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Digital Finance in India and Developed Countries: A Comparative Analysis

Debojyoti Kumar<sup>1</sup> and Debosmita Sinha<sup>2</sup>

Abstract

*The literature regarding performance and shift in the financial system with the advent of the technological shift reveals that the policy formulated by the economist, financial analyst, and the policy makers is for the betterment of the people in the transaction process. India is endowed with a huge population with different literacy rate. When we go into the rural sector huge population don't have the knowledge of the basic financial terminology even this is also seen the urban areas. The discussion reveals the loopholes as per the case studies given where the policymakers have to rethink before implementing the digital finance. The digital payment is a subpart of the digital finance segment with a total transaction of US dollar 3859 billion in 2019 which is the largest segment in the Fin Tech. With the advent of the technology revolution China holds the biggest market in the world in digital payment with a transaction of 1596 billion in 2019.*

Keywords: Education in developed economies, Employability index, Covid-19 effect, Regulatory effect

INTRODUCTION

Before we start out the discussion on the above topic we need to introduce a short analysis on the financial technology with the relation to the economic development. This can be

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<sup>1</sup> Sr. Researcher Frank Creation

<sup>2</sup> M.Sc (Economics), University of Burdwan.

possible when the economy of any nation may able to access towards the path of the economic development when we go and take a deep look to the village level where majority of the people do their daily transaction with the help of the third people. This put a question for the policy makers, economists and the Government. It is the development related policy and the introduction of technology in the financial sector is a solution towards the economic development as like a race with developed nation. As we know, financial sector is a part of the private sector development strategy to the economic development. The financial institution is a set of institution with instruments within the regulatory framework. Table 1 presents the urban area participation rate, mobile payment services and fraction of population with bank account.

Table 1: Urban areas participation in finance ((US dollar Million))

Country	Big tech	Fin tech
China	100000	110000
US	1000	10,000
Republic of Korea	55000	5500
United Kingdom	99	5500
France	85	950
Japan	100	110

#### Big Tech Mobile payment service

United States -	0.60
India -	0.48
Brazil -	0.30
Indonesia -	0.06
United Kingdom-	0.02

#### Fraction of population with Bank A/C.

BANK A/C	MOBILE BANKING	CREDIT CARD
SG-80	72	50
KR-78	71.9	54.5
AE-77	74.0	27.2
MY-76	73.2	25.0
NZ-76	77.2	11.8
IN-75.4	51.2	2.5

Source- Frost et. al., World Bank, Forrester research, 2019.

### **Education in developed economies –**

From the early phase, in the developed nations have put emphasis on the financial related matter in the basic education. In terminology of the economist, the participation rate in the financial training seems to be special emphasis on training hours. Before analyzing the study we need to look out the presence of sharing in gaining financial literacy in developed nation as shown in Table 2.

Table 2: Average participation rate in developed nation in urban and rural areas (in percentage)

Country	Average participation rate
Denmark	71
Norway	71
Sweden	71
Canada	68
Israel	68
United kingdom	67
Germany	66
Netherland	66
Australia	64
Finland	63

Source- S and P, 2019.

### **CASE STUDY -1 (DEVELOPED NATIONS)**

Here the ratio defines the ability to understand the essential financial concept in making the informed decision about the saving and investment. We know that saving and the investment plays a pivotal role in the development of the economy. If you have the money and want to invest the money in the best projects in order to earn profits and with this profit one can expand their business and creating ample opportunity of the employment creation and also inculcate knowledge of financial literacy.

## CASE STUDY- 2 (INDIA)

Table 3: Average Participation rate of financial training in urban and rural areas(in percentage)

STATE	Average Participation rate
Andhra Pradesh	23
Arunachal Pradesh	10
Assam	20
Bihar	8
Chhattisgarh	4
Goa	50
Gujarat	81
Haryana	21
Himachal Pradesh	16
Jharkhand	15
Karnataka	20
Kerala	35
MP	23
Maharashtra	17
Punjab	13
Rajasthan	8
West Bengal	21
Chandigarh	38
Delhi	32

Ever since the study of the India's participation rate in the financial training not even gone an average up to 50 % except Goa and Gujarat. Visualizing the trend and the performance of the participation one can analyze that the policy makers have failed to make deep research on the policy issue of the economic development. One can analyze various point after seeing the performance on policy related matter.

- ❖ Training related matter- Discontinuation of the up gradation in the financial literacy.
- ❖ Lack of infrastructure many states don't have the proper facilitation of the teacher to give the basic education on the finance, accounts in the school.
- ❖ Lack of interest in Business related field- Choice of the parents towards engineering, and doctor.
- ❖ Lack of innovation- Due to the share of lower literacy in financial prospects it's a very difficult to put the information technology in the finance sector and if it's applied then there is a problem arise from the side of the population who don't have the basic education in finance and even don't know the operating mode of the technology for daily transaction (rural population).

**Employability Index of a developed nation:**

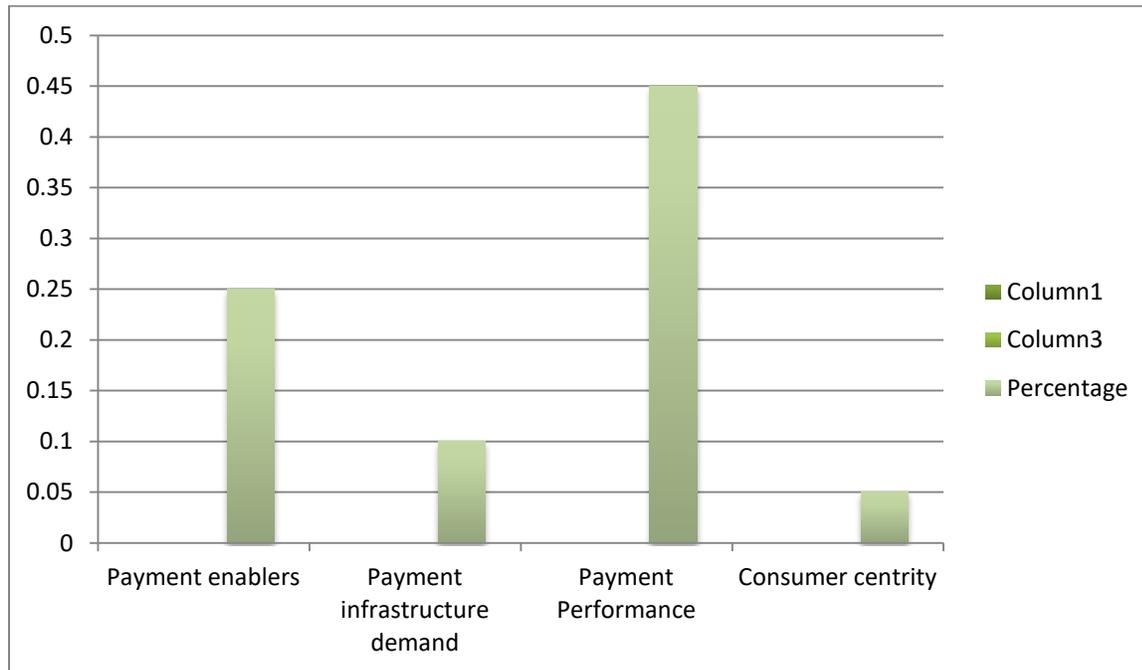
The study indicates that the high employability index of any nations leads to the development in the financial prospects and the economy of that nation. The case study portrays that looks into the scenario of the employment index of a developed nation.

**CASE STUDY 3-**

Among the major developed economies Japan has the highest employment rate in the first quarter of 2020 with 77.96% of the working age population engaged in the paid employment. What we can visualize by seeing the above data of the developed nation. In this situation we connote that the development in any economies relates with the wages creation, investment, as well as the saving. In contrary to the three factors one can put forward one’s mind in the development of the economy through innovation .This situation put forward the government and the policy maker to work co-operatively in encompassing more on the innovative projects for the development of the economy.

**CASE STUDY 4 –**

**INDIA’S DIGITAL PAYMENT INDEX**



Source : RBI, 2019.

The graph depicts the original picture on the digital payment index consumer centrist is at 0.5, payment infrastructure demand side is at 0.1 put an question on the system of the services provided to customers.

- Safety of the services in daily transaction of the hard earned money of the customers.
- Adaptability of the strong encryption when use the third party payment services.
- Build confidence about the digital finance among the customer with a regular participation of the workshop from the bank, financial intermediaries in the urban and rural areas.
- Practical workshop emphasis on learning by doing.
- Knowledge of the regulatory implementation by the regulatory body must be given to the common people.
- Last not the least updated periodicals must be given to them after gaining knowledge on financial education.

### **COVID-19 pandemic effect –**

Pandemic effect is another concern towards the development of the digital finance in the developing nation like India. With the continuous rise of unemployment, economic degradation put India towards the back door towards the implementation in the development of the digital finance in India.

- a) The prolonged illness of the economic activity due to the outbreak of the covid-19 poses a threat and adverse effect on the humanity with a huge toll of unemployment rising resultant to the decrease in the investment and savings.
- b) Closing of the educational institute, corporate office is the another reason to the setback of the subject of innovation. Encouraging the new trends of work from home put a less burden on the corporate infrastructure.
- c) As per as the US study in CNN if the corporate culture adopt the policy of work from home will lead to backdrop in the infrastructure finance due to the least participation in the human activity.
- d) Emphasis about the study regarding survey where 40% of the adult reaches the minimum target score in financial knowledge .In order to retain prospects of the economy policy maker must concentrate on the skills of budgeting, medium and long term benefit planning, and investment decision.

### **Regulatory Effect-**

Visualizing the trends about the regulatory effects in India with a special emphasis of the research must be concentrate on the some certain points.

1. Regular contact and the interaction must be entertained between company and consumer.
2. Emphasis on the analyst whose concentration must on the value of transparency and the risks management practices by the companies.
3. Policy enacted on the financial protection where lender and the payment firm work efficiently on the issuance of consumer problem.

4. Strengthen on the study regarding encryption in order to safe from the ransom malware , attack by the cyber fraud.

## CONCLUSION

The digital payment is a subpart of the digital finance segment with a total transaction of US dollar 3859 billion in 2019 which is the largest segment in the Fin Tech. With the advent of the technology revolution China holds the biggest market in the world in digital payment with a transaction of 1596 billion in 2019. Large technology like e-commerce technologies, Amazon, Facebook, Alipay, and Ant group leverage their massive reach in the technologies. In the current digital finance situation China and India will be the futuristic market place for the all the countries. For India if one has to create opportunities in a big scale then there need to be the participation from the side of the government and policy makers as well as corporate with a aim to bridge the lacunae for the betterment of the society in public policy.

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