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THE IMPACT OF DIGITAL FINANCE ON FINANCIAL INCLUSION: STUDY FROM THE BANKING INDUSTRY IN OMAN

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KeyWords

Digital finance, financial inclusion, Commercial Banking, Fintech, digital financial services, economic growth, digital payment.

ABSTRACT

The research aims to examine the impact of digital finance on the financial inclusion of the banking industry in Oman. The research highlights the importance of using digital financial services to achieve financial inclusion and analyzes the challenges faced by industry banks in Oman in implementing digital financial services. Digital finance including online banking, mobile payments, and fintech solutions, today is at the crux of expanding access to financial services to underserved populations. A review of previous studies and opinions of researchers on the impact on digital finance on financial inclusion have been combined in this study. In addition, this study will use primary sources which include questionnaires that will be distributed to the users of digital finance. This study will use secondary sources to collect data to improve understanding of digital financial services adoption and use. Using digital platforms, banks in Oman fill in the missing pieces in providing financial services and expand and simplify access in urban and low-income areas. The research showcases that growing trend of people using digital finance as being linked to a more inclusive financial system, implying how technology-enabled deployments are re-configuring the banking system in Oman to drive economic development and reduce inequality.

Introduction

The implementation of digital finance has a positive impact on financial inclusion by offering small businesses and people with low- incomes the opportunity to use official financial services to which they have limited or no access. Digital finance relates to the offering of financial services using personal computers, mobile phones, cards, or the internet that are linked to a dependable system of digital payment. Financial inclusion is known as businesses and people having the ability to access to accessible and useful financial services and products that accomplish their requirements like payments, credit, transactions, savings, and insurance, provided in a sustainable and efficient manner. Achieving financial inclusion objectives depends heavily on digital finance, which contributes to both human wellbeing and economic growth. Digital payments are an important element of digital finance, and their significance is growing as financial technology (fintech) and e-commerce become more prevalent. Digital finance and financial inclusion provide different benefits for financial services clients, governments, suppliers, and the economy. The services of digital financial are essential to the public because they increase protection for their cash and are more appropriate than saving money at home while travelling with cash. As a result of financial inclusion, individuals have access to services and assistance that help them make educated financial decisions and manage their money more effectively (Durai & Stella, 2019).

Statement of the Research Problem

The distribution of digital finance needs the involvement of a wide range of customers, including banks and financial institutions, financial technology suppliers, mobile network operators, agents, regulators, chains of clients, and retailers. With the interaction of different of these customers, along with the restrictions of the market structure and legal environment, the role of financial inclusion becomes negligible for all participants in Oman. Digital finance mechanisms need secure, reliable, and cost-effective groundwork to make their services easy to use. Customers' lack of trust in digital finance channels prevents financial inclusion programs driven by digital finance in developing and emerging nations, and this problem is aggravated in countries with weak consumer protection policies. The challenges of achieving the requirement for financial inclusion include that financial services are unavailable, financial literacy is low, and policies that create financial instability are lacking in rural areas in Oman. One of the challenges is that it is imperative that policymakers ensure that all citizens possess digital financial literacy so that the banking sector can attain sustainable digital inclusion and improve the confidence of depositors in Oman. It is necessary to preserve the stability of banks by taking strategic measures, including digital financial inclusion, and improving financial literacy. The lack of digital finance and e-banking transactions also impacts adversely on financial inclusion and stops the underprivileged as well as rural communities from using designated financial services excluding their participation in the traditional economy. The financial exclusion compounds in the rural areas where people neither have access to the digital channels and also, they come across difficulty in availing banking services. It also concerns reliable payments and, in that case, makes more difficult trade action through conventional financial organizations by the lack of e-banking facilities (Credo lab, 2023).

Aims and Objectives of the Study

Research Aims

The aim of this research study is to identify the impact of digital finance on financial inclusion in the banking industry in Oman. In addition, the financial services of digital finance will help to evaluate the challenges of digital finance implementations. Defining these objectives can assist in improving the understanding of digital finance's role in the banking industry.

Research Objectives

1. To identify the impact of digital finance on financial inclusion in the banking industry in Oman
2. To evaluate an overview on the extent of digital finance in Oman banking industry
3. To analyze the challenges of digital finance implementations for financial services in industry banking in Oman
4. To provide recommendations for promoting the adoption and use of digital financial services in industry banking in Oman

Research Questions

1. What are the impacts of digital finance on financial inclusion in the banking industry in Oman?
2. What is the overview on the extent of digital finance in Oman banking industry?
3. What are the challenges of digital finance implementations for financial services in industry banking in Oman?
4. What are recommendations for promoting the adoption and use of digital financial services in industry banking in Oman?

LITERATURE REVIEW

The Important of Use Digital Finance

Digital finance is defined as financial services which can be accessed using smartphones, internet, laptops, or cards that have connections to reliable fintech providers, or digital payment system. This digital platform is aimed to encourage financial inclusion and a reduction of poverty. In addition, using the capability of digital finance allows financial service clients, governments, digital finance providers, and the wider economy. Digital Finance performs a significant role in promoting economic growth and financial inclusion (Khalil et al, 2023)(Khalil et al, 2023)(Mulla et al,2023). Furthermore, the general availability of digital finance using fintech companies has a beneficial impact on financial inclusion in economies that are growing (Ketterer, 2023).

Internet financing is an acronym for a novel model of business which makes use of technology for communication and the internet for performing an assortment of financial responsibilities, including the use of crowdsourcing online insurance, online borrowing, independent payment, and banking. The Internet provides the ability to significantly decrease the disparity between information and transaction fees, promote risk-based prices and risk management efficiency, and improve the number of potential transactions (Yue et al, 2024).

According to the study in Keyna about the impact of digital finance on financial inclusion, the implementation of digital finance by the institutions of banking is influenced greater by the need to increase their profitability and financial performance than by their need to encourage financial inclusion (Michelle, 2022).

Digital Financial Services

Digital financial services offer financial services and goods using digital channels which includes mobile wallets (apps), mobile banking, credit/ debit cards, and internet banking. The concept of "digital financial services" is used for several types of financial services, including remittance, credit, savings, and other kinds of banking services that are provided using digital channels. The banking industry's reliance on branches has shifted as a result of digital finance technology advancements. The total number of branches where traditional financial transactions are performed has been decreasing. As a result, a variety of banks have increased the number of machine operators (ATM), enhanced internet banking abilities, and call center employees (Malady, 2023).

The adoption of digital finance in countries that are developing allows the privileged people the opportunity to convenient, secure, and accessible banking services, The adoption of digital finance in countries that are developing allows underprivileged people the opportunity to safe, accessible, and inexpensive banking services, and this eventually increases financial inclusion. Financial institutions use technological advances including peer-to-peer borrowing and digital transactions as an element of their strategy to reach and assist those without banking services customers. In this network, fintech companies work as a point of entry for providing innovative financial products and allow client interaction and commitment. Additionally, making effective use of the accessible digital finance services will be an important tool in the long term for achieving financial inclusion (Neves et al, 2023).

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The financial inclusion objectives of developing countries and the battle against poverty are two of the major goals of financial services offered using digital platforms. The digital financial service is supposed to consist of three main components: a retail agent, digital transactional system, The digital financial service is supposed to consist of three main components: a digital transactional system, retail agents, and the use of a device—most commonly a mobile phone—by agents and consumers to conduct business through the digital platform. Digital financial services (DFS) clients need to have a current bank account which they manage (or one controlled by another person with approval for them to utilize) and they must have sufficient funds in the account (or an excess funds) to perform outflows of cash (payments) while also receiving cash inflows (income) through digital platforms such as mobile devices, personal computers, and the internet (Barbesino et al, 2024).

The investigation addressed the manners in which unusual technological innovations in finance enhance the lives of individuals and economic results. A wider variety of financial products and services, like mobile and online banking along with electronic credit for the unbanked, have been rendered feasible by accessibility to digital technologies, especially smartphones, internet access, and verification of biometric information. People with low incomes and underprivileged individuals in countries that are developing may save and spend in the nation's official system of finance, receive money back, and regulate their spending due to digital financial services, which can frequently be cheaper and more convenient than conventional financial services (Gomber et al, 2024).

Financial Inclusion

Financial inclusion is a significant concern for governments all through worldwide because it includes access to financing, financial payment, financial information, and financial services. Financial inclusion can be described as improving the quality, availability, and range of financial services to satisfy the needs of the financially excluded individuals. It includes offering financial services at an affordable cost and provides consumers' confidence in understanding that all segments of society have the ability to utilize formal banking services (Allen et al, 2024).

Financial inclusion is the procedure of integrating the underprivileged into the formal economic system by the long-term availability of accessible financial services. The adoption of formal financial services among underprivileged people is a further example of financial inclusion. Financial inclusion decreases poverty and encourages economic growth by helping to increase the number of individuals, especially the poor, who have received an official banking account resulting in are able to use formal financial services. Increasing financial inclusion aims to decrease poverty and encourage economic growth through allowing people who have previously been financially excluded to make savings money, spend on education, and develop enterprises. It is important to establish an inclusive financial system which allows all individuals, particularly those who are poor, to transfer and access money, grow wealth, and mitigate risks (Demirguc-Kunt & Klapper 2024).

According to Han & Melecky (2023) they believe that by expanding use of all financial performance products and services, raising understanding can encourage financial inclusion. According to their ideas, there is a disparity between belief and conduct, which results in mental dissonance and could promote an adjustment in mindset and conduct. They believe that there is a contradiction among the level of understanding and use of digital items and services. Adjustments in understanding and utilization are achievable if the conflict is properly addressed. As a result, this concept significantly helps to the basis for the issue addressed. A significant number of research findings supported the concept that financial inclusion is affected by financial literacy. The main results of these research investigations indicate that knowledge is used as an intermediary variable among financial inclusion and financial literacy.

Significant Role of Digital Finance in Financial Inclusion

The role of digital finance plays a significant role in financial inclusion due to its many benefits. Global finance could be transformed into a more inclusive market if technological innovation is adopted with caution. Financial inclusion can be achieved through mobile banking transactions, which is one of the most effective tools. In accordance with research published by the McKinsey World Institute and supported by the Bill and Melinda Gates Foundation (BMGF), is shows that digital financial services have an opportunity to raise poor and developing nations' GDP increase of $3.7 trillion by 2025 (Shofawati, 2019).

If digital finance can be implemented effectively, it additionally has an opportunity to produce 95 million jobs throughout all sectors and offer digital banking to more than 1.6 billion individuals in developing countries. Considering finance is strongly connected to sustainable economic growth, each of these initiatives needs to be supported by outstanding infrastructures, government regulations and digital platforms to promote financial inclusion. However, the most significant obstacles to achieving economic growth and financial inclusion will be ineffective money mobilizing and payment infrastructures as well as restricted system availability. To achieve this, better payment systems are necessary, especially electronic payments (Shofawati, 2019).

Digital financial services will also reduce the amount of paperwork and operational costs, and there will be fewer bank branches maintained with the use of digital financial services. In reality, numerous clients will find it simpler to perform their financial transactions with the help of dependable digital platforms including mobile phones, computers, and similar gadgets. Researchers have published a number of studies investigating digital finance's impact on financial inclusion (Ozili, 2024).

Researchers found that implementing digital financial services, including credit/debit cards, online and mobile banking, and mobile wallets (apps), will allow for easy interbank account transactions and promote convenience, usefulness, and accuracy. When people with low incomes employ digital platforms with affordable service charges, people will have greater access to essential financial services, that will contribute to financial inclusion in poor areas. Therefore, financial inclusion contributes to a smoothing of income and consumption, a higher level of social mobility, and a more stable financial future for people. By better incorporating financial services into the economy, the country would also be able to overcome any barriers to financial inclusion that may exist. To make sure that digital financial services are effectively offered to all society levels, the regulators and government will eventually recognize the necessity for commitment (Lyman & Lauer, 2024).

RESEARCH METHODOLOGY

Research design

It is a collection of methods, techniques, and strategies that the investigator chose for the purpose of completing the study. Additionally, there are three main stages that occurred: data collection, measuring data, and analyzing data in the final stages. A research design should include both reliability and validity as essential characteristics. Research designs are typically classified as either qualitative or quantitative. Research design is essential because it provides objectives more obvious and improves the level of reliability and validity of the information collected. As part of the research preparation process, the researcher needs to focus on the research design point. The research design also helps facilitate the gathering and analysis of all data as well as keeping the research clearer and more understandable. One of the initial steps that an investigator needs to do is to facilitate the finding of solutions for any challenges found throughout gathering and analyzing data is the preparation of a research design.

A descriptive research approach will be used in this study. Implementing a descriptive research design involves investigating and analyzing a specific instance or occurrence. There are many methods that can be used in descriptive research. When implementing descriptive research, the study will be conducted in less time when the goal of the researcher is to find categories, features, or trends. There are two types of research methods which are qualitative data, which depends on opinions and knowledge, and quantitative data, which is focused on numbers. Qualitative data relates to information collected regarding ideas or opinions about a problem and does not consist of any numerical values. In addition, this type of research will be used in the questionnaire for open-ended questions by the researcher. Qualitative data can be defined as data obtained on opinions or ideas connected to an issue without the use of numbers. Questions with an open-ended response fall under this category (Stevens, 2023).

DATA ANALYSIS

The implementation of digital finance through agency banking has significantly increased the accessibility of banking services for underserved populations in Oman.

Options	Responses
Strongly Disagree	11.40%
Disagree	17.10%
Neutral	22.90%
Agree	37.10%
Strongly Agree	11.40%

Table 4. 1 The implementation of digital finance through agency banking

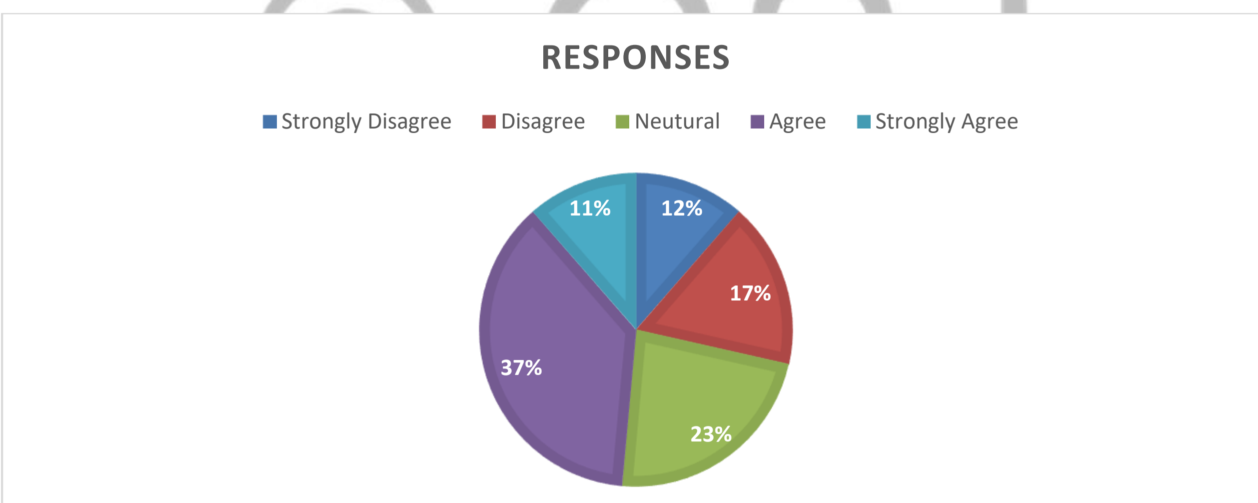

Figure 4. 1 The implementation of digital finance through agency banking

This pie chart shows that 11.40% of respondents strongly disagree with digital finance having helped to increase access of underserved populations to banking services. While not as strong (17.10% disagreed), an evident chunk of customers at least somewhat shares the concerns that motivate agreement among the strongly disagree contingent. Neutrally-which is still the majority-of 22.90% of the respondents This indicates that there is a certain degree of uncertainty, or conflicting perceptions of how digital finance is enhancing access. More than one-third of respondents believe that digital finance is helping make financial services more accessible to the underserved, which are agree 37.10%. There is an equally high share of respondents with strong positive experiences or beliefs regarding the impact of digital finance (11.40%). To reinforce inclusive and adequate access to digital financial services for all underserved populations in Oman, banks must address the widespread understanding that these services remain difficult to use and need substantial outreach in the market and help for their use with reduced economic and technological constraints (Ketterer, 2023).

The adoption of digital finance in Oman has reduced the costs associated with accessing banking services, making them more affordable for low-income individuals.

Options	Responses
Strongly Disagree	20%
Disagree	24%
Neutral	17.10%
Agree	21.40%
Strongly Agree	17.10%

Table 4. 2 The adoption of digital finance in Oman

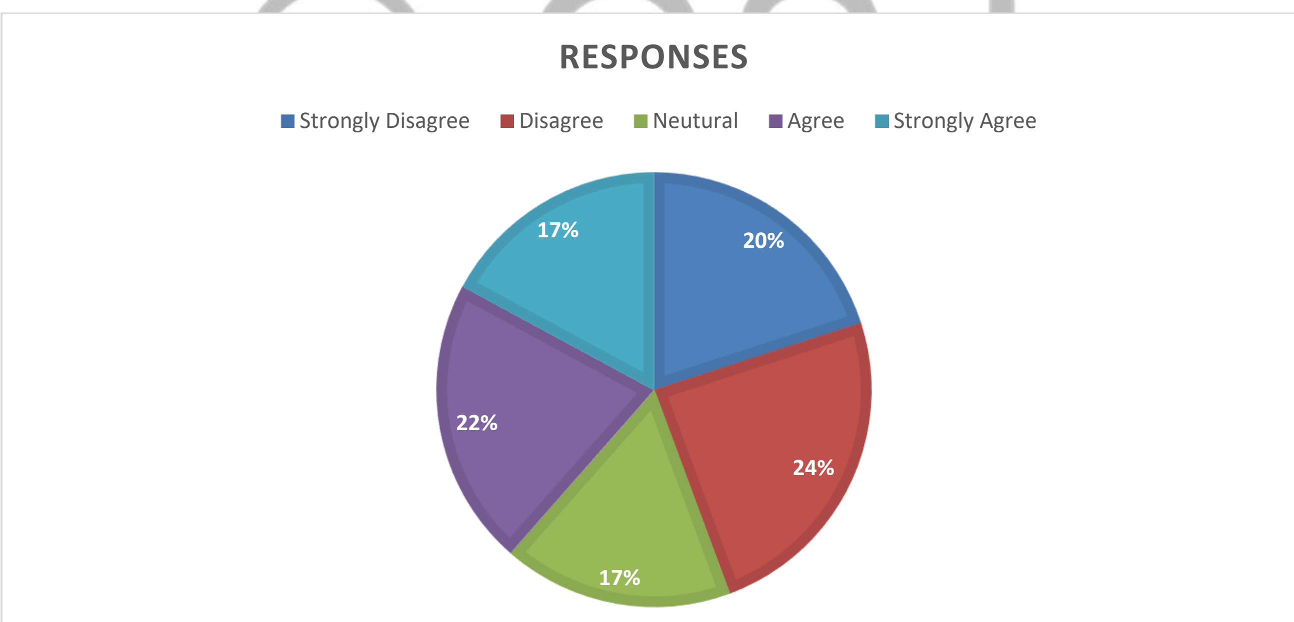

Figure 4.2 The adoption of digital finance in Oman

The pie chart highlights the large number of respondents (20%) who "Strongly disagree" digital finance has lowered the cost of accessing banks services for the poor. An even greater proportion of respondents (24%) disagree. This suggests a high degree of doubt about the affordability of digital financial services for the poor. Another significant part of the respondents (17.10%) is unsure about the impact of digital finance on lowering costs, with unsure even suggesting there might be mixed feelings about this. A similar percentage of the respondents (21.40%) believe digital finance has been used to help make banking services cheaper for lower earners. An equal percentage of respondents - at 17.10% - strongly support the statement, which indicates a strong level of positive experiences or beliefs concerning any financial savings from digital finance. To counter those different beliefs or attitudes, banks must work to demonstrate more clearly that their digital financial services can save clients' money, expand their access, and increase their adoption by offering clear, easy-to-use and transparent platforms for better affordability and inclusion for the low-income population in Oman (Michelle, 2022).

Customers in Oman are highly satisfied with the range and quality of digital financial services offered by commercial banks.

Options	Responses
Strongly Disagree	11.40%
Disagree	15.70%
Neutral	25.70%
Agree	34.30%
Strongly Agree	12.90%

Table 4. 3 Customers Satisfaction

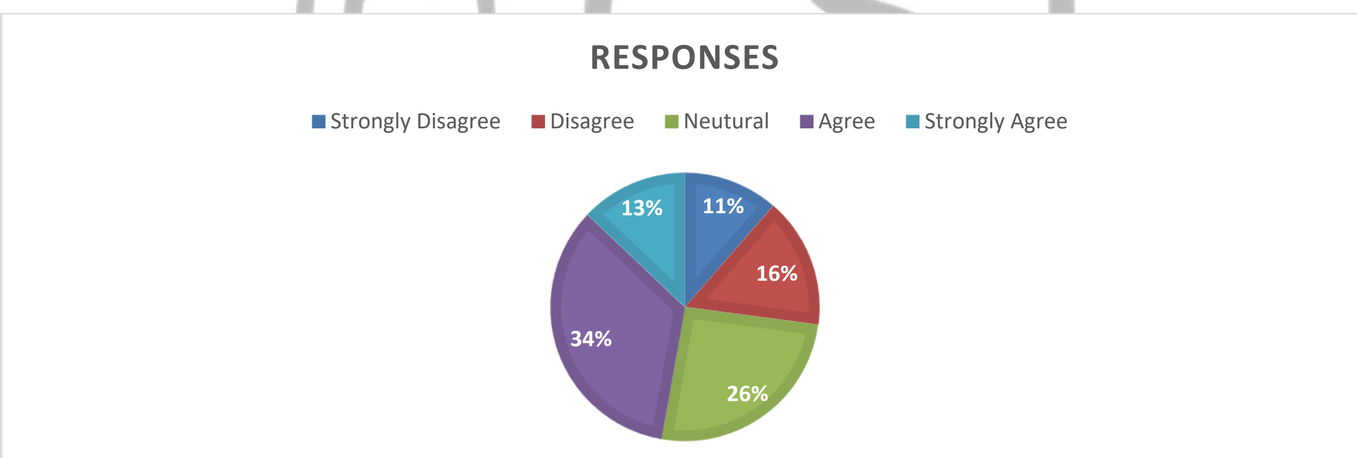

Figure 4. 3 Customers Satisfaction

This pie chart showing customer satisfaction with the variety and quality of digital financial services provided by commercial banks in Oman. About 34.30% of customers indicated they agree that they are satisfied with the state's services, which is a positive sentiment towards the services In addition, 12.90% strongly agree highlighting a fair amount of satisfaction among a sizable portion of survey participants. By contrast, 15.70% disagreed and 11.40% strongly disagreed, these are the percentages of a dissatisfied group. More than 25.70% remain neutral, which may suggest a group of customers that unlikely will have a determined opinion or might need a better understanding of the issue or improvements on services to mark a specific opinion on it. One of the takeaways is that while a large percentage is satisfied with brands, there is an equally large group of people who are not so satisfied so there is room for all of the brands in here to work on that (Gomber et al, 2024).

Conclusion

The purpose of this study is to highlight the significance of the impact of digital finance on financial inclusion in the banking industry in Oman. All objectives were achieved during the investigation. To investigate the function of digital finance for improving the financial inclusion in Oman as well as to analyze the challenges of digital finance implementations for financial services in industry banking in Oman. The impact of digital finance on financial inclusion in Oman has been transformative, fostering greater accessibility and participation in the financial system as well as providing new opportunities for economic participation and growth. As Oman continues to develop its digital infrastructure and financial regulations, the impact of digital finance on financial inclusion is expected to grow even further. In the end, it proved clear that financial inclusion and digital finance offer an assortment of opportunities for the economy, governance, and clients of financial services. For example, technologies can make it simpler for those with limited resources to obtain loans and decrease the cost of facilitating financial transactions for banks. In addition, the researcher gained understanding regarding the impact of digital finance on financial inclusion because of working on this project.

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