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Commentary

# The Role of Digital Services in Financial Inclusion

**Amir Joesph***

*Department of Commerce and Business, HAN University of Applied Sciences, Ruitenberglaan, The Netherlands*

## DESCRIPTION

Financial inclusion has become a critical factor in economic progress and against poverty in the quickly changing global environment of today. Financial services accessibility is now seen as a basic right that helps people break free from the cycle of poverty and become economically independent, rather than a luxury. Regretfully, a lot of nations still struggle to provide their inhabitants with inclusive financing. To promote financial inclusion and close this gap, digital financial services are a viable option.

A vast array of financial services and products are provided *via* digital channels, including smartphones, the internet, and other electronic devices, and are collectively referred to as digital financial services. By removing the conventional obstacles to financial inclusion, these services have the ability to reach unbanked and underbanked communities.

The accessibility of digital financial services is one of their biggest benefits. The lack of traditional banking infrastructure in many developing nations makes it difficult for residents of rural and isolated places to obtain official financial services. This restriction is circumvented by digital financial services by taking advantage of mobile phone penetration. People can use their mobile devices to access financial services, even in areas with no physical infrastructure, which makes it simpler for them to borrow, save, and invest.

One excellent illustration of how digital financial services might revolutionize financial inclusion is mobile money services. These services give users the ability to send and receive money, pay bills, keep value electronically on their mobile phones, and make transactions. They have become incredibly well-known in nations like Kenya, where the mobile money application M-Pesa is well-known. Millions of Kenyans may now access official financial services for the first time thanks to mobile money, which has also made financial transactions more accessible.

The affordability of digital financial services is another important feature. High operating costs are frequently associated with traditional brick and mortar banks, including staffing and branch maintenance. Since these expenses are frequently transferred to clients in the form of fees and levies, many people cannot afford formal financial services. On the other hand, because they can reach a larger consumer base and require less infrastructure, digital financial services have lower operating expenses. Because of its cost-effectiveness, customers may pay less, which may encourage more people to use formal financial services.

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Digital financial services also have major advantages in terms of security and transparency. The risk of fraud and corruption is decreased when transactions are carried out through digital channels since they are frequently more secure and leave a clear digital trail. This increases user trust and contributes to the formalization of the informal economy, which is common in many developing nations.

It is impossible to overstate the potential of digital financial services to promote economic development and growth. People can save, invest, and obtain credit-all essential for entrepreneurship and economic growth-when they have access to reasonably priced financial services. Digital financial services enable small and medium-sized enterprises to expand their businesses more easily and obtain working capital, which is a major benefit. Thus, there is a decrease in poverty and the creation of jobs.

**Correspondence to:** Amir Joesph**,** Department of Commerce and Business, HAN University of Applied Sciences, Ruitenberglaan, The Netherlands, E-mail: amirjoesph@gmail.com

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