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Banking innovation and Financial Inclusion- A study on the Impact of Technological Advancements in the Banking Sector

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ABSTRACT

This study examines the ways in which technological advancements like digital wallets, online banking platforms, mobile banking, and fintech partnerships have facilitated the expansion of financial access, particularly for marginalized groups. The study looks at how technology might lower transaction costs, enhance service quality, and close the gap between urban and rural banking services. It also draws attention to issues including regulatory problems, digital illiteracy, and cybersecurity threats. The paper sheds light on the beneficial relationship between banking innovation and financial inclusion by reviewing recent and analysing empirical data from a few chosen financial organizations.

Keywords: Technology advancement, Fintech, Digital Financing, Access to Bank, Mobile Banking.

Introduction

Banking innovation refers to the adoption of modern technologies and practices to improve banking services, enhance accessibility, and expand financial inclusion. Traditional banking systems have long been characterized by brick-and-mortar branches, paper-based transactions, and manual processes. However, with the advent of digital transformation, banks have integrated advanced technologies such as mobile banking, artificial intelligence, blockchain, and fintech solutions to enhance service delivery and reach underserved populations.

Literature Review

1. Researchers and former students have highlighted how technology is revolutionizing the banking sector.
2. The World Bank claims that millions of people now have access to the formal economy thanks to digital financial services.
3. Researchers such as Demiurgic-Kunt et al. (2018) emphasize how mobile money contributes to greater account ownership and financial inclusion in sub-Saharan Africa.

Research Methodology

- A sample size of 200–250 respondents was used in the investigation. This range maintains manageable data collection and processing techniques while offering sufficient data for making significant conclusions.
- A structured online survey made with Google Forms was used to gather data. To reach a broad and varied audience, the survey was disseminated by email, WhatsApp, and social networking sites like Facebook and LinkedIn.
- Primary Data: Obtained straight from survey participants.
- Secondary Data: To bolster and validate the primary findings, secondary data was gathered from academic journals, World Bank reports, policy briefs, and industry publications.

Objective

- To examine the impact of banking innovations on financial inclusion and assess how technological advancements in banking contribute to expanding access to financial services for unbanked and underbanked populations.
- To analyse the impact of digital banking solutions on financial inclusion
- To identify the key barriers to financial inclusion despite banking innovations

Hypothesis

1: What is the main objective of financial inclusion innovation in banking?
Hypothesis Null (H_0): For banking innovation in financial inclusion, no overarching core objective has been established.

Alternative Hypothesis (H_1): The main objective of banking innovation is to increase financial access to underserved communities.

2: Which banking innovation has made the biggest impact on financial inclusion?
H_0: Every innovation in banking makes an equal contribution to financial inclusion.

H_1: Compared to other breakthroughs, mobile banking and e-wallets have a greater impact on financial inclusion.

3: What role do fintech firms play in promoting financial inclusion?
H_0: Financial inclusion is not greatly aided by fintech firms.

H_1: By collaborating with banks to offer digital financial services, fintech startups greatly advance financial inclusion.

4: In underdeveloped economies, what is the largest obstacle to financial inclusion?
H_0: Every obstacle has an equal impact on financial inclusion.

H_1: The largest obstacle to financial inclusion in developing nations is a lack of digital infrastructure and internet.

Data Analysis and Findings

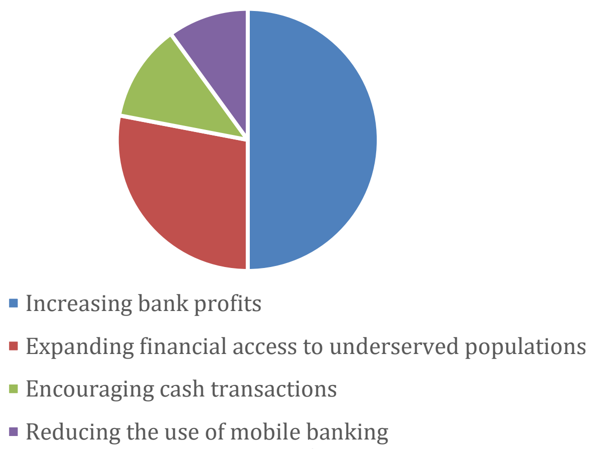


Figure no. 1

Figure no.1explains that most respondents (50%) think that the main purpose of banking innovation is to boost bank profits. Nonetheless, 28% highlight how it helps underprivileged groups gain greater access to financial resources. The smaller percentages blame it on lowering the use of mobile banking (10%) and promoting cash transactions (12%).

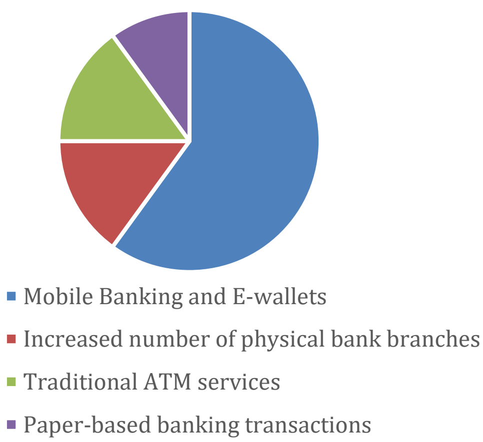
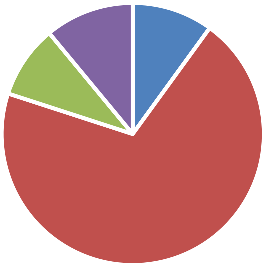


Figure no. 2

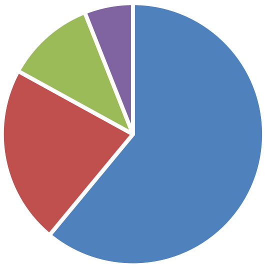
Figure no.2 explains that Sixty percent of respondents choose mobile banking and e-wallets, indicating a move toward digital ease. Conventional choices like in-person branches (15%), and automated teller machines (15%) are still relevant. Transactions conducted on paper are the least preferred (10%).



■ By eliminating the need for banks entirely
■ By partnering with banks to provide digital financial services
■ By offering financial services only to high-income individuals
■ By focusing solely on cryptocurrency adoption

Figure no. 3

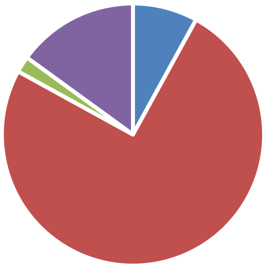
Figure no.3 explains that According to a noteworthy 70% of participants, fintech works best when it collaborates with banks to provide digital financial services. Less preferred are other positions include serving only high-income people (9%), doing away with existing banks (10%), and promoting cryptocurrency use (11%).



■ Lack of internet and digital infrastructure
■ High-income inequality
■ Overregulation of banking services
■ Excessive banking competition

Figure no. 4

Figure no.4 explains that according to 61% of respondents, the biggest obstacle is a lack of digital infrastructure. Concerns about excessive competition (6%), overregulation (11%), and wealth disparity (22%).



■ It helps only large corporations manage their finances
■ It allows people in remote areas to access banking services
■ It replaces the need for financial literacy programs
■ It discourages people from saving money

Figure no. 5

Figure no.5 explains that Seventy-five percent concur that innovation makes financial services accessible to those living in rural places. In the meantime, 2% feel it takes the place of financial literacy initiatives, 8% think it exclusively helps big businesses, and 15% think it discourages saving.

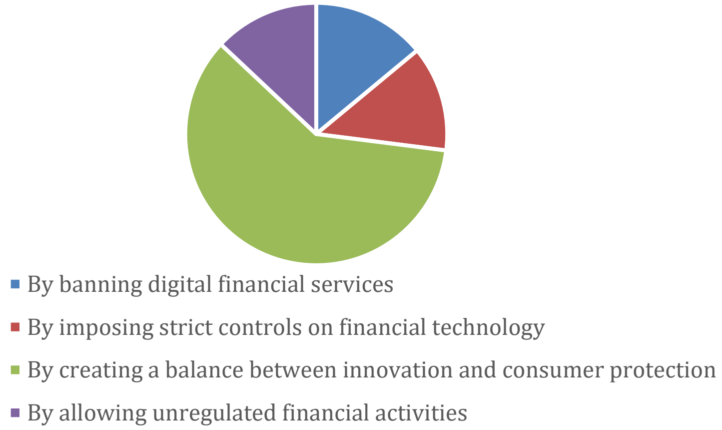


Figure no. 6

Figure no.6 explains that Sixty percent Favor a strategy that strikes a balance between control and innovation. Support was about equal but much lower for restricting digital services (14%), permitting uncontrolled innovation (13%), and enforcing stringent limits (13%).

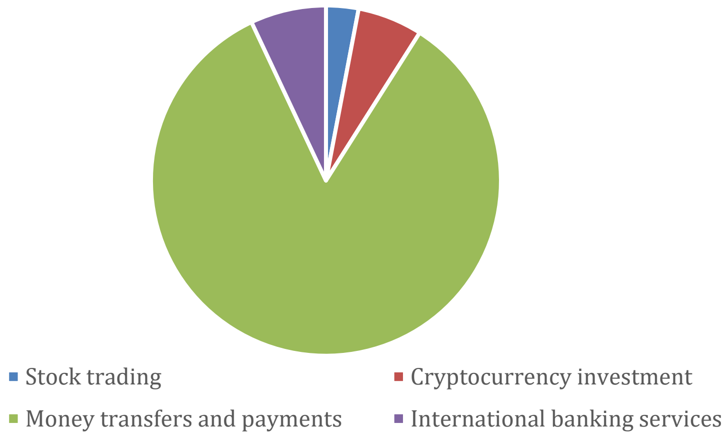


Figure no. 7

Figure no.7explains that Payments and money transfers account for 84% of usage, making this the most influential digital service. Stock trading (3%), foreign banking (7%), and cryptocurrency investment (6%), come in last.

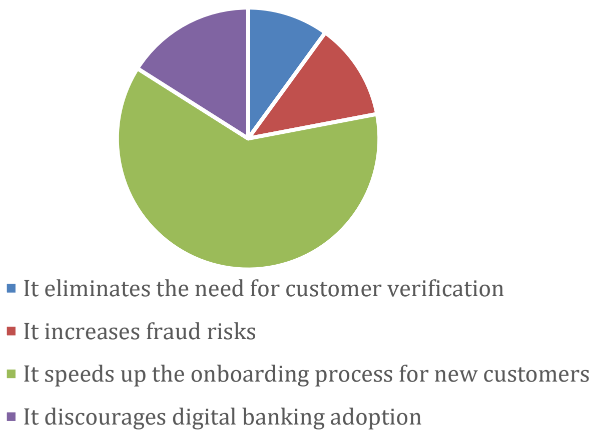


Figure no. 8

Figure no.8 explains that Sixty-two percent of respondents believe that digital Know Your Customer (KYC) procedures can expedite the onboarding of new customers. Nevertheless, 16% think it deters adoption, 12% think it raises the chance of fraud, and 10% think it does away with verification.

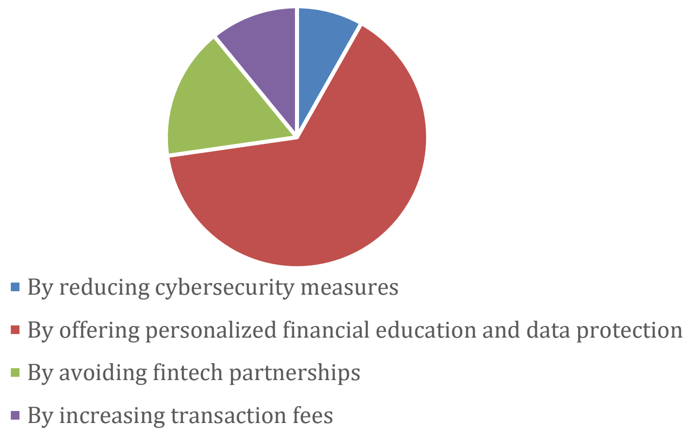


Figure no. 9

Figure no.9 explains that the most popular strategy (71%) is the use of individualized financial instruments and instruction. Most people have an unfavourable opinion of avoiding fintech partnerships (18%), raising transaction costs (12%), and decreasing cybersecurity (9%).

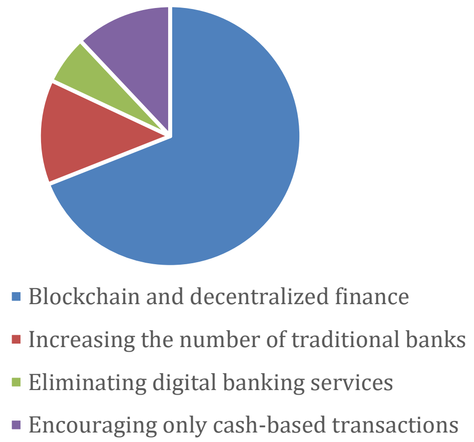


Figure no. 10

Figure no.10 explains that according to 69% of respondents, blockchain and decentralized money are the way of the future. Less support is given to cash-only systems (12%), traditional expansion (13%), and the elimination of digital banking (6%).

Conclusion

- Financial inclusion has been found to be significantly influenced by technological developments in the banking industry.
- The way financial services are accessed and provided has been completely transformed by innovations like digital wallets, internet platforms, mobile banking, and fintech partnerships.
- In addition to improving efficiency and convenience, these tools have provided previously underbanked and unbanked populations—especially in rural and distant areas—with necessary banking services.

Limitation and Recommendation

- Sample Bias: The online survey limited insights from rural and digitally marginalized populations by favoring tech-savvy people.
- Geographic Limitation: The study's generalizability was impacted by its lack of extensive regional coverage.
- Enhance Digital Literacy: Run awareness campaigns in marginalized communities.

- Simplify Digital Platforms: Create interfaces that are easy to use and multilingual.
- Boost Infrastructure: Increase cell and internet availability in isolated areas.

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