

## Digital Financial Services and Consumer Adoption- An Overview

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### **Abstract:**

The revolutionary growth was taken place in the field of electronic gadgets invention and innovation which lays foundations for digital financial services were in practice in the global and national level. It contributes exchange of money through digital forms instead of using tangible money in payment systems, consequently, minimise the spending of money on printing of paper currency but ultimately growth of economy in the means of income generation. The study focuses on various methods of digital financial payment services adopted by the consumers in the day-to-day activities in the area of commercial, business and daily walk of their life in ordered to contribute for development of the economy of the Nation. The concept of digital payment service has predominated role at the time of COVID-19 to prevent spread of diseases. The digital financial services in the sectors like banking, management, other sectors, payment services and its wallets. The research paper emphasises on adoption and perception of technology in terms of usage, security, trust, trend etc. The qualitative study highlights the societal implications, limitations and challenges of digital financial services. The study extends its hands to users and future research

**Keywords:** Digital Financial Service, Electronic gadgets, Income generation, challenges, paper currency, growth of economy

### **Introduction:**

The revolutionary growth was taken place in International and National level in the field of telecommunication by using electronic gadgets like mobile phones, all forms for digital payments which contribute rapid development of economy of the country. The safety, secure and easy means of digital payments benefited both entrepreneurs and consumers. The advanced and innovative technologies become a digital friendly to solve the challenges in respect of e-payments of the common people especially with regard to day-to-day financial transactions. The digital payments through mobile phone services yield the advantages like flexibility, mobility and efficiency. In the era of COVID-19, there is a radical changes have taken place in field of interact, work, study, research, mobility, space and time to mould the life of human beings. According to a **McKinsey report**, a "digital finance" is a financial service delivered via mobile phones, the internet, or cards. The rapid changes has been taken place due to digital technological growth and promotes integration of world economy, productivity, efficiency in the means of software, infrastructure, and hardware facilitates easy transfer of data between peoples, corporations, devices, networks, and systems. The least cost of financial services is need to eradicate poverty and development of economy and also helpful to minimize the inequality and disparity rate of poverty. The digital means of financial services provide at least transaction costs, enhancing transaction speed, security, and transparency assists to give personalized financial services to the poor people of the society.

### **Review of Literature**

(Catarina Neves, Tiago Oliveira, Fernando Santini, Luis Gutman c, 2023)

In their study on adoption and use of digital financial services: a meta-analysis of barriers and facilitators reveals that digital financial services like digital banking, management, payment services and digital wallets are helpful for adoption, perception, use, security and trust pertaining to

individuals. The research show that certain sum of amount invested to access digital service and its use. The paper highlights that importance given to new theories and it would affect users attitude crosses borders of technological and security factors. The study emphasis on practical users of digital services and withstands certain recommendations advised strategies for use of digital financial services.

(Shailesh Ramratan Vaishnava, Dr. Deepti Maheshwari, Dr. Sangeeta Jauhari, 2020) In their study on the adoption of digital financial services in service sector organizations stated that in the previous era people were using tangible cash for day-to-day transactions but now a days people are having the practice of digital mode of payments using different modes of payments in order reduce the paper cost for printing of currencies. The Government of India introduced cashless schemes such as Digital Finance for Rural India, Visaka, Unified Payments Interface, and National Electronic Funds Transfer (NEFT), Bharat Financial Interface (BHIM), etc. are contributed for growth of cashless economy. (Chamboko, 2024) His study on digital financial services adoption: a retrospective time-to-event analysis approach stated that mobile money plays a crucial role for rapid development of economy of the respective country. The several studies reveal that youth have practice of using mobile money than the traditional bank accounts. The research studies emphases that adoption of using digital financial services takes time. In ordered to remove the gap between traditional and digital financial service time-to-event analysis to measure the time required to adopt the digital financial services and its deviations. The implementation of digital financial services which requires strong policy and actions of user's opinion and recommendations.

**Methodology:** This article is purely based on secondary sources which are of journal article, books and newspapers.

Objectives:

- To study the objectives of digital financial services
- To understand the challenges of digital financial services
- To know the limitations of digital financial services
- To make suitable suggestions and recommendations

**Objectives of digital financial services:**

A digital financial service facilitates easy transformation of financial transactions through use of digital gadgets.

**1. Financial affordable services:**

The prime objective of digital financial services is needed to be accessible, affordable, and convenient to the people who do not have formal financial services and let them participate in the financial economic system.

**2. Timely accessible and convenient:**

The financial services are essential to accessible to the people irrespective of their personal position 24x7 which consists of digital banking, all forms of digital payment platforms and its wallets.

**3. Affordable at least cost:**

The digital form of services does not require infrastructural facilities consequently provide services at least transaction costs, and affordable and adaptable by the common people irrespective of their casts, creed and community.

**4. Strengthened and speedy services:**

The aims of digital financial services are provide speedy and powerful services in ordered to extend customer fruitful services and cut down the time spent on financial means like digital payments, money transfers etc.

**5. Visible and secured services:**

The digital financial services create good trust in the minds of consumers by offering clear picture of the transactions and measures taken against cyber-attacks to protect from frauds.

**6. Initiate innovative practices in financial products:**

The new and innovative digital platforms, financial corporations offer affordable and creative services such as microloans, insurance products, or investments products which are suitable to the specific target consumers.

**7. Educate the prospective consumers:** The adoptions of digital financial services are purely depending upon the ways and means of techniques and knowledge of usage of digital gadgets in practical purpose.

**8. Trust, easy, affordable and value of digital financial services:**

The Government and its agencies are needed to create trust in the minds of consumers towards the transaction safety, secure about data etc. The intuitive appeal helpful for wider range of usage of digital platforms. The effective adoption of digital platforms withstand on cost-effective and actual benefits inclusive of competitive pricing models.

**9. Search engine optimization and control authorities:**

The quality of network traffic, of corporations, business concerns, financial institutions and individuals expecting extensive network for adoption digital financial services. In addition to this, Governments and control authorities are exercise public friendly for easy and smooth adoption of digital platforms by the common people for the daily financial transactions.

**Challenges of digital financial services:**

The challenges come cross depending upon digital financial services operated in which region, market and specific financial service.

**1. Cyber-attacks:** All sorts of online financial services are always vulnerable to cyber-attacks, consumers valuable information should be keep safe, secure against fraudsters, hackers is challenges on the part of individual and financial service providers but adopt in practice advanced and innovative technological instruments.

**2. Regulatory and controlling authorities' compliances:**

The digital financial services providers are need to follow the respective states laws, rules and regulations in ordered to free from the cyber-risks. The financial institutions adhere to anti-money laundering (AML) and know-your-customer (KYC) procedures and regulations but some sort of difficulty in case of world-wide transactions.

**3. Digital financial awareness and accessibility:**

The effective use of digital financial services depending upon population of a country what extent withstand to usage of digital gadgets, whether they have sufficient knowledge and skill of operating the electronic gadgets to access the digital financial services.

**4. Digital data preserving concerns:**

The preserving and protecting digital data is one of the challenges on the part of digital data preserving concerns where they are protect consumer data and take care, concern to maintain privacy and personalized services to the consumers.

**5. The basic infrastructural facilities:**

The basic infrastructural facilities like internet accessibility, mobile network facilities or continuous and without interrupt electricity supply is also one of the factor of successful operating of digital financial services.

**6. Fraudsters and theft identification:**

All financial services through online, there is a much scope for fraud, problem of identification of theft, phishing and hacking of accounts etc. The digital financial service providers needed to have advanced, authenticated and fraud detection tools.

**7. Consumer adoption and their trust:**

In order to have effective consumer support, the digital financial service providers are essential to serve safety, reliability, transparency services at right time and at right price.

**8. Interoperability:**

Digital financial services sometimes operate certain hidden network which may not be support world-wide transactions which are in terms of digital payment systems.

**9. Bear cost of technology:**

The digital financial service institutions needed to invest in building and maintaining the technology infrastructure in order to have smooth and continuous digital financial services which fetches certain cost in the means of secure platforms, encryption technologies, and enhance strength of the technology.

**10. Financial inclusion and its services:**

The digital financial institutions have the plan to provide banking and financial services to the populations who does not formal financial institutions. The banking and financial services must be tailored based schemes to neglected and low-income group of the society.

**The limitations of digital financial services:**

The sudden and revolutionary changes in the practice of digital financial services adopt and managed by people irrespective of the classes but it has its limitations. They are:

**1. Adoption of Technology:**

The digital financial services which requires accessing the technology either in the means of smartphone, computer, or internet but it is not practicable especially in rural and remote areas, or low-income people could not have advanced and sophisticated technology and adequate network facilities.

**2. Safe, secure, cyber security and fraud:**

The practice of digital financial services used by educated and uneducated people with all sorts of un-trust due to hacking, fraud, and identification of theft risks, no strong security measures led to financial losses on the part of users.

**3. Digital Literacy:**

For operating of digital financial services by an individual has to have sufficient skills, or knowledge, especially it is unreachable to age old people, due to lack of knowledge about updated technology.

**3. Network issues:**

The continuous and without interruption of access of network facility is very important to use the digital financial services but it is difficult to practicable in certain hilly regions, that to in remote rural areas.

**4. Regulatory and legal control authorities:**

The digital financial services are taken in the National and International level where the transactions regularised and monitored in view of national and International laws. Therefore, it is one of the challenges to operate cross border transactions.

**5. Privacy of data:**

The digital financial service transactions operated in different digital platform where the operators expected to safeguard the sensitive and personal data and question of privacy in case of data handling, stored and protected.

**6. Supply of Electricity:**

The continuous supply of electricity is essential for providing digital financial services to the public at large but sometimes it may not be access to remote rural areas due to interruption of electricity supply.

**7. No personal human touch:**

There is no much scope for personal touch in digital financial services because all transactions are done through online.

**Suggestions:****1. Strengthened security and privacy:**

- The digital transactions are necessary to have two factor authentications in ordered to avoid from hackers.
- The technological authentication by means of bio-metric or facial or fingerprint verification.
- All digital transactions are protecting from data breaches, and it should be end-to-encryption.

**2. Extend the user experience:**

- To operate digital financial transactions the apps or websites to be user friendly and individual dashboards create according to the users, the operator can find a solutions relating to technical issues or financial advice through chatbots and AI assistance.

3. The success of online financial services by means of educating the proposed users through NGOs and offer balance checking, transferring money, by sending messages where poor internet services. Customer friendly services like provide transactions of their local languages and currencies.

4. The speed up the digital financial services, integrate the financial transactions using certain tools like budgeting apps, investment platforms, or credit score services.

5. The online financial services access to users 24/7 by means of live agents, chatbots, or help desks with multi-languages.

6. The control authorities are regularise the activities of digital financial service providers to give clear and fair, transparency to build trust in the minds of users adhere to the national and international rules and regulations.

7. To give fruitful and fair services in galloping manner there is digital identities and AI-linked solutions.

8. An individual invest certain fund by using machine learning for personalized investment based on risk profiles

9. The digital financial service providers collaborate and tie-up with traditional financial institutions to provide premium service based on customer physical locations and offering cloud transactions for start-ups etc.

10. Based on the predictive analytics, understand the customer needs and provide suitable financial loan products, financial advice, and credit options according to the requirements of the regular and prospective customers.

11. The incentive schemes to be providing to Excellency achievers in terms of rewards, rankings, and loan with lower interest rate.

12. The eco-friendly products introduce and influence to invest in green bonds.

13. Improve the cross border transactions either in the means of send or receive monetary benefits globally with least fees, quick processing and multi-currency options by offering regional specific financial products.

**Recommendations:**

- The digital financial services providing institution need to have budgeting to make an assessment of expense required for particular period.

- The digital financial services providing institution have pocket Guard app which integrate the bank accounts, credit cards, credit balance of account.
- The digital banking institution can have chime which is used for checking balance, savings, and use easy payment through mobile apps. The revolut meant for offering multi-currency accounts and hold and exchange currencies at interbank rates.
- Robinhood investment app which helps trading of stocks, options, cryptocurrencies, without commission
- PayPal is accepted for online transactions and transfer of money to others globally.
- The coinbase and gemini friendly app meant for buying, selling and storing cryptocurrencies.
- Upart is a platform which is used for offering personal loans based on credit scores.
- Lemonade is a digital insurance company which offers homeowners and renters insurance.

**Conclusions:**

The digital financial services rapidly grown and provide its services to the millions of people without physically visit to formal banking institutions because of invention and technological innovation was developed. The digital financial services adoption due to easy accessibility, reliability, service at reasonable price, and also electronic gadgets are contributed to development of mobile banking, internet banking are with security, privacy concerns, digital infrastructure, and certain negative factors influence to hesitate to adopt digital service like theft, online frauds etc. The online financial services allow to poor section of the society and they come out from locking in the informal sector. The successes of the digital financial service depending upon digital infrastructure, education, awareness creation amongst in rural mass of the society thereby reduce the adoption rate.

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