); Nesse et al. (2018)
9	Legal and regulatory issues	Lack of legal and regulatory framework or guidelines for digital services increases risks and discourages consumer to effectively use digital financial services	Weber and Darbellay (2010); Kemp (2013); Chauhan (2015); Scott et al. (2017); David-West et al. (2018)

10	Lack of adaptably of new technologies	Banking systems are negatively influenced toward fostering DFS with the Lack of adaptably of new technologies.	Fitzgerald et al. (2014); Holley (2015); Scott et al. (2017); Das et al. (2018); Rana et al. (2018)
11	High cost and low return related problem	High costs attached with small returns have led digital services an unattractive proposition for commercial banks and profit-making entities toward successfully rolling out the digital financial services	Leeflang et al. (2014); Microsave (2016)
12	Universal unavailability of Internet	Lack of physical network to provide online services to every part of the country could be a substantial challenge, which can adversely influence the significant use of DFS	Wright et al. (2013); Rana et al. (2018)
13	Unreachability of mass consumers	Consumer can be deprived of using DFS if they have a lack of any type of online payment arrangement including mobile money to reach from nowhere to the critical mass	Chauhan (2015); Lauer and Lyman (2015); West (2015); Deichmann et al. (2016); Foster (2016); Rana et al. (2018)
14	Lack of trust	Lack of trust can stop consumer from availing the benefits of DFS	Lifen Zhao et al. (2010); LeeFlang et al. (2014); Shareef et al. (2018)
15	Lack of wider integration and Interoperability	Lack of assimilation and interoperability of non-branch banking for both urban and rural consumers can reduce the pace of DFS offered to consumers	Wright et al. (2013); Bourreau and Valletti (2015); David-West et al. (2018)
16	Problem of dormancy	The issue related to non-use of mobile and other digital services by the registered active mobile/digital service users could reduce the effective and successful implementation of DFS	Angelow et al. (2016); Mazer and Rowan (2016); Chandrasekhar and Ghosh (2018)
17	Inability to transact in low value	Incompetence to hold enormous capacity of small value exchanges at low cost can reduce the effectiveness of using digital financial services	Kendall et al (2011); Buckley (2015); Karlan et al. (2016); Gomber et al. (2018)
18	Gender disparities in mobile ownership	Reduced access for women of the mobile smart phones decreases their utilization of DFS	Asongu (2015); Santosham (2015); Adam et al. (2018); Sinha (2018)

Conclusion:

Indeed, digital financial services (DFS) have played a crucial role in bridging the divide between developed and underdeveloped countries. The use of technology in financial services has simplified various domestic tasks such as bill payments, investments, and other financial transactions. This has made it easier for people to access and utilize financial resources. One of the significant advantages of DFS is its ability to reach people in rural areas who previously

lacked access to financial services and knowledge. By leveraging digital platforms, DFS providers have been able to offer extensive communication channels, both on an individual and group level. This has allowed individuals in rural areas to connect with financial institutions, access financial products and services, and receive financial education. DFS has also facilitated the transition into a cashless economy by enabling online shopping, electronic payments, and digital transactions. With the widespread availability of digital financial services, more people have the opportunity to apply for financial services in a digital format, reducing the barriers to entry. As globalization and digitization continue to advance, there is a growing need for financial education to ensure that individuals are equipped with the necessary knowledge and skills to navigate the evolving financial landscape. Education in the financial services sector becomes increasingly important as the world becomes more interconnected, emphasizing the need to understand and utilize digital financial services effectively. Overall, DFS has brought about significant positive changes by increasing access to financial services, promoting financial inclusion, and paving the way for a more interconnected and digitized world.

References:

1. Begum, M. F. (2018). An Overview of Digital Financial Services in India: Concept, Initiatives and Advantages. *Asian Journal of Management*, 9(3), 1139-1144.
2. Bordo, M. D., & Levin, A. T. (2017). Central bank digital currency and the future of monetary policy (No. w23711). National Bureau of Economic Research.
3. Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). Opportunities for Expanding Financial Inclusion through Digital Technology.
4. Dodgson, M., Gann, D., Wladawsky-Berger, I., Sultan, N., & George, G. (2015). Managing digital money.
5. Karlan, D., Kendall, J., Mann, R., Pande, R., Suri, T., & Zinman, J. (2016). Research and impacts of digital financial services (No. w22633). National Bureau of Economic Research.
6. Königsheim, C., Lukas, M., & Nöth, M. (2017). Financial Knowledge, Risk Preferences, and the Demand for Digital Financial Services. *Schmalenbach Business Review*, 18(4), 343-375.
7. Leeflang, P. S., Verhoef, P. C., Dahlström, P., & Freundt, T. (2014). Challenges and solutions for marketing in a digital era. *European management journal*, 32(1), 1-12.

8. Peake, C. (2012). New frontiers: Launching digital financial services in rural areas. *Old Problems, New Solutions*, 12.
9. Sherraden, M. S. (2017). Financial capability.
10. Srivastava, N. (2019). Digital Financial Services: Challenges and Prospects for Liberalized and Globalized Indian Economy. Available at SSRN 3309294.
11. Zhang, M., & Yang, J. (2019, January). Research on Financial Technology and Inclusive Finance Development. In 2018 6th International Education, Economics, Social Science, Arts, Sports and Management Engineering Conference (IEESASM 2018). Atlantis Press.
12. Rao, N. (2018). Digital Financial Services: Challenges and Prospects for Liberalized and Globalized Indian Economy. *International Research Journal of Human Resources and Social Sciences*, 5 (1), 141-163.
13. Abbasi, T., & Weigand, H. (2017). The Impact of Digital Financial Services on Firm's Performance: a Literature Review. arXiv preprint arXiv:1705.10294.
14. Nga, J. K., Yong, L. H., & Sellappan, R. D. (2010). A study of financial awareness among youths. *Young Consumers*, 11(4), 277-290.
15. Akturan, U., & Tezcan, N. (2012). Mobile banking adoption of the youth market: Perceptions and intentions. *Marketing Intelligence & Planning*, 30(4), 444-459.