



THE ROLE OF FINTECH IN FINANCIAL INCLUSION

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Abstract

This study aims to examine the role of fintech in financial inclusion and its implications for individuals, businesses, and society. The research uses a combination of quantitative and qualitative methods, including a survey of 98 respondents in the Mumbai Metropolitan Region and in-depth interviews with experts in the field. The results show that fintech has the potential to greatly increase financial inclusion by providing new and more accessible ways for individuals and businesses to access financial services. The most significant drivers for the adoption of fintech in promoting financial inclusion include technology, financial literacy, and innovation, while the most significant barriers include digital literacy, financial literacy, and data security. The study highlights the importance of addressing ethical and social issues, such as data privacy and consumer protection, to ensure that the benefits of fintech reach all members of society. The results provide insights into the current state of financial inclusion and the role of fintech in promoting it, as well as the challenges and opportunities for further development in this area.

Keywords: *Fintech, Financial Inclusion, Financial Services, Digital Technologies, Mobile Devices, Financial Literacy, Innovation, Government Support, Socio-Economic Factors, Mobile Banking, Digital Wallets, Peer-To-Peer Lending, Data Privacy, Consumer Protection.*

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Introduction:

The increasing availability of digital technologies and the growing penetration of mobile devices have led to the emergence of fintech, or financial technology, as a major force in the financial services industry. One area where fintech has the potential to make a significant impact is in the realm of financial inclusion, which refers to the ability of individuals and businesses to access and use appropriate financial services. Despite progress in recent years, many people around the world still lack access to

basic financial services, such as savings accounts and credit. Fintech has the potential to address this problem by providing new and more accessible ways for people to access financial services. However, there is still much to learn about how fintech can be used most effectively to promote financial inclusion and what the implications of this technology are for consumers, businesses, and society as a whole. This research paper aims to explore the role of fintech in financial inclusion by addressing the following research questions: What



is the current state of financial inclusion, and how does fintech fit into this picture? What are the key drivers and barriers to the adoption of fintech for financial inclusion? What are the key fintech solutions and technologies that are being used to promote financial inclusion, and how do they work? What are the regulatory and policy issues surrounding fintech and financial inclusion, and how are they being addressed? What are the ethical and social implications of fintech and financial inclusion, and how can these be addressed? The paper will draw on a wide range of sources, including academic literature, industry reports, and case studies, to provide a comprehensive and up-to-date analysis of the topic.

Review of Literature:

1. **RANADE, A. (2017).** *Role of "Fintech" in Financial Inclusion and New Business Models.* The article discusses the rise of "fintech," which combines finance and technology to deliver financial services by non-financial institutions. The authors analyze the impact of fintech on financial products, services, and inclusion and point out the opportunity it provides to reach remote areas through Jan Dhan-Aadhaar-mobile phones.
2. **ARNER, D. W., ZETZSCHE, D. A., BUCKLEY, R. P., & BARBERIS, J. N. (2017).** *FinTech and RegTech: Enabling Innovation While Preserving Financial Stability.* The authors suggest implementing a new "smart regulation" system to balance innovation and growth in financial technology with goals for economic development, financial stability, and consumer protection. This requires a comprehensive review of current regulations and systems and the use of technology such as digitization and advanced analytics to improve regulation.
3. **LABOURE, M., & DEFFRENNES, N. (2022).** *Fintech, Financial Inclusion, and Economic Infrastructure. In Democratizing Finance: The Radical Promise of Fintech* The authors discussed the importance of financial inclusion in global economic development and the need for specific financial services in emerging markets. They emphasized that financial exclusion is a major issue in many countries, reflecting broader systemic problems, and discussed the various barriers faced by individuals when accessing formal and informal savings and borrowing services.
4. **TOUGH CHINODA, MASHAMBA, TAFIREI(2021).** *Cogent Economics & Finance;* Financial institutions are crucial for proper allocation of capital. However, some entities may be excluded from formal financial markets due to information imbalances and market imperfections, negatively impacting equal income distribution. Access to finance is also considered a crucial tool in combatting poverty.
5. **EDIAGBONYA, V. AND TIOLUWANI, C. (2023),** *The role of fintech in driving financial inclusion in developing and emerging markets: issues, challenges and prospects.* The study revealed that the gap in financial inclusion has increased despite efforts by the government, regulators, and financial institutions to promote it through digital platforms such as mobile payments and ATMs, and mobile money. The reasons for this gap include illiteracy, inadequate infrastructure, inconsistent power supply, weak mobile reception in rural areas, bank network



failures, high fees, information imbalances, and data privacy violations.

Statement of the Problem:

Despite progress in recent years, many people around the world still lack access to basic financial services such as savings accounts and credit. This problem is particularly acute in developing countries, where a large proportion of the population is unbanked or underbanked. Fintech has the potential to address this problem by providing new and more accessible ways for people to access financial services. However, there is still much to learn about how fintech can be used most effectively to promote financial inclusion and what the implications of this technology are for consumers, businesses, and society as a whole. This study aims to explore the role of fintech in financial inclusion and to understand the potential benefits and challenges of this technology in order to inform policy and practice.

Objectives of the Study:

1. To identify and analyse the key drivers for the adoption of fintech for financial inclusion.
2. To identify and examine the barriers to the adoption of fintech for financial inclusion.
3. To analyse the ethical and social implications of fintech and financial inclusion and to propose potential solutions to address them.

Scope of the Study:

The study will examine the current state of financial inclusion in Mumbai Metropolitan Region and the extent to which fintech is being used to promote financial inclusion in the city. The study will also

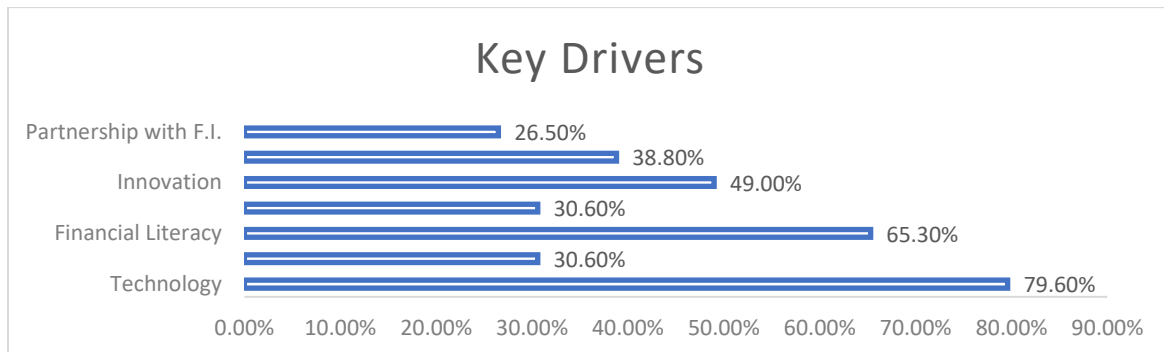
investigate the key drivers and barriers to the adoption of fintech in Mumbai Metropolitan Region and will assess the effectiveness of specific fintech solutions and technologies in increasing access to financial services. Additionally, the study will also analyse the ethical and social implications of fintech and financial inclusion in Mumbai Metropolitan Region and will propose potential solutions to address them. The study will be based on a survey of the population in Mumbai Metropolitan Region and the data will be collected through the questionnaire prepared for the study.

Research Methodology:

The research for this study uses a combination of quantitative and qualitative methods. A survey was conducted to gather data on financial inclusion and the use of fintech, using a questionnaire administered to a representative sample in the Mumbai Metropolitan Region. In-depth interviews with experts, including fintech companies, financial institutions, regulators, and policymakers, provide a deeper understanding of the factors influencing fintech adoption. The collected data was analysed through both quantitative and qualitative methods to identify patterns and generate insights and recommendations. The sample size was 98 respondents selected through random sampling from Mumbai's population.

Findings:

1. Key Drivers for adoption of Fintech in Promoting Financial Inclusion



The results of the survey indicate that technology is seen as the most significant driver for the adoption of fintech in promoting financial inclusion. With nearly 80% of the respondents selecting this factor, it highlights the importance of technology in facilitating access to financial services for people who were previously excluded from the traditional financial system.

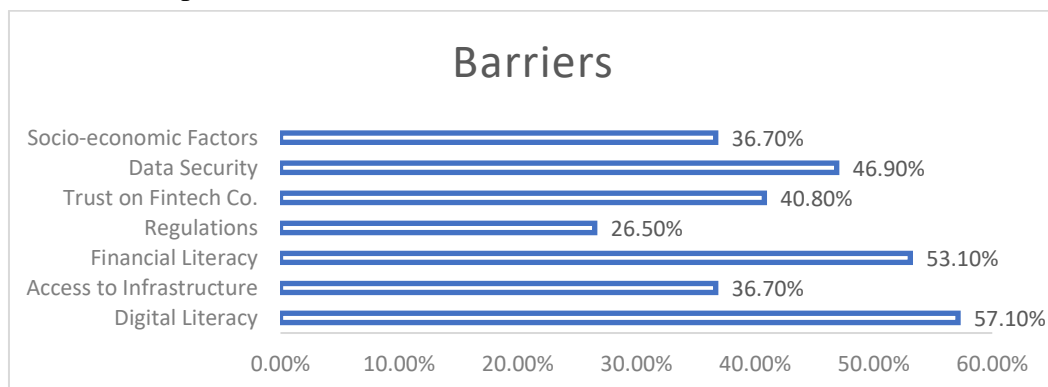
Financial literacy was another crucial factor in the respondents' choices, with 65.3% selecting it as a key driver. Financial literacy refers to an individual's knowledge and understanding of financial concepts and products, and it is essential in promoting financial inclusion by empowering people to make informed decisions about their finances.

Lower cost was selected by 30.6% of the respondents, indicating that affordability is a critical consideration for the adoption of fintech in

promoting financial inclusion. This result highlights the need for fintech companies to design solutions that are accessible and affordable for people of all income levels.

Innovation was chosen by 49% of the respondents, emphasizing the importance of fintech companies offering innovative solutions that can meet the unique needs of different segments of the population. Government support (30.6%) and partnerships with financial institutions (26.5%) were also seen as important drivers for the adoption of fintech in promoting financial inclusion. These results indicate that a supportive policy environment and partnerships between different players in the financial sector are crucial in promoting financial inclusion.

2. Barriers to adoption of Fintech in Promoting Financial Inclusion:



The results of the survey indicate that digital literacy is seen as the most significant barrier to the adoption

of fintech in promoting financial inclusion. With over 57% of the respondents selecting this factor, it



highlights the need for widespread digital literacy initiatives to help people develop the skills they need to effectively use financial technology solutions.

Financial literacy was another crucial factor in the respondents' choices, with 53.1% selecting it as a main barrier. Financial literacy refers to an individual's knowledge and understanding of financial concepts and products, and it is essential for the successful adoption of fintech solutions. The fact that a significant number of respondents selected financial literacy as a barrier suggests that there is a need for greater investment in financial education initiatives.

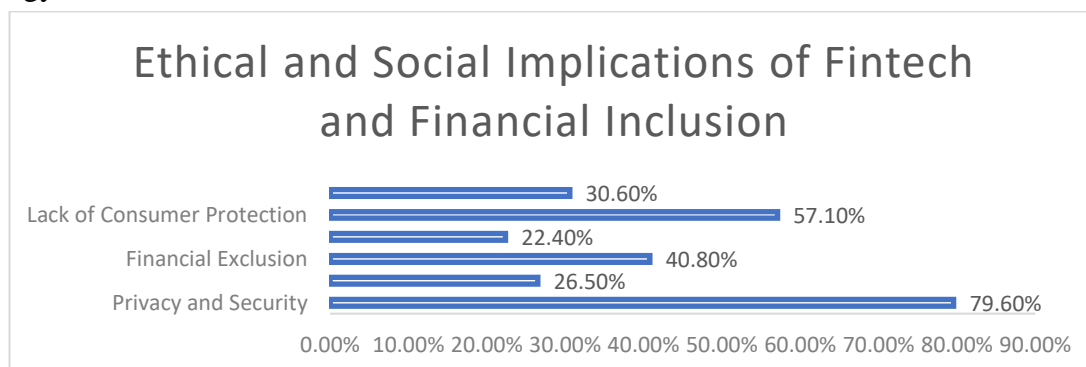
Access to infrastructure was selected by 36.7% of the respondents, indicating that the availability of technology and connectivity is an essential factor in promoting financial inclusion. In regions where technology infrastructure is limited, it can be

challenging to effectively deliver financial services to people who need them.

Regulations were chosen by 26.5% of the respondents, emphasizing the importance of having a supportive policy environment that enables the growth of fintech solutions. Trust in fintech companies (40.8%) and data security (46.9%) were also seen as significant barriers to the adoption of fintech in promoting financial inclusion. These results indicate that building trust and ensuring data security are critical factors in promoting the successful adoption of fintech solutions.

Socio-economic factors, such as poverty and low levels of income, were selected by 36.7% of the respondents as a barrier to the adoption of fintech in promoting financial inclusion.

3. Ethical and social implications of fintech and financial inclusion:



The survey results provide a comprehensive overview of the ethical and social concerns that people have regarding fintech and financial inclusion. Privacy and security emerged as the most pressing concern, with 79.6% of respondents selecting it. This highlights the need for fintech companies to prioritize data privacy and security to build trust and ensure the protection of personal information.

Bias and discrimination, selected by 26.5% of respondents, raise important questions about the fairness and equality of fintech and financial inclusion initiatives. This emphasizes the need to ensure that these initiatives are accessible to all and do not perpetuate existing inequalities.

Financial exclusion, chosen by 40.8% of the respondents, is a significant concern as fintech and financial inclusion initiatives are intended to promote access to financial services for people who



were previously excluded from the traditional financial system. Thus, it is crucial to ensure that these initiatives are inclusive and do not result in further exclusion of vulnerable populations.

The finding that 22.4% of respondents expressed concern about unsustainable debt highlights the importance of ensuring that fintech and financial inclusion initiatives are responsible and do not lead to harmful financial practices. Additionally, 57.1% of respondents selected lack of consumer protection, which underlines the need for fintech companies and regulators to establish robust consumer protection measures.

Finally, 30.6% of respondents chose job loss as a concern, emphasizing the importance of considering the potential impact of fintech and financial inclusion initiatives on employment. These results highlight the need for a comprehensive approach that takes into account the ethical and social implications of fintech and financial inclusion.

Conclusions:

- Fintech has the potential to greatly increase financial inclusion by providing new and more accessible ways for individuals and businesses to access financial services.
- Technology, financial literacy, and innovation are the most significant drivers for the adoption of fintech in promoting financial inclusion. Other factors that play a role include lower cost, government support, data & analytics, and partnerships with financial institutions.
- Digital literacy, financial literacy, and Data Security are the most significant barriers to the adoption of fintech in promoting financial inclusion. Other factors that play a role include regulations, trust in fintech companies, access to infrastructure, and socio-economic factors.

Fintech solutions and technologies that are effective in promoting financial inclusion in Mumbai include mobile banking, digital wallets, and peer-to-peer lending platforms.

- The use of fintech in financial inclusion raises important ethical and social issues such as data privacy, consumer protection, and financial literacy, that need to be addressed to ensure that the benefits of fintech reach all members of society.

Suggestions:

- Developing and implementing targeted education and awareness campaigns to increase knowledge and understanding about fintech and its potential to promote financial inclusion.
- Investing in infrastructure and connectivity to increase access to digital technologies and mobile devices, which are key enablers of fintech-based financial inclusion.
- Harmonizing and streamlining regulations and policies to create a more conducive environment for fintech innovation and financial inclusion.
- Encouraging the development of fintech solutions and technologies that are specifically tailored to the needs of underbanked and unbanked population.
- Promoting collaboration between fintech companies, financial institutions, regulators, and policymakers to develop effective solutions for fintech-based financial inclusion.
- Developing and implementing programmes to Increase financial literacy and consumer protection in Mumbai, specifically targeting the underbanked and unbanked populations.
- Creating a conducive environment for innovation and experimentation in fintech, including the establishment of a fintech sandbox for testing



new solutions and technologies in a controlled environment.

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