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The Effect of Digital Finance on Enhancing Financial Inclusion in Sikkim

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ABSTRACT

The practice of guaranteeing vulnerable groups, such as lower income and weaker sections, affordable access to financial services and sufficient credit when needed is known as financial inclusion. Access to financial services and goods, such as bank accounts and insurance, is a component of financial inclusion.

Financial advising services, payment and remittance services etc. This gives them the opportunity to a substantial amount of bank deposit would provide for a steady deposit base, chances to save for future stability and accumulate money, invest, and get credit. There is an inclusive growth that is centered on financial inclusion these days. These are all made possible by the development of modern financial technologies. New banking technology has been introduced by several banks in response to the evolving needs of its clientele.

"Digital finance" is the term for that. Digital finance has therefore given the banking sector a new look. Electronic Finance refers to a type of financial service that may be accessed via cards, computers, smartphone, and the internet. Connected to a dependable online payment method. The potential of digital finance is to offer reasonably priced, a safe and easy banking experience. You have more control over your personal information with digital money. The previous several years have seen a notable improvement in India's financial inclusion. There has been an increase in Indians having bank account in recent years, the current estimate is that this number is around 80%. In India, fintech companies are becoming more and more discernible as the Government of India (GOI) keeps trying to increase the availability of financial services to the demographic segment that is underbanked. India has to work towards greater financial inclusion in order to serve the underbanked portions of the populations and offer a stable operating environment for fintech enterprises. Regression and correlation were used in this investigation along with secondary data. Collected from the RBI in order to examine this impact. The objective was to ascertain the influence of fintech and India's financial inclusion through financial services.

Keywords: Fintech, Digital Services, Financial Inclusion, Financial Product, Financial Services, Financial Technology.

Introduction:

Financial inclusion, by using financial services by all people and business can play vital role in enhancing economic growth and reduce poverty. The state Sikkim is unique with geographical and socio-economic character. financial technology also known as fintech technology it came in exitance after financial crises of 2007 and 2008.

There is various benefit provide by digital finance. After 2000 the world bank took initiative to increase financial inclusion in various developing countries (Peterson k Ozil, 2008). Digital technology allows wide range to reach various financial services i.e., mobile banking, online banking etc. Growing internet around the world is providing facility such as internet Banking, mobile banking, e -wallet, mobile wallets and credit and debit card.

The world is moving towards cashless transactions every day, the cashless transactions is not just a convenience but also the need in today's order, since few years financial inclusion in Sikkim have

mixed results. the centre government initiative of demonetization has forced a public to move towards cashless transactions.

To progress the Indian economy, we need to focus on sustainable development. there is lack of financial literacy among rural state (Sikkim) and that is obstructing the growth of economy and most of the people don't have accesses to formal credit. This is a major issue of economic development of Sikkim. Therefore, in order to overcome the problem banking sector has come up with beautiful innovations i.e. (ATM) Automatic Teller Machine. Gradually the new term "Fintech" started gaining attention since 2015.The term "fintech" is the merger of financial service provider with various clients and making advancement in the technological arena.

Today the whole world is moving towards digitalisation and fintech is also moving towards its own digital world. The fintech is combinations of both finance and technology. Fintech facilitate people to do a million of transactions in a one clicks with accuracy, and with the help of fintech one can buy and sell any financial transactions. Fintech is new idea in financial sector. Fintech always offer safer transactions and its friendly to use and reduce the operating cost. India is fastest growing fintech services in world. the concept of fintech may seems new innovation but actually it arises from 1950 when first credit card was invented. the first fintech product offer to public should be continent and it should eliminate customer carrying money.

Objectives:
Our goal as researcher is to determine how digital finance contribute to people's financial inclusion in this article. Internet and mobile banking, mobile wallets (apps), credit and debit cards, and mobile wallets are all included in digital finance. Convenience, adaptability, and affordability are considered for the study. Lower service, user-friendly, secure, and affordable precise time, monthly statement online, making financial decisions quickly, opening up easy access to interbank accounts, being online, and being user-friendly.

Review of Literature:

Basu Priya in (2006) reveals that households in India's rural areas have trouble borrowing money from official sources. It was bought about by the need for collateral security and the drawn-out loan approval procedure. As results, the percentage of informal credit source have increased in India. Additionally, it was determined that the main obstacles to the traditional source of credit is to provide dependence, simple-to-use goods and services easily available, practical, and adaptable.

Usha Thorat in (2007), The FI projects may be scalable if IT technologies are used to deliver banking services right to customers doorsteps. Additionally, banks are able to manage the massive rise in transactions volume for millions of customers thanks to usage of IT. Homes for follow-up, credit record processing, credit rating and processing.

KC Chakrabarty in (2008), accesses to financial goods are limits by a number of issues, such as low product knowledge, expensive products, high transaction costs, and products that are inflexible, difficult, or not poor quality and customised. He asserts that business models need to be developed in such which they ought to be lucrative in the long and self-sufficient in the beginning. The issue of last-mile connection is one of the main obstacles to financial inclusion. It's possible that neither the business correspondents/Facilitator (BC/BF) paradigm nor its financial viability because of its high operating costs, banks and consumers not withstanding its appropriateness and effectiveness. Proposed that all subsidies be consolidated and sent via information technology to the intended recipient group. This will cut expenses and prevent leaks. Moreover, to increase the urban poor

participation, Kelkar Stated that banks need to treat the urban poor as a financial opportunity and other customers in the city in a distinct manner. Additionally, he argued for increased financial inclusion will cause the farmer's debt to decrease and encourage them to embrace new technology at a quicker pace.

Thayagaranjan and Venkatesan (2008) carried out an analysis of the project's aftermath on behalf of the State Level Bankers Committee (SLBC). As of November 2008, SLBC had finished its campaign to open no frill accounts in 155 districts. Despite the endeavours of the 25% of the house in Tamil Nadu drive-in the district was still executed. According to SLBC it was also discovered that project-opened accounts were discovered to be dormant. Just 15% of the account-roughly 85%-were active and had a balance of INR 100 or higher. The non-operational account might have been caused by a lack of financial awareness and distance between residential areas and bank branches. The more noteworthy explanation came from the point from the bank's perspective.

Rangarajan committee report (2008) focuses on financial inclusion divides the strategies for achieving financial inclusion into sis group. The first is called the "Product- based Approach", and it entailed creating No-Frills accounts, giving out Kisan Credit Cards (KCC), and obtaining GCC credit cards for general use and setting a savings account with an overdraft feature.

The Bank Led Approach is the secondary strategy and it featured initiatives like self-help SHGs (Self-help groups) and BC's (Business correspondents). The Regulatory Approach is the third method. Methods, banks were instructed to streamline the KYC standards procedure and the RBI authorised new bank branches and the establishment of bank accounts Liberal. The fourth strategy is the technology-based strategy, which includes Aadhar- enabled payment services, branchless banking, mobile banking, and Kiosk/ATM- based banking. The fifth strategy is knowledge- based and is predicated on the three pillars of the financial are stability, inclusion, and education. The final government- based strategy, which encompasses actions made by the GOI Among these efforts were Swarmjayanti, women SHG development grants, and SHG induction. The National Rural Livelihood Mission (NRLM), the gramme swarozgar Yojana (SGSY), the National Rural Employment Gurantee Scheme of mahatma Gandhi (MGNREGS) and the Unique Identification Authority of India (UIDAI).

Research Methodology: The data were collected all over Sikkim and covered all 6 districts, and the mode of sampling was simple random sampling. The data analysis section consists of the descriptive statistics as well as inferential statistics of the respondents, the procedure of the data sorting, and the testing of the statistical assumptions. Further, it includes factor wise analysis and the test result of the proposed model where hypotheses are tested. The Survey data set was analysed using the Statistical Package for Social Sciences (SPSS) 23.0 and Analysis of Moment Structure (AMOS) 23.0. Data screening has been done through normality test. Descriptive analysis has been carried out by using percentage, frequencies, mean, standard deviation (SD). Hypotheses are tested by using multivariate techniques such as factor analysis and structural equation model. Altogether, 405 number of respondents/ customers were asked regarding Fintech and its advantages. The details are described as follows:

Analysis and Findings: Profile characteristics of the respondents (N = 405)

Particular		Frequency	Percent	Cumulative Percent
Gender	Male	201	49.6	49.6

	Female	204	50.4	100.0
	Total	**405**	**100.0**	
Education	Post Graduate	68	16.8	16.8
	Graduate	180	44.4	61.2
	SSLC & above	95	23.5	84.7
	Literate (>5th std)	29	7.2	91.9
	Semi-literate (<5th std)	33	8.1	100.0
	Total	**405**	**100.0**	
Occupation	Farmer	19	4.7	4.7
	Agriculture Labour	29	7.2	11.9
	Non-Agri- Labour	17	4.2	16.0
	Artisan	5	1.2	17.3
	Petty Business	50	12.3	29.6
	Self employed	52	12.8	42.5
	Unemployed	62	15.3	57.8
	Stay at home with family member	20	4.9	62.7
	Govt employee	93	23.0	85.7
	Private sector employee	58	14.3	100.0
	Total	**405**	**100.0**	

Fig.1.0

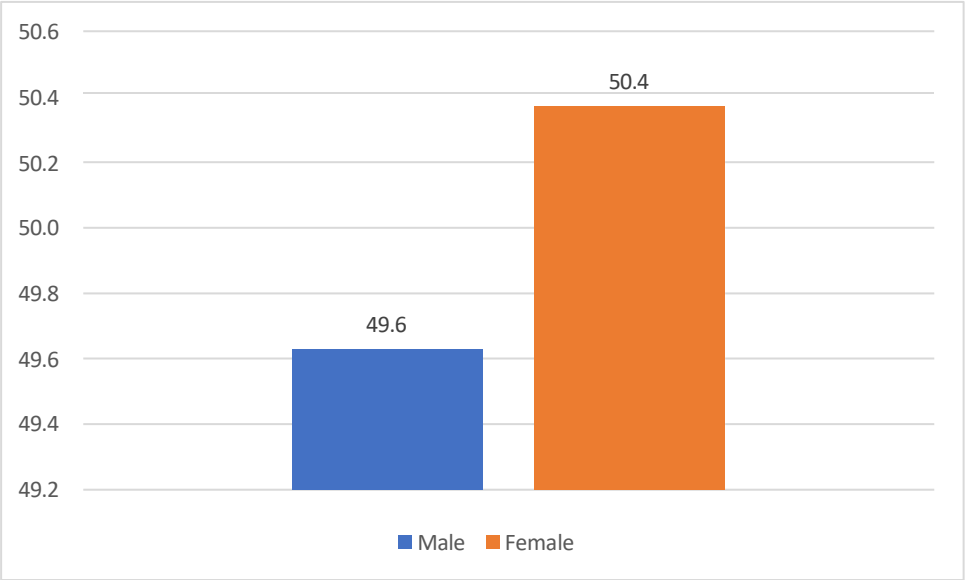

Fig.1.1

In gender of the respondents, majority are male (49.60 per cent) and 50.40 per cent are females.

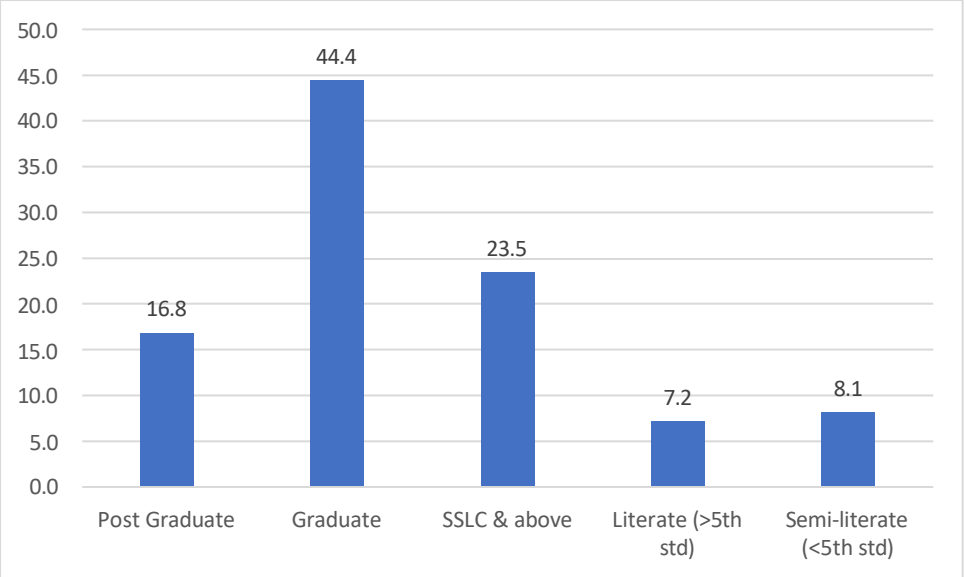

Fig1.2 Education Qualification of respondent.

Most of the respondents have completed graduation (44.40%). Following that, 23.50 have studied up to SSLC (10^{th} grade) or higher. Additionally, 16.80% hold postgraduate degrees, while 8.10% have only studied up to less than 5^{th} grade, making them semi-illiterate. Another 7.20% are literate with education up to the 5^{th} grade or more.

The main aim of this analysis is to identify the **Availability of digital financial products in Sikkim.**

Reliability analysis (Availability of digital financial products)

Four statements were asked to the respondents regarding availability of financial products. The statements are - I am unable in getting various digital financial services as these are not available in the nearby locality, I am unable to use various digital loan facility as these are not available in the

nearby locality banks, I am unable to use various digital insurance facility as these are not available in the nearby locality banks and I am unable to use various other digital financial services as these are not available in the nearby locality banks.

Descriptive and reliability analysis of Availability of digital financial products in Sikkim (N=405)

Sl.	Statements	Mean	Std. Deviation	Cronbach's Alpha (item wise)	Cronbach's Alpha (combined)	N of Items
1	I am unable in getting various digital financial services as these are not available in the nearby locality	3.75	1.06	0.876	0.900	4
2	I am unable to use various digital loan facility as these are not available in the nearby locality banks	3.78	1.03	0.875		
3	I am unable to use various digital insurance facility as these are not available in the nearby locality banks	3.69	1.00	0.869		
4	I am unable to use various other digital financial services as these are not available in the nearby locality banks	3.84	0.97	0.864		

Table:1.3

Source: developed and compiled from the survey data

The mean score for each statement exceeds 3, indicating that respondents agree with them. Additionally, the reliability of the statements was assessesd, with each showing a Cronbach's alpha value above 0.8. This confirms that the statements are reliable for measuring the availability of financial product.

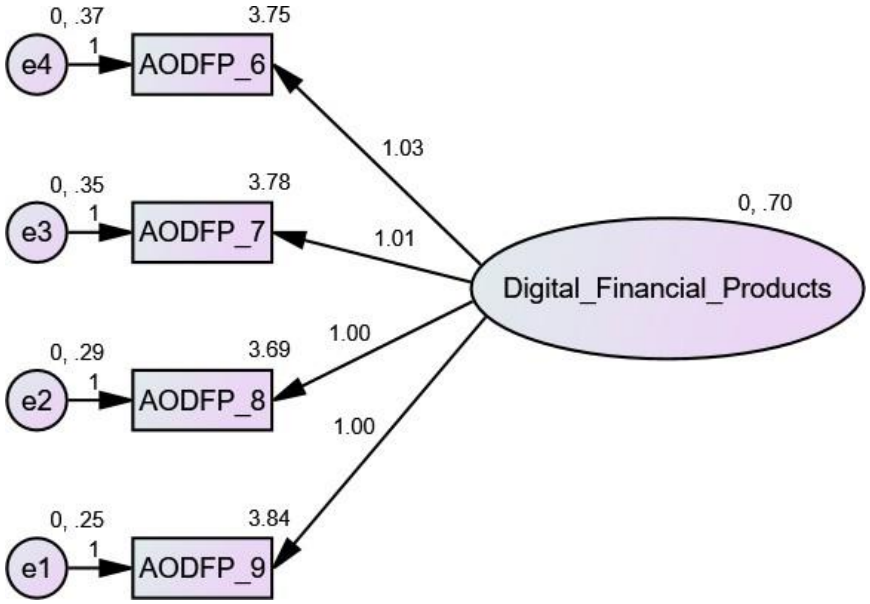

Fig.1.4: Availability of digital financial products

TABLE 1.5
SEM results of Availability of digital financial products

Particulars	CFI	RMSEA	GFI	NFI
Chi-square = 3.772	0.962	0.069	0.960	0.959
Degrees of freedom = 2		**RFI**		
Probability level = 0.000		0.958		

Source: compiled and developed from the survey data

CFI: Comparative fit index, ***RMSEA:*** Root Mean Square Error of Approximation, ***NFI:*** Normed fit index, ***GFI:*** Goodness – of-fit, ***RFI*:** Relative fit index

The SEM results of availability of digital financial products in Sikkim are well fitted. The fit of the model was examined and verified, that each indicator loaded significantly with its intended construct. In the model, Chi-square = 3.772, df =2, p< 0.001 (significant at 1 per cent level), CFI=0.962, GFI=0.960, NFI= 0.959, RFI = 0.958, RMSEA= 0.069, provided a good fit to the data (Browne and Cudek, 1993; Hu and Bentler, 1999). Each item loaded significantly with its intended construct, as the significant value of p< 0.01 (Chi-square is 0.000).

TABLE 1.6:
SEM path coefficients of Availability of digital financial products

Particulars			Estimate	S.E.	C.R.	P Label
AODFP_9	<-	Digital financial products	1.000			

AODFP_8	<-	Digital financial products	1.000	0.049	20.415	***
AODFP_7	<-	Digital financial products	1.006	0.051	19.694	***
AODFP_6	<-	Digital financial products	1.032	0.053	19.598	***

Source: compiled and developed from the survey data

The table above presents the path coefficients from the SEM analysis of four variables related to the availability of digital financial products in Sikkim. The p-values of all contributing variables are *** or 0.000, which is below the 0.05 threshold, indicating that these statements significantly influence the construct of "Availability of Digital Financial Products." Notably, the path coefficient for the variable AODFP_6, which states, "I am unable to access various digital financial services due to their unavailability in the nearby locality," stands at 1.032—the highest among all. This suggests that limited access to digital financial products in local areas contributes the most to the overall construct, reflecting the difficulty customers face in accessing different digital financial services. Additionally, it suggests that the welfare facilities provided to MSME plastic industries are adequate.

Conclusion

Using simple random sampling, a total of 405 samples were gathered from each of Sikkim six district in order to get information on the dependability and awareness of digital financial products. With a Cronbach alpha score of 0.8, most respondents reported that they were aware of digital financial product in Sikkim. The four contributing factors had a substantial influence on the construct of "Availability of Digital Financial Products," according to further study using structural equation modelling (SEM), as evidence by the p-values being less than 0.05 for each variable.

According to the statement with the greatest path coefficient (1.032), many respondents find it difficult to obtain different digital financial services since they are not available in their immediate area. This implies that, despite knowledge, there may be a gap in the availability of digital financial goods. A linked facet to the findings was the assessment of the sufficiency of the welfare facilities offered to micro, small, and medium-size plastic companies.

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