

## **Why is Digital Finance So Important for Emerging African Countries?**

One of the major difficulties banking, finance, and insurance sectors in emerging African nations face is their incapability to penetrate into the rural population. It is estimated that not even one percent of the potential being tapped and the financial entities are on a constant effort to achieve this goal.

As information technology had grown leaps in the last couple of decades, it is now showing a positive impact in the financial sector too. In developed nations, digital finance has highly gained popularity. This same strategy is proving out to be successful in emerging countries too, especially in African nations for the [financial institutions](#) to reach effectively to the rural regions also.

### **What is digital finance?**

Digital finance is proven and robust medium, which enables an easy link between financial services and other sectors including agronomy, services, infrastructure, energy etc. People even without a bank account or backup of a financial institution can access the financial services through digital medium now. As of late, almost all stakeholders are using cell phones along with the agents to engage in simple financial services at reduced cost against the conventional banking, which is still considered as a complicated affair by many.

This concept is also called as "branchless banking", which is the new buzzword in the finance sector. Traditionally, there is a huge expenditure and infrastructure requirement for establishing and managing bank branches to connect people to financial services. [When it comes to rural areas](#), contact banking becomes more troublesome and it is not so easy to maintain a banking infrastructure at such areas.

However, the concept of digital finance effectively negate these obstacles. Using the simplest digital medium as cell phones, agents can easily hand less value transactions instantly for the low-income target groups in a much cost-effective way. It is a fact that the cash flow into digital finance firms steadily increases in terms of consolidating assigned mobile solutions and digital banking among others.

### **The impact of digital finance**

As of late, we can note that the impact of [digital finance is highly increasing in the global economy](#) and it transforms the way financial transactions are handled now. The benefits of digital finance are countless as decreased cost, development of personalised financial products, instant reach without geographical boundaries etc. to name a few. Most of such digital finance products are now delivered on modified digital platforms to ensure security and ease of operation.

Technological advancements has a global nature and the benefits of internet and mobile technology have been enjoyed by the people emerging countries also, which makes digital finance is a more acceptable avenue in African nations. Apart from bringing people closer to financial products and services, this approach also puts forth several opportunities for the fin-tech start-ups. It helps various other stakeholders too including governments to steer development in the right direction.

Digital finance has a significant impact in many other sectors too. For example, it can prove out to be critical in retail business by ensuring small businessmen to have access to any-time easy funding. Also with the help of an electronic payment systems, there is an opportunity to keep a perfect financial track record and develop robust financial products for strengthening the overall economy.