

An Analytical Study of Digital Financial Literacy

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ABSTRACT - Finance is the thing that holds all the pieces of life together. It helps in keeping the money at the place, in right time and in right projects. To save or borrow money is to move money from present to future and future to present.

The global revolution in technology, along with gradual advances in digital payment systems, is creating opportunities to connect poor to affordable and reliable financial tools through mobile phones, and other gadgets.

Digital financial inclusion (DFI) has emerged as a new technology with the hope that it will reach the last mile customer in the most convenient and affordable way. DFI is defined as digital access to and use of formal financial services by excluded and underserved populations.

A digital and cashless economy is the current mission. Digital literacy is thus, the ability to make informed judgement and take effective decisions regarding the use and management of money, in a digital mode.

This study examines the rate of digital financial literacy and how it acts as a necessary primary step towards a much enhanced financial literacy. This study also examines various demographic variables and their effects on financial and digital financial literacy and factors that affect or hinder the use of digital financial products.

Keywords: digital financial literacy, cashless economy, online and web based, mobile applications, demographic variables, financial literacy, financial inclusion.

I. INTRODUCTION

Digital skills area range of abilities to use digital devices, communication applications, and networks to access and manage information. In the present day situation Digital skills have become necessary in every ones life around the globe to drive the economy towards nation towards the cashless economy. Technology , social media and digital gadgets are influencing the people a lot towards the Digital literacy. Digital financial literacy is a necessity for financial inclusion. Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.

Digital literacy has become very important for the economic development of the nation. Traditional method of paper based is still accepted but to cope up with the global competition they have to be replaced with technology. Digital financial literacy can be studied as two different categories – at the micro level (individual level) and at the macro level (national level). A high degree of financial literacy allows the individual to access financial opportunities by digital technologies. At the macrolevel a financially literate public engages in economic activity that creates collective stability and prosperity

90% of the population are aware of bank loans, but less aware about other financial products. And overall possesses low financial skills which reflected in deficient record keeping, poor cash management, improper saving habits, less awareness on financial projects. Adequate financial literacy is necessary for a developing country like India. Because of the huge population it becomes rather a need to ensure that its citizens are educated, trained and possess the requisite skills to manage money and indulge in healthy saving habits.

II. REVIEW OF LITERATURE

Kamal Gupta et al. (2014), assessed the level of financial literacy amongst 87 micro Entrepreneurs of Kangra district of Himalaya Pradesh based on record keeping, various institutional awareness, savings, investment plans, savings management and various loan products. It is found that most of respondents are responsive of bank loans, less awareness about other financial institutions. Overall possess low financial skills which reflected in deficient record keeping, poor cash management, improper savings habits, less awareness on financial products. Research suggested that to create more awareness and financial alternatives for well-being of micro Entrepreneurs.

Puneet Bhushan et al. (2013), conducted survey of 516 salaried individuals of Himachal Pradesh using multistage

sampling to check the financial literacy level. It is found that overall literacy level is low and financial literacy level of male is more than females. Level of education, income, nature of employment and place of work influence on financial literacy whereas geographical region does not influence on financial literacy.

Harsha V Jariwala (2014) assessed the financial literacy level of individual investors in Gujarat state, India and its effect on investment decision by considering 44 variables. The research found that 39.2% of 285 respondents are higher level of financial literacy and found that financial literacy does have statistically significant effect on investment decision. Priyanka Agarwal, et al. (2015), emphasis on financial literacy importance for managing finances and investment pattern of both teaching and non-teaching female staff (20 teaching and 20 non-teaching female staff) in education sector of Jhansi District. It is found that most of working women are aware of Investment Avenue and invest their savings in bank and post office fixed deposit. Visa Financial Literacy Survey (2014), depicts Indians are least financially literate people across the globe with youngsters and women struggling most with their financial knowledge.

Ratna Achuta Paluri (2016), analysed factors influencing financial attitudes of Indian women to classify Indian women based on attitude with 9 variables: anxiety, interest in financial issues, intuitive decisions, precautionary savings, free spending, materialistic and fatalistic attitude, propensity to plan for long and short term financial goals. Study used confirmatory factor analysis to cluster the women of Nashik city.

Lavanya Rekha Bahadur (2015), analysed two pillar of the economy: financial literacy and financial inclusion and its current scenario as well as common people perspective about financial instruments. Data collected from 202 Mumbai and Thane district individuals. It is found that level of financial literacy is very low and suggested to encourage financial literacy from school level, national level programs and seep effort to the grass root level. K N Narendra (2014), discussed the role of Financial Planner in the era of overloaded information. Study suggested that the persistent and prolonged efforts by all stake holders to educate and bring down revolution in India. Sumit Agarwal et al. (2010), examined investment behaviour, liability choice, risk tolerance and insurance usage of 1,694 Hyderabad respondents who are interested in personal finance. Data for analysis provided by Investment Yogi Financial Advisory Services. Majority of respondents are financially literate they answered the numeracy, inflation and diversification questions correctly. Study found that majority of males with higher education level and aggressive investors are more literate than females and less educated.

III. NEED OF THE STUDY

Digital financial literacy becomes necessary for both that is for the individual and for the nation. From the individual point of view it is necessary for the individual to acquire advanced knowledge for enabling proper usage of digital financial product and on a national point of view, the improved technical literacy can contribute to upliftment of the GDP. Digital financial literacy can act as a means to overcome the national divide between the rich and the poor, gender bias.

IV. OBJECTIVES OF THE STUDY

To study the rate of digital literacy and how it acts as a necessity for financial literacy and inclusion.

To understand different factors that affect/hinder active use of digital financial facilities.

1. To analyse the relation between different demographic factors and financial and digital financial literacy
2. To suggest ways to improve financial and digital financial literacy and thereby financial inclusion.

V. RESEARCH METHODOLOGY

It is an empirical study which is based on survey method. Primary data was collected using a structured questionnaire. The questionnaire was distributed among the 200 people in the family and friends through WhatsApp and other social media but the responses were received from only 170 people out of that there was an ambiguity in nearly 15 responses. So study was conducted with 150 responses.

RESEARCH DESIGN:

The research design is an arrangement of how data is collected and analysed. It is a conceptual structure. The research design is descriptive in nature.

SAMPLING TECHNIQUE: The sampling technique used to get the response is convenience sampling because of their convenient accessibility and proximity to the researcher.

SAMPLE SIZE: The sample size is taken as 150 respondents.

SOURCES OF DATA:

PRIMARY DATA: The primary data for this study is collected through a structured questionnaire.

SECONDARY DATA: Secondary data are those data which have been already collected or published for the purpose other than specific research need at hand. The secondary information is collected from:

Journals

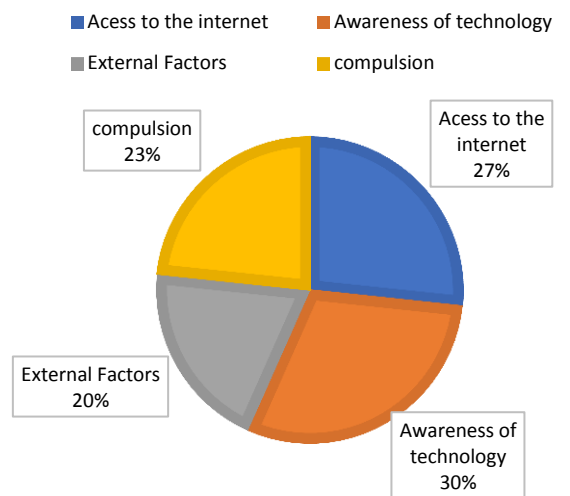
Magazines

Websites

s no	Particulars	Category	No of respondents
1	Gender	Male	60
		Female	90
2	Age	Below 20 Years	33
		20-30	27
		30-40	38
		40-50	38
		above 50 Years	14
3	Income	Below 20,000	23
		20,000-30,000	42
		30,000-40,000	35
		40,000-50,000	26
		Above 50,000	24
4	Education	Higher schooling	24
		Graduation	89
		post graduation	37
6	How do you check your bank Transaction status	By updating pass book	23
		By Mail sent by bank	42
		By text message received from the bank	35
		Mini statement from ATM	10
		Phone banking / phone app	40
7	Factors driving the respondents to use the digital financial facilities	Access to the internet	40
		Awareness of technology	45
		External Factors	30
		compulsion	35
8	Knowledge on Plastic money	Yes	120
		No	30

- The respondents belong to the age group between 20 years and 50 years.
- The respondents from the Monthly income group of Rs 20,000 and above Rs 50,000. Maximum of 42 respondents are from the income range of Rs 20,000 – Rs 30,000
- Respondents are with varied educational background like higher schooling , graduation and post-graduation.
- Maximum respondents ie 90 people have the knowledge about the plastic money.

Factors driving the respondents to use the digital financial facilities



In the above chart factors driving the respondents to use the digital financial facilities are shown . Maximum of 30% of the respondents confirms that they use the digital facilities as they have the good knowledge about the technolog

Objective1: Gender and the method of checking the bank balance

Null Hypothesis: There is no significant association between gender and the method of checking the bank transaction status

Alternative Hypothesis: There is significant association between gender and the method of checking the bank transaction status

Mode	Male	Female	No of respondents
By updating pass book	9	14	23
By Mail sent by bank	17	25	42
By text message received from the bank	14	21	35
Mini statement from ATM	4	6	10
Phone banking / phone app	16	24	40
Total	60	90	150

Data Analysis and interpretation:

- Of 150 respondents, 60are male and 90 are female respondents.

Chi-square test is used to know the association of the above. The calculated value of the above table is 5.28 and the table value with a degree of freedom of 4 and at a significant level of 5% is 9.48 . As the calculated value is less than the table value the null hypothesis is accepted. That is there is no significant association between the gender and the method used by the respondents to check the bank transaction status.

Objective 2: Income and the method of checking the bank balance

Null Hypothesis: There is no significant association between Income and the method of checking the bank transaction status

Alternative Hypothesis: There is significant association between Income and the method of checking the bank transaction status

Mode	Below 20,000	20,000-30,000	30,000-40,000	40,000-50,000	Above 50,000	Total
By updating pass book	4	6	5	4	4	23
By Mail sent by bank	6	12	10	7	7	42
By text message received from the bank	5	10	8	6	6	35
Mini statement from ATM	2	3	2	2	2	10
Phone banking / phone app	6	11	9	7	6	40
Total	23	42	35	26	24	150

Chi-square test is used to know the association of the above. The calculated value of the above table is 0.98 and the table value with a degree of freedom of 16 and at a significant level of 5%. As the calculated value is less than the table value the null hypothesis is accepted. That is there is no significant association between the Income and the method used by the respondents to check the bank transaction status.

Objective 3: gender and the Knowledge of plastic money

Null Hypothesis: There is no significant association between gender and the Knowledge of plastic money

Alternative Hypothesis: There is significant association between gender and the Knowledge of plastic money

Gender	Knowledge of Plastic Money		
	Yes	No	Total
Male	48	12	60
Female	72	18	90
Total	120	30	150

Chi-square test is used to know the association of the above. The calculated value of the above table is 0.404 and the table value with a degree of freedom of 1 and at a significant level of 5% is 3.48. As the calculated value is less than the table value the null hypothesis is accepted. That is there is no significant association between the gender and the knowledge of the plastic money.

Objective 4: Age and the Knowledge of plastic money

Null Hypothesis: There is no significant association between age and the Knowledge of plastic money

Alternative Hypothesis: There is significant association between age and the Knowledge of plastic money

Age (years)	Knowledge of Plastic Money		
	Yes	No	Total
below 20	26	7	33
20-30	22	5	27
30-40	30	8	38
40-50	30	8	38
Above 50	11	3	14
Total	120	30	150

Chi-square test is used to know the association of the above. The calculated value of the above table is 0.188 and the table value with a degree of freedom of 4 and at a significant level of 5% is 9.48. As the calculated value is less than the table value the null hypothesis is accepted. That is there is no significant association between the age of the respondents and the knowledge of the plastic money.

Objective 5: Income and the Knowledge of plastic money

Null Hypothesis: There is no significant association between Income and the Knowledge of plastic money

Alternative Hypothesis: There is significant association between Income and the Knowledge of plastic money

Income (Rs)	Knowledge of Plastic Money		
	Yes	No	Total
below 20,000	18	5	23
20000-30000	34	8	42
30000-40000	28	7	35
40000-50000	21	5	26
Above 50000	19	5	24
Total	120	30	150

Chi-square test is used to know the association of the above. The calculated value of the above table is 0.873 and the table value with a degree of freedom of 4 and at a significant level of 5% is 9.48. As the calculated value is less than the table value the null hypothesis is accepted. That is there is no significant association between the income of the respondents and the knowledge of the plastic money.

Objective 6: Education and the Knowledge of plastic money

Null Hypothesis: There is no significant association between education and the Knowledge of plastic money

Alternative Hypothesis: There is significant association between Education and the Knowledge of plastic money

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Education	Knowledge of Plastic Money		
	Yes	No	Total
Higher schooling	19	5	24
Graduation	71	18	89
Post Graduation	30	7	37
	120	30	150

Chi-square test is used to know the association of the above. The calculated value of the above table is 0.85 and the table value with a degree of freedom of 2 and at a significant level of 5% is 5.99. As the calculated value is less than the table value the null hypothesis is accepted. That is there is no significant association between the income of the respondents and the knowledge of the plastic money

VI. FINDINGS AND CONCLUSION

Awareness in case of plastic money is in relation with age and area of residence as the young are more aware of the possibilities of plastic money and awareness regarding mobile application is in relation with gender and age of respondents, as male population generally are more technically advanced in the digital world

More organised classes and sessions or workshops can be arranged to help spread digital awareness, especially among women, who are believed to educate the entire family.

Majority of the respondents resort to receiving text messages from their banks to understand their bank balance.

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