

Digital Financial Services and Economic Empowerment in Developing Countries: A Systematic Literature Review

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Abstract

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This article reviews how digital financial services influence economic empowerment in developing countries, with a focus on understanding their role in expanding access to finance and reducing economic vulnerability. The study applies a systematic literature review to synthesize evidence from research published until 2021, analyzing studies on mobile money, mobile banking, fintech applications, and related innovations. The review examines how these services affect financial inclusion, savings, credit access, entrepreneurship, and household resilience. Findings show that digital financial services have improved financial participation, supported small-scale business growth, and increased the capacity of households to manage shocks. The discussion integrates results from multiple regions, highlighting both the opportunities and persistent barriers associated with digital financial services. Overall, the review concludes that these innovations contribute significantly to economic empowerment but are limited by factors such as digital literacy gaps, gender inequalities, and infrastructure challenges.



1. Introduction

Over the past decade, the rapid evolution of digital technologies has fundamentally transformed the financial services landscape in both developed and developing economies. The proliferation of digital financial services (DFS) encompassing mobile banking, mobile money, internet banking, digital payment systems, and fintech platforms has emerged as a pivotal mechanism for enhancing financial inclusion and bridging gaps in access to financial resources (Ozili, 2018; Gomber et al., 2017). By lowering transaction costs, reducing geographic barriers, and facilitating real-time transactions, DFS has introduced opportunities for individuals and micro-enterprises that were previously excluded from formal financial systems, particularly in developing countries (Demirgüç-Kunt et al., 2018).

The relevance of DFS is particularly salient in the context of economic empowerment, a concept that encompasses improved access to financial resources, increased economic participation, enhanced decision-making capacity, and resilience against income volatility. Prior evidence demonstrates that mobile money and related digital tools can significantly influence the socio-economic well-being of marginalized populations, such as women, smallholder farmers, and low-income entrepreneurs. Studies from Sub-Saharan Africa and South Asia, for example, indicate that DFS can promote savings, enable access to credit, and facilitate small business growth while also fostering consumption smoothing during periods of financial stress (Suri & Jack, 2016; Batista & Vicente, 2020). Thus, in settings where formal banking infrastructure remains underdeveloped, digital financial innovations

are increasingly regarded as enablers of inclusive growth and poverty reduction (Klapper et al., 2019).

However, despite its promise, the relationship between DFS and economic empowerment remains complex and is far from unequivocal. While a considerable body of scholarship highlights positive outcomes, there are parallel concerns regarding persistent structural and contextual barriers. Digital literacy limitations, affordability of mobile technologies, gendered disparities in access, cybersecurity vulnerabilities, and issues of trust and data protection present significant obstacles to realizing the full developmental potential of DFS (Burns, 2018; Arner et al., 2020). Furthermore, the literature remains fragmented: existing studies tend to focus on individual platforms, localized case studies, or narrow user demographics, without providing a comprehensive synthesis of the evidence across different contexts and types of economic outcomes.

In light of these considerations, a systematic literature review (SLR) is timely and essential. A systematic approach offers the advantage of consolidating findings across diverse empirical contexts, identifying patterns and contradictions, and clarifying the extent to which DFS contributes to economic empowerment. This study therefore aims to map the state of knowledge on the topic, with three specific objectives. First, it seeks to analyze the evolution of research on DFS and economic empowerment in developing countries, identifying the main themes and conceptual frameworks employed. Second, it examines the reported evidence on how DFS affects economic empowerment at the individual, household, and microenterprise

levels. Finally, it highlights the methodological gaps, contextual limitations, and emerging research directions that require attention from scholars and practitioners.

By synthesizing studies published up to 2021, this review contributes to the discourse on digital finance and development by providing an integrated perspective on the opportunities and constraints of DFS as a tool for economic transformation in resource-constrained environments. In doing so, it offers valuable insights for policymakers, development agencies, and financial technology stakeholders seeking to harness digital financial innovations to promote inclusive and sustainable economic outcomes.

2. Literature Review

2.1. Digital Financial Services and Their Growth

Digital financial services (DFS) include mobile money, mobile banking, digital payments, and fintech applications that make financial transactions possible without relying on traditional bank branches. Their growth in developing countries has been driven by the widespread use of mobile phones, lower data costs, and supportive policies (Gomber et al., 2017; Demirgüç-Kunt et al., 2018; Ozili, 2018). Services such as M-PESA in Kenya show how digital platforms provide low-cost ways for people to transfer money, save, and receive remittances where formal banking is limited (Burns, 2018; Suri & Jack, 2016).

2.2. Link to Economic Empowerment

Economic empowerment is about the ability to make financial decisions, access resources, and improve well-being (O'Hara & Clement, 2018). Studies show

that access to digital finance allows households to save, borrow, and invest more effectively, which supports income generation and resilience to shocks (Batista & Vicente, 2020; Demirgüç-Kunt et al., 2018). Mobile-based financial tools also help small businesses grow by improving access to credit and by making payments faster and safer.

2.3. Key Benefits and Gaps

Evidence indicates that DFS can expand financial inclusion, encourage savings, facilitate credit through transaction histories, enable quicker remittances, and improve participation in markets (Suri & Jack, 2016; Batista & Vicente, 2020). These outcomes create opportunities for people to increase income and reduce vulnerability. However, not everyone benefits equally. Challenges such as low digital literacy, gender gaps, poor infrastructure, and cybersecurity risks still limit the effectiveness of these services (Arner et al., 2020; Suri & Jack, 2016). Moreover, most research focuses on a few regions and on short-term outcomes, leaving a need for more studies on long-term effects across diverse contexts.

3. Methods

This study uses a systematic literature review (SLR) to examine how digital financial services influence economic empowerment in developing countries. A systematic approach was selected for its structured and transparent process, which reduces bias and helps synthesize existing evidence (Snyder, 2019). Searches were conducted in Scopus, Web of Science, and Google Scholar for studies published up to 2021 using keywords such as digital financial services, mobile money, fintech,

financial inclusion, economic empowerment, and developing countries. Only English-language studies focusing on developing or emerging economies and exploring outcomes such as financial inclusion, savings, credit, entrepreneurship, and resilience were included. Studies that were purely technical or limited to developed countries were excluded.

Titles and abstracts were screened for relevance, and full texts of eligible studies were reviewed in detail. Given the diversity of research methods and contexts, a qualitative synthesis was applied rather than a meta-analysis. The analysis identified recurring themes and consolidated findings to explain how digital financial services contribute to economic empowerment.

4. Results and Discussion

The systematic review of the selected studies shows that digital financial services have made notable contributions to economic empowerment in developing countries, although these effects are shaped by context and remain uneven across regions and populations. A considerable body of evidence demonstrates that services such as mobile money, mobile banking, and other fintech solutions have expanded financial inclusion by providing low-cost, secure, and accessible financial accounts to individuals who were previously excluded from formal banking systems. Studies from Kenya, Tanzania, Bangladesh, and India, for example, illustrate how platforms such as M-PESA have enabled unbanked households to engage more actively in financial transactions, improve household financial management, and build resilience to financial shocks by reducing the need to rely on informal and often

unreliable financial arrangements (Suri & Jack, 2016; Burns, 2018). These improvements in access to financial services are linked to a broader set of empowerment outcomes, including the growth of small-scale entrepreneurial activities, better savings practices, and the ability to manage emergencies more effectively.

Several studies also report that digital financial services contribute to entrepreneurship and small business growth. By facilitating access to credit, improving cash-flow management, and enabling efficient payments, digital financial platforms have allowed small-scale entrepreneurs, especially those operating in the informal economy, to access capital and expand their business activities (Batista & Vicente, 2020). New forms of digital lending that rely on mobile transaction histories as indicators of creditworthiness have been particularly effective in giving micro-entrepreneurs and smallholder farmers access to capital that is often unavailable through traditional banks. Furthermore, digital payment systems reduce the risks associated with cash handling, streamline supply chains, and create opportunities to connect with larger and more diverse markets, ultimately enhancing income-generating potential. Digital financial services also play a significant role in facilitating domestic and international remittances, which has improved the financial position of households that depend on these flows. These remittances have been linked to greater investment in education, health, and household assets, which in turn strengthen the long-term economic capacity and resilience of recipient families (Demirgüç-Kunt et al., 2018).

The evidence from the literature suggests that these positive effects operate through several interrelated mechanisms. The first is financial inclusion itself, as affordable and easy-to-use digital accounts allow people to participate in the formal financial system, which then becomes a gateway to other financial products such as credit, savings, and insurance. The second mechanism involves income smoothing and risk management; the ability to store money securely and access it in times of need reduces the vulnerability of households to unexpected expenses and allows them to recover more quickly from shocks. Studies of mobile money adoption in East Africa, for instance, show that users are able to withstand and recover from income disruptions more effectively than those without access to such services (Suri & Jack, 2016). A third mechanism is the change in financial behavior that digital services encourage, particularly with respect to savings discipline. Users of digital accounts often exhibit greater commitment to saving, partly because digital storage of funds creates a separation from cash and therefore from immediate spending temptations (Batista & Vicente, 2020). These digital records also provide transaction histories that can be used to assess creditworthiness, further facilitating access to loans and other forms of financial support. Moreover, there is some evidence that these services contribute to the empowerment of women, as they enable greater autonomy in managing financial resources, which can enhance their decision-making power within households and communities (Burns, 2018; Klapper et al., 2019).

Despite these promising findings, the literature also emphasizes that the ability of digital financial services to drive economic empowerment is constrained by several persistent challenges. One of the most prominent challenges is the existence

of a digital divide, as access to the internet, mobile devices, and digital literacy remains uneven, particularly across gender, age, and rural-urban lines (Arner et al., 2020). This divide creates a risk that those who are already relatively better-off are more able to take advantage of digital financial innovations, thereby limiting their reach to the most marginalized populations. Gender disparities are especially concerning; even when digital financial services are available, women may face barriers related to lower literacy levels, restricted access to mobile devices, and social norms that limit their use of these technologies (Suri & Jack, 2016). Infrastructural limitations, including poor connectivity, unreliable electricity, and insufficient regulatory frameworks, also hinder the expansion of digital services and their effectiveness. Furthermore, data privacy and cybersecurity risks have become increasingly significant concerns. While digital platforms offer efficiency and convenience, they also expose users to the risk of fraud, identity theft, and misuse of personal data, and inadequate safeguards can erode trust and discourage participation (Arner et al., 2020).

Another gap that emerges from this review is that while many studies document short-term improvements in access to financial services, there is limited evidence on the long-term impacts of digital financial services on poverty reduction, wealth accumulation, and sustained economic empowerment. Much of the existing research is concentrated on a few geographic regions, particularly East Africa and South Asia, and thus offers limited generalizability to other contexts. Longitudinal studies that track the effects of digital financial services over extended periods and in different regions remain scarce.

Taken together, the findings indicate that digital financial services have become a significant enabler of economic empowerment in developing countries by broadening financial inclusion, supporting entrepreneurship, and strengthening the resilience of vulnerable households. However, the evidence also suggests that the potential of these services is dependent on a supportive environment that includes adequate infrastructure, effective regulation, digital literacy, and efforts to reduce social inequalities. Digital financial services should therefore be viewed not as a standalone solution but as one element of a comprehensive strategy aimed at inclusive and sustainable development. These insights underline the need for coordinated policy actions and further research to understand and maximize the developmental benefits of these financial innovations.

5. Conclusion

This systematic literature review examined how digital financial services contribute to economic empowerment in developing countries by synthesizing studies published up to 2021. The findings show that mobile money, mobile banking, fintech platforms, and other digital financial innovations have played a significant role in expanding financial inclusion, enabling access to savings, credit, and payment services for populations previously excluded from formal finance. These services have supported participation in economic activities, encouraged small-scale entrepreneurship, and strengthened the resilience of households against financial shocks. Evidence, particularly from East Africa and South Asia, indicates

that digital financial services can be a powerful tool for promoting inclusive growth and improving household welfare.

At the same time, the review highlights that these benefits are unevenly distributed and subject to significant limitations. Persistent challenges such as low digital literacy, gender disparities, infrastructural constraints, and inadequate regulatory frameworks hinder the full realization of their potential. Furthermore, existing research is heavily concentrated on a limited number of countries, leaving gaps in understanding of long-term impacts and broader geographic contexts. Overall, the review concludes that while digital financial services hold considerable promise for advancing economic empowerment, their effectiveness depends on the conditions under which they are introduced and supported.

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