

# GROWERTALKS

## Features

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## The World of Digital Finance

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Many growers are in danger of falling behind, becoming less profitable and losing customers as today's business world becomes increasingly technical in nature. "Digitalization," the process of adopting digital technology, is rapidly impacting funding and financial services so important to growers and retailers.

Digitalization has become a buzzword with businesses across all sectors realizing the benefits of digital technology for improving business operations, increasing productivity and driving growth. There's a growing trend among banks and other financial institutions to adopt new technologies, transforming the traditional way of providing banking and financial services.

### Digital finance

Digital finance refers to the transformation of traditional banking and financial services that are using the new technologies to provide the services that every grower can benefit from. Digital finance describes the continuing digital transformation of the financial marketplace, a transformation that doesn't just affect banks and financial institutions, but, as mentioned, those whose businesses rely on them.

Digital finance is increasing the speed and agility of financial transactions and reducing transaction costs significantly. In the area of finance, digitalization involves the use of digital tools and technologies to specifically automate and streamline financial processes, improve data accuracy and consistency, and enhance financial analysis and reporting capabilities.

A key element of digital finance is digital banking using digital products and tools, including both online and mobile banking, to deliver financial services. How is the trend towards digital finance affecting the way businesses operate?

- **Mobile banking**—Mobile or online banking helps both growers and their customers conduct banking transactions, transfer funds, pay bills and more by using mobile phones and computers.
- **FinTech solutions**—FinTech companies provide a variety of digital services, from tracking spending and budgeting to customer service "chatbots" and more offered to end users.
- **Digital wallets**—A type of financial transaction app that runs on any connected device. It securely stores the payment information and passwords of customers, both those of the business owner and the business itself.
- **Blockchain technology**—Another technology boosting digitalization in finance is blockchain. Blockchain is a type of shared database that differs from a typical database in the way it stores information. Different types of information can be stored on a blockchain and shared with other parties. Essential for much regulatory compliance, money laundering protection and, of course, peer-to-peer transactions.

## Benefiting from digital finance

Advances in digital finance technology, coupled with innovation, are being leveraged to identify opportunities to digitize your operation's financial processes, and supplement the digital tools and technologies you use to improve efficiency and accuracy.

Among the many benefits of digital finance are:

- **More efficiency**—Digital tools were created to help you work more efficiently by removing manual time-consuming work from your operation's normal business activities.
- **Increased security**—The finance industry is subject to security and compliance requirements with good reason. They often process and handle sensitive and confidential information. It's a similar story for most businesses. Using the built-in finance automation tools adopted by banks and other financial institutions helps support the security needs of your business.
- **Improved customer experience**—Customers nowadays expect a digital, smooth experience by default. Their interactions should be effortless and at their own convenience. With the market becoming more competitive, every business, large and small, needs to invest in digital tools to keep their customers satisfied and provide the level of service expected by them.
- **Insights and analysis**—Decentralized technologies provide transparency and enable the tracking and analysis of your operation's financial data in real time rather than waiting for reports from your staff.

## The basis of digital finance

The term "Digital Business" refers to the use of digital technology to transform the way businesses operate. Today, almost every business has access to and the ability to handle large amounts of data. Unfortunately, without the tools to analyze that data, it's not much help. Digital finance tools provide solutions based on that data and can be used to identify less-expensive alternatives, business opportunities and growth possibilities.

On a similar note, although the terms "Digital Finance" and "Digital Banking" are sometimes used synonymously, there is a difference. While digital finance affects the entire financial industry and those who rely on it, digital banking is usually considered a subcategory. Digital banking usually refers to the processing of banking transactions.

Digital banking isn't a new concept. However, recent events have significantly increased the use of online banking for digital transactions, such as online payments and fund transfers. Digital banking includes all financial services that are carried out online or on mobile devices. These include e-banking, mobile banking apps or payment apps.

Digital finance doesn't merely affect bank customers in the context of digital banking—it includes all areas connected with finance and the transformation process brought about by digitalization. This has spurred the emergence of so-called "challenger banks."

A challenger bank is a fully digital bank with no physical branches. They challenge traditional banks by making the customer experience smoother, from the ease of opening an account or applying for funding to more attractive fees and rates.

## Digital financing

Digital finance is the delivery of traditional financial services digitally through devices such as computers, tablets and smartphones. That includes financing businesses, too.

Most businesses typically use equity or debt financing or a combination of the two. Equity financing involves receiving funds from an investor in exchange for partial ownership of the operation. Debt financing, on the other

hand, involves borrowing money from a third party, which is then repaid with interest. And it's the debt financing segment of digitalization transformation that's leading the way today.

Online lenders have become popular, especially for businesses and their owners struggling with bad credit. With an online or alternative lender, bad credit isn't always a barrier to getting the needed financing. In fact, strong, positive cash flow generally matters far more to alternative lenders, easing the path to secured funds with less friction.

Alternative lenders are an option when the bank says no. Online lenders offer fast cash with a number of online lenders able to process funding within 24 hours. Financial technology, or FinTech, interacts with a major bank minus the human element or is offered by independent companies working outside traditional banks.

Online lenders eliminate the middleman, such as banks, to connect borrowers with individuals and institutional investors. Somewhat unregulated, so-called funding "platforms" are an increasingly popular door to internet financing.

## **Platforms for digital finance**

Banks, credit unions and financial institutions use digital banking platforms to give their customers online channels for conducting traditional banking processes and activities. A majority of banking services can be digitized with the right solution provider.

Digital banks are a unique type of FinTech entity. They offer many of the same banking services of a traditional bank, but the main difference is that digital banks don't have physical branches. In other words, digital banking platforms are financial services that are provided solely online as opposed to online banking, which refers to online components of traditional brick-and-mortar banks.

## **The future of digitalization and digital finance**

Digital finance offers quite a few benefits to every business. Thanks to digitalization, bank accounts can be opened within minutes and banking transactions accomplished around the clock, regardless of branch operating hours. What's more, many banking services are being digitalized by some partners within the financial arena.

Whether using digital tools and technologies to improve financial analysis and the increasing number of reporting requirements, or utilizing tools such as digital payments or online financing, keep in mind they come with a number of security and privacy concerns that need to be addressed.

The requirement that third-party payment providers, such as PayPal and others, report all transactions has been temporarily postponed, but should be kept in mind. There's also concern over hacking and cyber-attacks, phishing scams, data breaches, tracking of transactions and customers, and unauthorized access to financial information.

Digital technology will continue shaping the future of finance. Digitalization is already having a major impact on the financial market and banks will continue to drive many changes in the future.

For a grower adopting digital finance and integrating digital technology in all areas of their business, fundamentally changing how they do business can mean improved customer service, increased efficiency and, above all, reduced operating costs. **GT**

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