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Financial Inclusion : The Impact of Social Investment in Digital Projects

Yukun Aboobucker*

**Department of Management and IT,
South Eastern University of Sri Lanka,
Olivil, Sri Lanka**

E-Mail: Aboobucker@seu.ac.lk

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Description

Financial inclusion has emerged as a critical global goal, with the aim of providing access to financial services for all individuals and businesses, especially those in underserved and marginalized communities. The traditional financial system has often excluded a significant portion of the population due to various barriers, including geographical remoteness, lack of formal identification, and limited access to brick-and-mortar banking institutions. In response to these challenges, digital financial inclusion projects have gained prominence, offering innovative solutions that leverage technology to extend financial services to previously excluded populations. This essay explores the concept of social impact investing in the context of digital financial inclusion projects, examining the motivations, benefits, challenges, and potential outcomes associated with this approach.

Social impact investing, often referred to as impact investing, is a financial strategy that seeks to generate both financial returns and positive social or environmental outcomes. It represents a departure from traditional investment paradigms, where the sole focus is on financial returns. Instead, impact investors prioritize investments that can bring about meaningful and measurable social change, including poverty

reduction, improved access to education, and, in our context, enhanced financial inclusion.

The Impact investors are often driven by a desire to align their investments with their personal or organizational values. They seek to make a positive difference in the world while still achieving financial objectives. Many of the world's most pressing challenges, such as income inequality and financial exclusion, can be addressed through impact investing. This approach recognizes that traditional philanthropy alone may not be sufficient to bring about sustainable change.

Social impact investing can vary along a spectrum, ranging from investments that primarily target social impact with modest financial returns to those that aim for competitive financial returns while delivering significant social outcomes. Digital financial inclusion projects typically fall within this spectrum, offering an opportunity to improve financial access and well-being while also generating financial returns for investors.

Digital financial inclusion projects leverage technology to provide a range of financial services, including payments, savings, credit, and insurance, to individuals and businesses that were previously excluded from the formal financial system. These projects are designed to address various barriers to financial inclusion, including geographical distance, lack of infrastructure, and limited financial literacy.

Social impact investing in digital financial inclusion projects operates at the intersection of social good and financial returns. Investors in these projects recognize that while their capital is deployed to promote financial inclusion and alleviate poverty, it can also yield attractive financial returns. This dual objective distinguishes impact investing from traditional philanthropy and pure profit-driven investments.

Effective social impact investing requires rigorous impact measurement and assessment. Investors seek to understand the extent to which their investments are achieving the intended social outcomes. In the context of digital financial inclusion, impact metrics may include the number of new bank accounts opened, the volume of digital transactions, and improvements in financial literacy.

Social impact investing in digital financial inclusion can take various forms, including equity investments in fintech start-ups, debt financing for microfinance institutions, and grants or concessional capital to support the development of digital infrastructure in underserved regions. Each investment vehicle carries its unique risk-return profile and impact potential.

Social impact investing in digital financial inclusion projects represents a powerful means of addressing financial exclusion and improving the well-being of underserved populations. By aligning financial objectives with social impact, impact investors can drive positive change while also realizing financial returns. However,

this approach is not without challenges, including regulatory complexities and technological barriers. To maximize its potential, stakeholders must work collaboratively to develop scalable and sustainable solutions that benefit individuals and communities around the world. As technology continues to advance, social impact investing in digital financial inclusion projects will play an increasingly crucial role in creating a more inclusive and equitable financial ecosystem.