



DIGITAL FINANCIAL LITRACY

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ABSTRACT

Financial literacy is a key skill for individuals who are embedded in an increasingly complicated financial situations. Financial literacy helps individuals make more informed and efficient decisions in the monetary aspect of their daily lives. With introduction of innovative and technical changes in the field of technology, the field of finance have seen a drastic change, along with changes in the players involved. This paper aims to measures the level of financial literacy of young individuals and analyse the different aspects of digital financial literacy. The results of the research show that many individuals from the younger generation, have a reasonable level of financial literacy. On analysing financial behaviour of such people, it was found that most of them showed positive financial behaviour. Thus one can conclude that there is an increase in the level of digital financial literacy, and that such increase has helped stimulate wise economic behaviour.

CHAPTER 1

1.1 INTRODUCTION

WHAT IS DIGITAL FINANCE LITERACY?

Digital Financial Literacy refers to possessing the knowledge, skills and developing necessary habits to effectively use digital devices for carrying out financial transactions. This intersects with an individual's basic literacy levels and the individual's ability to use devices. Digital financial literacy is becoming an increasingly important aspect of education for the digital age. The development of fin tech and gig economy means that individuals will become more responsible for financial planning. Individuals will need to have a high level of financial sophistication to make effective use of fin tech products and services, and avoid fraud and costly mistakes.

OUTLOOK ON INDIAN'S FINANCIAL LITERACY

Despite having a population of around 1.3 billion people, about 76% of adults are yet to improve their understanding of basic financial concepts. India has the potential to be among the top country with highest financial literacy rate in the world. About 27.6% of its people between the age group 25-44 continue to participate in the financial inclusion program through financial education. This rate could expand by more than 20% in the coming two decades, if the youngsters within the age group 10-19 are provided proper financial education early on. This group constitute about 22% of the country's population. Digital financial literacy could lead to general economic growth and increase in standard of living. India's work force combined with strong financial education can take the country to great levels. A financially savvy India would have a big influence on the world.

1.3 STATEMENT OF THE PROBLEM

The amount of knowledge absorbed by degree students, regarding digital finance is not at a rate required to introduce economic growth in the country. Early adult decisions might have long-term financial repercussions. For instance, young people today are able to accumulate debt quickly, frequently in the form of student loans or credit card debt

Compared to the world, India is lacking behind when it comes to finance. Though it has showed improvement in this sector, the true potential is yet to be reached by the Indian population. This can be felt around us, especially when we interact with our peers, family, co-workers and students

1.4 RESEARCH QUESTION

What is the level of digital financial literacy found among college students? The rate being measured, it is at a satisfactory level.

1.5 RESEARCH GAP

Through our findings we were able to find research gaps, though there were many sources of information, such sources lacked many factors. The information was not updated, and the structure of the information was always found to be disorganized. The other research gap was that, though there exists correlation btw increase in financial literacy with increase in technology and new innovations in the field of finance, there is less concrete info on the different levels of financial literacy found in people. As there are levels in understanding the concepts of finance and this understanding becomes more insightful as the financial concept get more sophisticated

There is also lack of info on how certain financial concepts like stock trading, derivatives trading and mf have affected the common Indian household.

1.6 RATIONALE FOR THE STUDY

We as students, who are pursuing BBA, have an incomplete outlook regarding the concept of finance and through this study we want to quantify our understanding about the financial concepts that are found in our everyday life.

1.7 OBJECTIVE OF THE STUDY

By having a better insight in the conceptual understanding about this topic found in students, we can draw many conclusions and suggestions which can benefit us by amending our current leaning structure and spread a more uniformed level of knowledge which can benefit not only the students, but also our country as a whole.

1.9 HYPOTHESIS

Throughout the years, the financial literacy among young people have increased, to a point where majority of people, students in specific, are able to grasp basic understanding of the financial world. There are new variables, such as emergence of many new advanced innovation in the field of finance and new jobs, source of income and products and services coming in the picture, which require a level of understanding and qualification. Though these new developments have not hindered the growth rate of digital financial literacy, it certainly has put emphasis on the quality of knowledge held by each individuals.

1.10 ORIGINALITY OF THE STUDY

Though the topic of digital financial literacy has been tackled many time and in many papers, our aim was to measure and analysis literacy rates in our area of domain, which happens to be our educational institution. We want to understand the concept of digital financial literacy, and the level of impact it has on young individuals.

CHAPTER 2

2.1 LITRATURE REVIEW

Finau et.al (2016) examined rural dwellers' perceptions of digital financial services (DFS) to identify which factors may enhance or impede their adoption. DFS are provided by mobile network operators, either individually or in collaboration with commercial banks. The study found that DFS uptake is hindered by agents' lack of liquidity and the implicit costs that agents impose on consumers. In addition, consumers tend to fully spend the funds received through mobile money, but fail to use their mobile phones for saving purposes.

Ahmed T.Al Ajlouni Monir Al-hakim (2018) in this article, it is shown how financial technology attracted overwhelming global interest from different interested parties. This paper provides theoretical work through content analysis approach, it is also devoted to participate in the literature through achieving three main goals; the first one is to focus on the basics of this distinctive phenomenon. The second goal of this paper is to provide theoretical analysis of the future prospects in facing the fin tech challenge from the traditional banks. The third goal of this paper is to answer the study question I.e. Is Financial Technology a Rival or Complementary to the traditional Banks? We suggested Containment Strategy as best choice for traditional banks to face the fin tech challenges, we see that traditional banks will contain it at the end, a supportive strategy called In House Development Strategy considered as an essential requisite to Containment Strategy. Key words: Financial Technology, Banking Industry, Peer 2 Peer, Crowd funding.

Rabab Ebrahim, Yomna Abdulla (2021) According to this article there has been an extensive boost in the use of Fin Tech in the Banking sector during the last few years. This chapter provides a comprehensive overview of the new opportunities offered by Fin Tech to the banking sector, its prospective risks, and the possible challenges to be faced in its adaptation. The authors propose that the new opportunities of Fin Tech include better digital banking experience, personalized customer services, high-level data security, cost-effective, and efficient services. On the other hand, Fin Tech results in risks such as security risk, technical risk, regulation risk, financial risk, and reputation risk. Finally, they suggest that the possible challenges of Fin Tech are a technological adaptation, risk reduction, regulations, and human capital employment.

Ghaffar & Sharif (2016) examined the level of financial literacy in Pakistan. The study revealed that the persons, who have more financial knowledge, usually save money. It was found in the study that middle-aged and older people were careful in spending their money and male respondents usually have better saving habits. Further it was also found that respondents earning high salaries agree that financial literacy do help in leading a financially secure life.

Aggarwal and Gupta (2016) identified the linkage between the gender gap in stock market participation and financial literacy while controlling for two major externalities of education level and wealth. It was found that female teachers participate less in stock market to an extent of 16.7% as compared to male. Results of corroborate the view that non-participation in stock markets was a common response to deficiencies in advanced financial literacy and lack of risk attitudes.

Totenhagen et.al (2015) has identified the key considerations and promising delivery methods which may inform positive changes in financial literacy and behaviour among youth. Study also has conducted a comprehensive review of the current literature on youth financial literacy education and identified characteristics of financial education programs which influence positive changes.

Hospido et.al (2015) has measured the impact of financial literacy training in compulsory education in Spain. Study used a matched sample of students and teachers in Madrid and two different estimation strategies. It was found in the study that students of private schools did not increase their knowledge much, possibly due to a less intensive implementation of the program. Study also analysed the bias that arises because the set of schools that participate in financial literacy programs was not random.

Arif (2015) examined the relationship between financial literacy and the influence of the factors that affect the investment decision. The data was collected from 154 respondents through modified questionnaire containing questions related to demography of the investors, factors affecting the investment decisions and financial literacy level of the individual investors at Karachi Stock Exchange. Study concluded that the financial literacy level of the investors was below average. Significant difference in financial literacy was found between the respondents regarding age, gender, work activity and marital status of the respondents.

Morris and Koffi (2015) has studied the relationship between financial literacy level of Canadian university students and their prior education on the subject. The results revealed that education on financial topics improved financial literacy level. However, the improvement was almost insignificant for courses taken at the secondary level. The results also showed that financial literacy was influenced by socio demographic variables as well.

P. Krishna Priya, K. Anusha (2018) According to this study, India is a growing market for fin tech with a population of nearly 1.3 billion. A huge percentage of unbanked and under banked population is making India an exhilarating global space for financial technologies. Fin tech is regarded as a game changer and disruptive innovation which is capable of shaking up the traditional financial markets. Fin tech has been growing rapidly in India in the last five years and is expected to grow further in the nearest future. At this outset the article

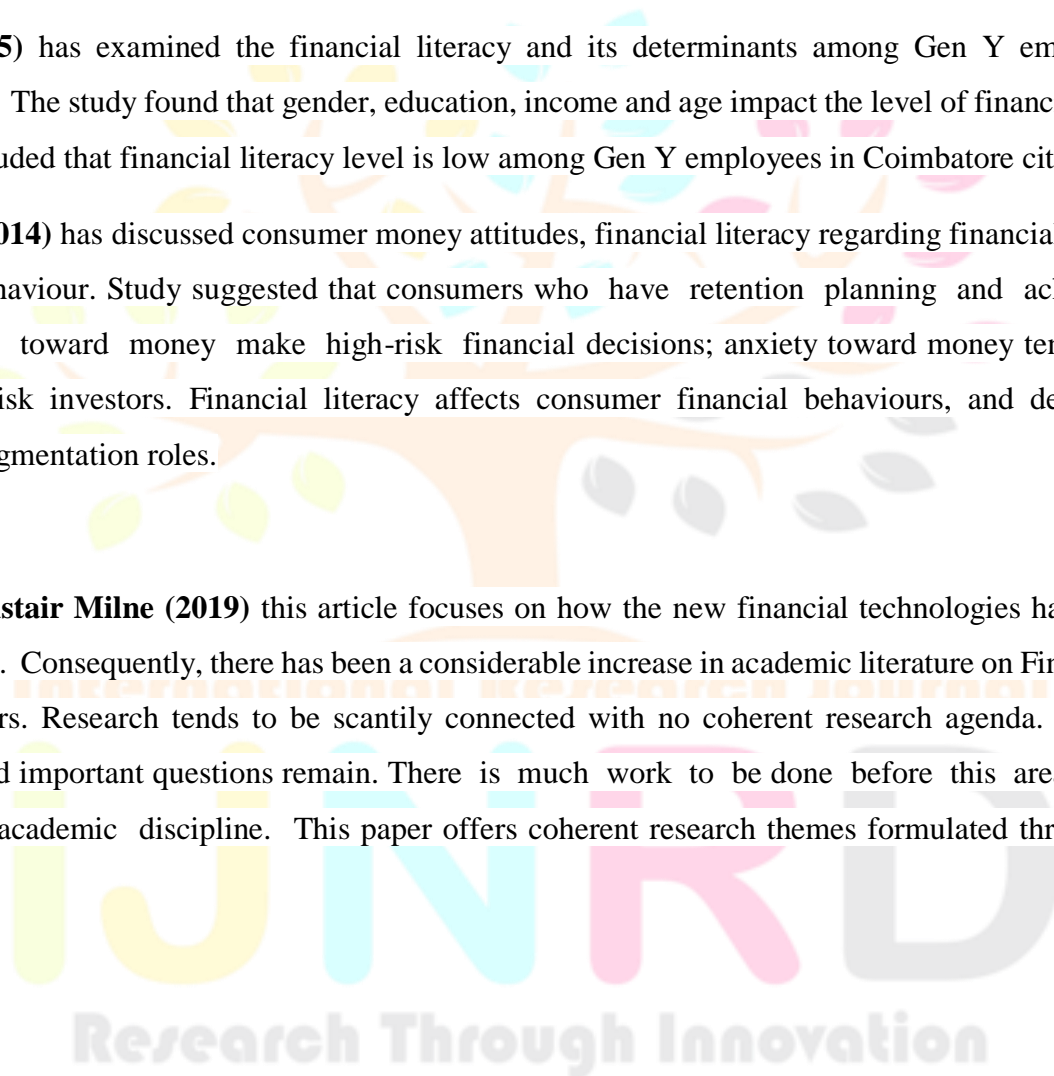
focuses on the basic types of financial technologies and their functions and also discusses the opportunities and challenges it has in the Indian business environment.

Potrich et.al (2015) has study the individual financial level through socioeconomic variables. 1400 sample were collected and data analysis was performed by using descriptive statistics and multivariate analysis techniques. Following variable were considered to measure the financial literacy; dependent family members, occupation, educational level, father's educational level, mother's educational level, individual income and family income. Results of study were indicating that men who do not have dependent family members and have higher educational and both individual income and family income levels are those who are more likely to belong to the group with high financial literacy levels.

M and M (2015) has examined the financial literacy and its determinants among Gen Y employees in Coimbatore city. The study found that gender, education, income and age impact the level of financial literacy. Study also concluded that financial literacy level is low among Gen Y employees in Coimbatore city.

Shih and Ke (2014) has discussed consumer money attitudes, financial literacy regarding financial decisions, and financial behaviour. Study suggested that consumers who have retention planning and achievement-esteem attitudes toward money make high-risk financial decisions; anxiety toward money tends to exist mainly in low-risk investors. Financial literacy affects consumer financial behaviours, and demographic variables play segmentation roles.

Anil kavuri, Alistair Milne (2019) this article focuses on how the new financial technologies have erupted around the world. Consequently, there has been a considerable increase in academic literature on Fin Tech over the last five years. Research tends to be scantily connected with no coherent research agenda. Significant research gaps and important questions remain. There is much work to be done before this area becomes an established academic discipline. This paper offers coherent research themes formulated through focus group



CHAPTER 3

3.1 RESEARCH METHODOLOGY

This chapter explains various methodologies that were used in gathering data and analysis which are relevant to this research. The methodologies generally includes areas such as the location of the study, research design, research locale, sample size, types of data, data collection method and its management.

3.2 RESEARCH DESIGN

This research employs the quantitative non-experimental design. Quantitative research design is a formal, objective driven and a systematic process in which numerical data are used to obtain information about the variables. It is used to describe and examine relationships between and among variables.

3.3 RESEARCH LOCALE

The study was conducted in urban Bangalore. It is the most densely populated district in the Indian, in the state of Karnataka and is also the only tier-1 city in the state. It has a population of more than 8 million and a metropolitan population of around 11 million, making it the third most populous city and fifth most populous urban agglomeration in India, as well as the largest city in South India, and the 27th largest city in the world.

Our study was carried out in Centre for Management Studies, Jain University, Bangalore.

3.4 SECONDARY DATA

Secondary data refers to data that is collected by another individual or group individuals than the primary user. Common sources of secondary data for social science includes online articles, censuses, information collected by government departments, organizational records and data that was originally collected for other research purposes.

Though we used Primary data for our main research, secondary data was used in many different elements of the research paper.

3.5 TOOLS FOR SAMPLE ANALYSIS

Tools used for sample analysis are Google forms, Word document, Whatsapp and Gmail.

Google Forms- It is a free online tool from Google which allows users to create forms, surveys, and quizzes as well as to collaboratively edit and share the forms with other people.

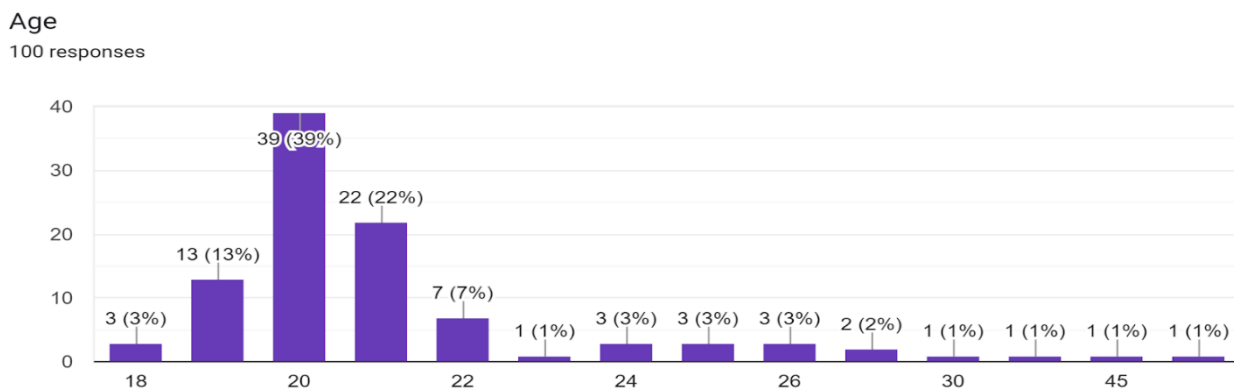
Whatsapp- It is a free mobile messaging application, massively used for international messaging and voice calls.

Words Document- It is used to create many kinds of business and person documents.

Gmail- It is an email service offered by Google.

3.6 DATA ANALYSIS AND INTERPRETATION

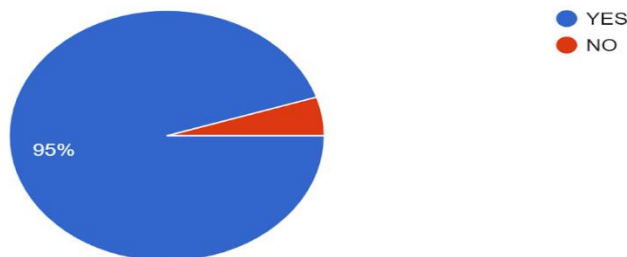
1. Age Demography



Highest of the people in the survey belong to the age of 20(39%), followed by age of 21(22%) and 19(13%). The age group of 19-21 is prominent in this survey as this was conducted in CMS Jain university.

2. Awareness of digital finance

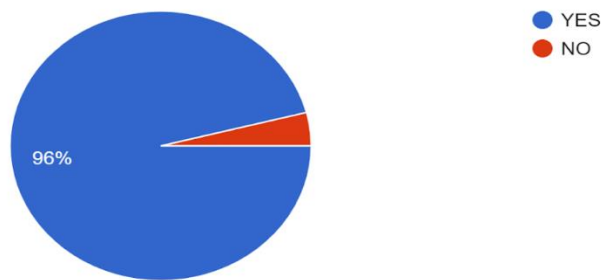
Are you aware of the term digital finance?
100 responses



Out of 100, 95% are aware of the term digital finance, while the remaining 5% are not, leading to believe that these are students of non-finance background or are not well acquainted with the term

3. Bank account holders

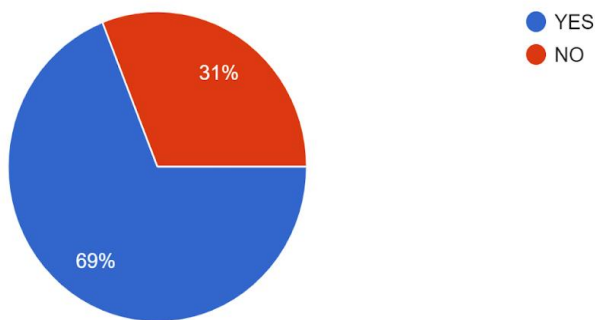
Do you have a bank account?
100 responses



Out of 100, 96% hold accounts in various banks. Pointing to the fact that the rest 4% do not have financial freedom as they might be facing restraint in terms of their parents or lack of need.

4. Money management training

Have you ever been taught how to manage money?
100 responses

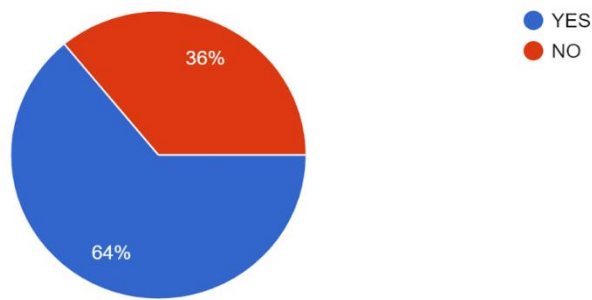


69% of the respondents have been taught about the concept of money management, while the rest 31% are clueless on this concept. This shows, even though majority of respondents own a bank account, they are not adequate enough to manage the money in their bank accounts.

5. Practicing money management

Do you follow the practice of money management?

100 responses

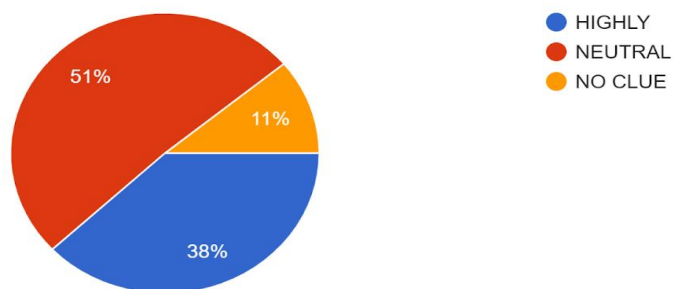


By comparing this and the previous chart, we can say that people who have learned the concept of money management are able to apply it in real life, alluding to the fact that it is uncommon to manage money among young generations.

6. Finance in digital space

How familiar are you with the concepts of finance in the digital space?

100 responses

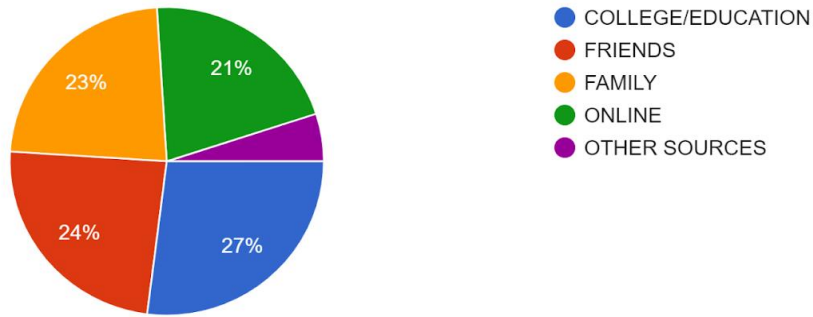


More than half of the respondents are aware of the concept of finance in the digital space, making us believe that even though many of us use online means of finance, we don't the in depth functioning of this concept.

7. Source of information

What is your source of information related to financial concepts?

100 responses

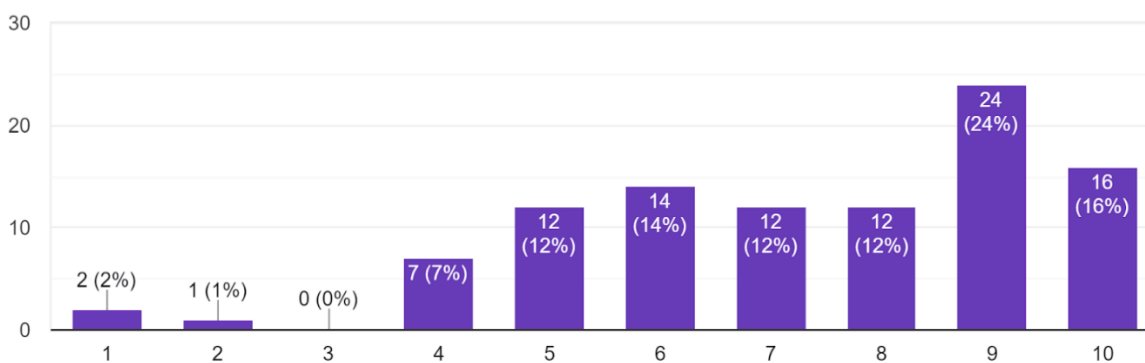


Obtaining information on financial concept from education found in college and through teachers is the most prominent source, followed by friends, family, online and other sources. This is mainly due to the fact that the respondents are BBA students, who are exposed to financial topics in the course.

8. Confidence in Indian digital banking system

How confident are you in the Indian digital banking system?

100 responses

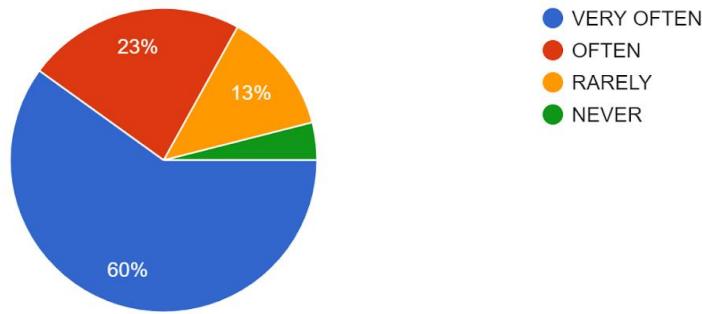


Many respondents believe that our banking system is safe, as majority of them have picked a rating of 9 out of 10, and others are above the rating of 5. We can correlate to the fact that many operate their bank accounts and hence are exposed to the mechanism of our banking system.

9. Usage of online payment system

How often do you use online payment system in your daily life?

100 responses

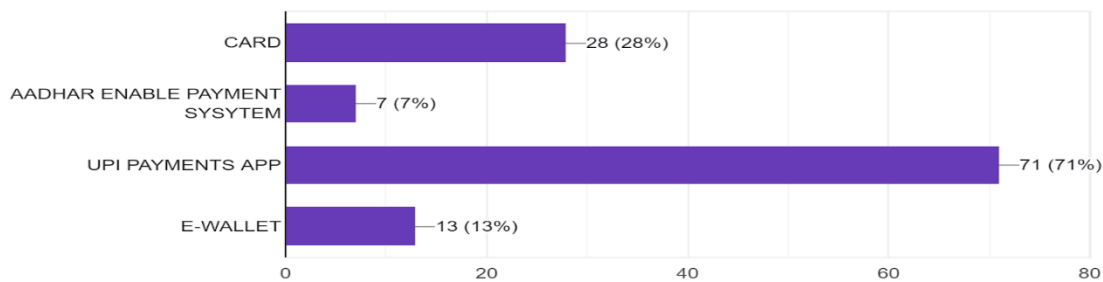


By looking at the graph, it is safe to say that online payments play a major role in everyone's life. We can also say that people without no bank account and with no financial freedom have chosen the option of RARELY and NEVER.

10. Form of online payment

Which types of Digital Financial Services do you use more often?

100 responses

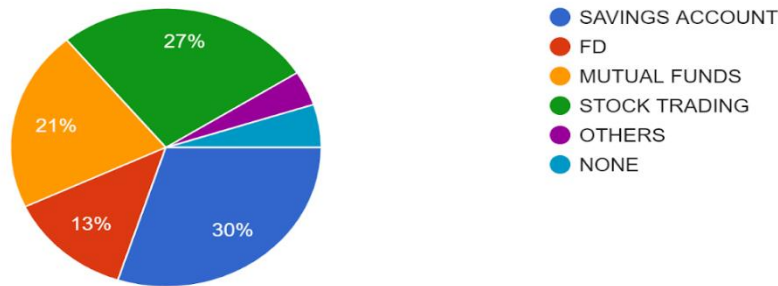


UPI payment apps ranks the highest when it comes to paying through online, while card is second and e-wallet is third. Aadhar enable payment system is the least picked one. This correlates to the increase in popularity and usage of UPI as a whole.

11. Form of investing

What is your most prominent form of investment?

100 responses

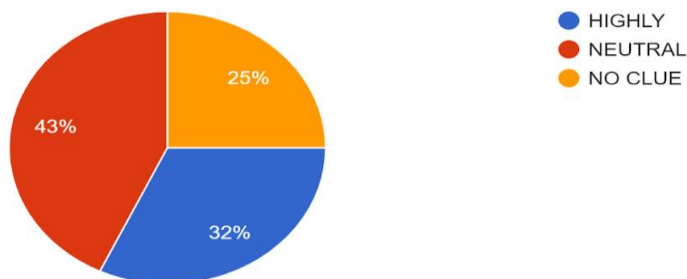


Placing money in savings account is found to be the most selected form of investment which is also the least risky form of investment. Stock trading ranks second hinting to the fact that many young people are opting to explore different forms of investment this can also be said for mutual funds. FD is also a form of investment for many respondents.

12. Stock trading

How familiar are you with the concepts of online stock trading?

100 responses

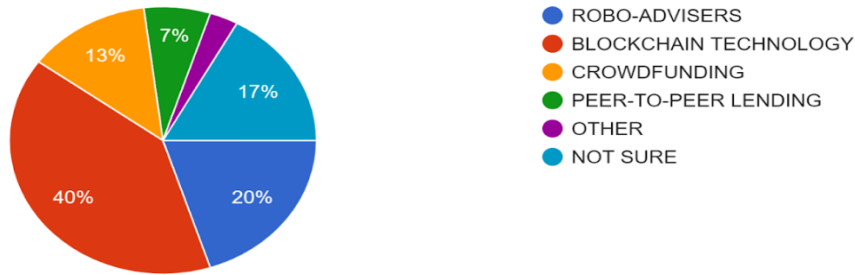


Many respondents are aware of the concept of stock trading, but comparing this with the previous graph, we can say that many don't opt to trade in stock market, even though they have a good understanding of it.

13. Upcoming trends

Which of the following technology do you see as having the greatest impact on the financial services industry in the coming years?

100 responses

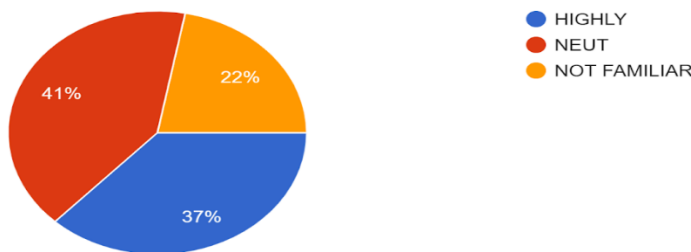


Block chain technology is the most wide spread topic when it comes to emerging innovative trends in the finance field. This may be the case as this is one of those concept which had taken the internet by storm, and internet users are over exposed to this new tech.

14. Popularity of Crypto

Cryptocurrency or Crypto is an emerging form of investing, which has garnered enough attention to be recognized as a new asset class. How familiar are you with this concept?

100 responses



Crypto currency has taken the world by storm and this is evident through this graph. Majority of the respondents have at least a vague idea about this topic and a good chunk of them do have a deeper understanding.

3.7 LIMITATION OF THE STUDY

This study has potential limitations. Carrying out the study at a university where finance is a core subject taught to students could have affected our ultimate study. Isolating the study to a particular area could paint a prettier picture regarding digital financial literacy among students. But carrying out the study in an isolated or a particular area like an institution, colleges, schools and companies can always lead to a biased or one sided point of view. Digital financial literacy can only be measured, analysed and interpreted by taking a holistic view.

CONCLUSION

Financial literacy is the ability to manage personal finance effectively, which requires knowledge and experience of making appropriate finance choices, such as savings, insurance and investing. Financial literacy rates was always seen as one of the most important indicators for the health and growth of the economy. In recent years, the Indian financial sector has seen significant innovation in the area of digitalization. India have a long way ahead, thus, the decisions taken by each individual will go on to affect them and this nation for a longer period of time, making it imperative for them to develop an understanding of the world of finance so as to avoid wrong choices, especially when it comes to money. As for the digital financial literacy rate, it has seen drastic growth, but the level of literacy needs to improve, in order to match the levels of other countries.

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