

THE INFLUENCE OF DIGITAL FINANCE ON WORLD ECONOMY

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Abstract. *Due to the growing consumer demand for online services, development of new financial and digital platforms is becoming a requirement of the time. Nevertheless, a number of problems restrain the development of the Internet services market. The proliferation of technology, aggressive marketing, and other consumer risks such as debt collection practices, data breaches, and poor dispute resolution have exacerbated the problems in the financial ecosystem. This study identified electronic financial systems, their advantages and features, as well as regional problems. This study considers the global financial services market as an object of the study, discusses its concepts and characteristics, and analyzes the state of development of Internet finance in the context of the economy as a whole.*

Keywords: *digital finance, electronic payment, financial inclusion, online insurance, phishing, cyber-attacks, multi-factor authentication.*

ВЛИЯНИЕ ЦИФРОВЫХ ФИНАНСОВ НА МИРОВОЮ ЭКОНОМИКУ

Аннотация. *В связи с ростом потребительского спроса на удаленные услуги создание новых финансовых и цифровых платформ становится требованием времени. Тем не менее ряд проблем сдерживает развитие рынка интернет-услуг. Распространение технологий, агрессивный маркетинг и другие потребительские риски, такие как практика взыскания долгов, утечка данных и плохое разрешение споров, усугубили проблемы в финансовой экосистеме. В данном исследовании были выявлены электронные финансовые системы, их преимущества и особенности, а также региональные проблемы. В данном исследовании рассматривается мировой рынок финансовых услуг как объект исследования, обсуждается его концепция и характеристики, а также анализируется состояние развития интернет-финансов в контексте экономики в целом.*

Ключевые слова: *цифровые финансы, электронные платежи, финансовая доступность, онлайн-страхование, фишинг, кибер атаки, многофакторная аутентификация.*

INTRODUCTION

After the Financial Crisis in 2007-2010, the process of change in the financial services industry accelerated. The use of e-commerce, electronic payments and other digital channels allows creating a history of payments made by companies and individuals. This data facilitated the creation of artificial intelligence based credit scores. These processes reduce asymmetric information between borrowers and lenders by facilitating access to financing. In addition, the development of Internet commerce has drastically changed the services provided by banks and financial institutions. As people increasingly prefer to buy goods online rather than in stores, demand for financial technologies has also increased. These changes have led to the emergence of a new term in the financial services market, i.e. digital finance. After exploring new prospects of digital finance to benefit billions of people by providing financial services using the Internet became possible, and it may lead to a rise in the GDP of developing countries within a decade.

For this reason, during the study there were learned the impact of financial inclusion on the gross domestic product of countries.

MATERIALS AND METHODS

During the study, there were used methods that based on economy and finance. These methods include statistical and economic analysis methods such as analysis, logical analysis and econometric models, correlation and regression as well.

According to the results, financial inclusion has a positive and significant impact on economic growth, and the impact of financial inclusion on economic growth is not only among countries with higher growth rates, but it has impact that is more significant among countries with low growth rates as well. Moreover, the main indicators of inclusion, which include itself three main aspects such as the number of bank account numbers, credit deposits, and the growth in the number of ATMs and bank branches, have also a positive effect on the state's economy.

Implementation of business processes using the digital finance helps to meet the needs of producers, consumers and financial institutions and eliminates the traditional boundaries between economic entities. One of the most important features of digital financial services is the use of financial services in online banking, online insurance, online trading and digital payment systems. The advantages of such financial services are to reduce the time of payments and processing of documents, to receive information about the status of online accounts, and to be able to use it at any time and in a low cost.

RESULTS

Internet financial services provide low cost services with the opportunity to save for the future, which ensures personal financial stability and high exploitation of bank deposits. (Ellis, Lemma, & Rood, 2010). A significant increase in the number of small depositors through greater financial inclusion will increase the size and stability of banks' deposit base, which will reduce banks' dependence on funding during the crisis.

In addition, it provides an opportunity to reduce costs and taxes and save time for financial service institutions. Digital financial services can help reduce poverty, diversify opportunities, expand investment and build stronger institutions with less corruption – which can create conditions for sustainable business in the financial services market. Privileges for individuals, enterprises and governments give the opportunity to improve the economy of countries.

Despite several advantages of Internet financial services, we can observe certain problems in financial services industry. As we said above, financial services can provide affordable and convenient opportunities to low-income segments of the population. However, today, there is less focus on delivering digital finance to the poor and uneducated segment of the population. Therefore, in some countries, people cannot fully use online services because they have little information about the opportunities that available through the Internet. In order to reduce such situations, it is necessary to increase the literacy of the population in the use and understanding of digital services by financial institutions.

Another main problem of Internet banking is the lack of cyber security of Internet banking services.

DISCUSSION

According to the above diagram, in 2018 and 2019, Russia and Germany took the leading place in terms of cyber-attack indicators. According to research by the Advisory Group (a global

partnership of 34 leading organizations) customers unable to complete transactions due to network outages, complex user interfaces, non-transparent payments, and data privacy concerns. Every day they face insufficient data protection problems.

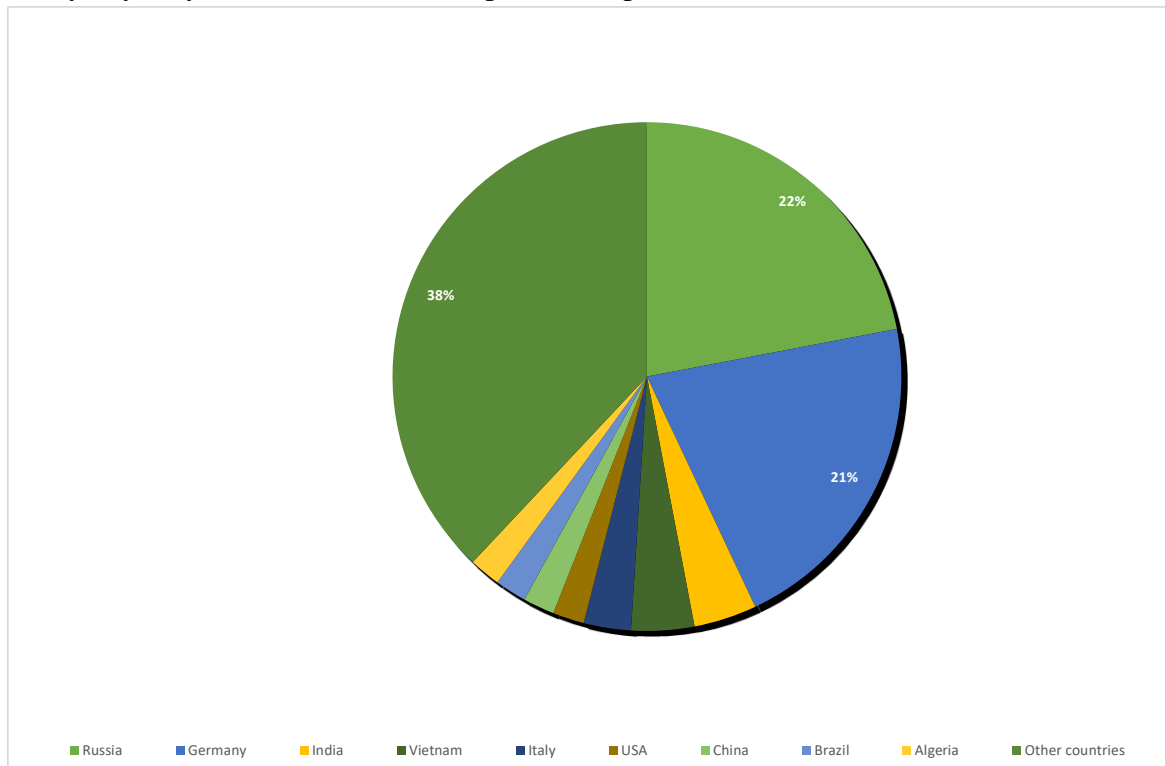


Figure1. Geographical distribution of cyber attacked users in 2019
securelist.com

CONCLUSIONS

Nowadays, states, financial institutions, and other financial transaction management organizations are working to strengthen procedures and policies related to digital financial services. Along with all the technical protection measures implemented by digital financial service providers, so users are given more information about risks and strong passwords with multi-factor authentication are recommended as a solution to protect financial transactions.

This study substantiates that policy formulation in the context of financial inclusion, improving the index of financial inclusion is also a contribution to the economic growth of the state. These new measures can be applied as a basis for measuring actual financial inclusion across different economic aggregates. Economists in any country should work on financial opportunities to open bank accounts, increase public literacy in the use of the banking system and expand banking services, as they are an important element of financial inclusion. The development of each of the indicators listed above leads to a number of advantages for the government and the economy. However, a number of problems hinder the development of the Internet services market. Users should be aware about account blocking alert and receiving any unwanted SMS/call asking for account number details. It is important to know that payments and money transactions never made through a third-party application. They should be very careful when posting personal information on social media platforms or replying to phishing emails, as this information can be used to exchange or steal information.

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