

---

# A Study on Digital Financial Literacy: A precedent for better Financial Literacy and Financial Inclusion with specific reference to north coastal Andhrapradesh.

Mr. Ashok Botta\*, & Dr. Chintala Balaji\*\*

\*Research Scholar, Department of MBA, Koneru Lakshmaiah Education Foundation, Vaddeswaram, AP, India.

\*\*Research Supervisor, Department of MBA, Koneru Lakshmaiah Education Foundation, Vaddeswaram, AP, India.

## ABSTRACT

India's current demand is for digital financial literacy. Since the beginning of demonetisation, there has been an increasing awareness in this area. In an age where computers talk, receive commands, move, and do practically everything that was formerly the realm of a living human person, it is critical that our country take cautious steps towards this purpose. The present objective is to create a digital and cashless economy. Thus, digital literacy is defined as the capacity to make educated judgements and make effective decisions about the usage and management of money in a digital format. There has been a tremendous increase in internet traffic and use of web-based and mobile application-based portals--both financial and otherwise--but this is restricted to metropolitan areas. This study also investigates several demographic characteristics and their implications on financial and digital financial literacy, as well as factors that influence or obstruct the usage of digital financial products. For the purposes of this study, a convenience sampling approach was used to acquire a sample of respondents. The study employed the random sampling approach. The findings suggest that external forces such as demonetisation have an impact on digital financial literacy, and that governments and fintech companies must take deliberate steps to encourage people to use digital facilities and explain the added benefits of ensuring user-friendly technology and providing rewards.

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

## INTRODUCTION

As of now, social media, technology, and online resources have huge effect, and digital literacy is gaining popularity as a source of lifelong learning and skill development. Digital skills are required in light of the current global digital revolution, making it critical to enable inhabitants of the country to transition to a cashless economy and join the revolution. Financial literacy is required for financial inclusion, and what better method to accelerate the process of financial literacy than digital financial literacy.

Paper-based brick and mortar institutions are still largely accepted, but it is only a matter of time before they are supplanted by financial technology or digitalization. At the individual level, a high level of financial literacy allows the consumer to access financial opportunities through digital technologies; at the national level, a financially literate public engages in economic activity that creates collective stability and prosperity. As a result, digital literacy becomes critical.

Most people are aware of bank loans, but they are less knowledgeable of other financial items. And has inadequate financial abilities, as seen by bad record keeping, poor cash management, poor saving habits, and a lack of information of financial initiatives (Kamal Gupta 2014). A growing country like India requires proper financial literacy. With her population size, it is more of a survival requirement to guarantee that her folks are educated, taught, and have the necessary abilities to handle money and engage in good saving habits.

According to the Visa financial literacy study (2014), Indians are the least financially educated population in the world, with young people and women suffering with their financial understanding. Gender prejudice, economic bias, and so forth. split and demarcate the country into two extreme poles; it is past time to bring this split to an end. remote locations, where a lack of digital literacy presents a number of practical and social development challenges. One of the most serious drawbacks is that India still suffers from absurd colonial elitism, making it difficult for the average man to follow. Another significant issue that makes penetration difficult is the generation difference. Another aspect to consider was digital patriarchy. The prevalent gender prejudice in rural society, which holds women back from using the digital finance.

## REVIEW OF LITERATURE

- **IBSA (2020)** found that the stakeholder focus on digital literacy can lead to improved digital literacy among the population which will benefit the population citizens in using the various front.
- **The Findex data (2017):** Financial inclusion is on the rise globally. The 2017 Global Findex database shows that 1.2 billion adults have obtained an account since 2011, including 515 million since 2014. Between 2014 and 2017, the share of adults who have an account with a financial institution or through a mobile money service rose globally from 62 percent to 69 percent. In developing economies, the share rose from 54 percent to 63 percent. Yet, women in developing economies remain 9 percentage points less likely than men to have a bank account.
- **Harsh and Wright (2016)** found safety and reliability issues, privacy issues and weak or poor authentication process as other three challenges of DFS.
- **(Mattern and McKay, 2018)** Financial services for the underprivileged have experienced a transformation over the last decade. The developments in technology have resulted in the evolution of new business models and the potential to make DFS at the heart of financial transformation in future.
- **(David-West et al., 2018)** DFS constitutes of a wide variety of advanced technologies such as mobile phone enabled solutions and structured electronic payment platforms.
- **(AFI Global, 2016)** In other words, DFS are a vast range of services that are retrieved and delivered using digital channels such as credits, payments, savings, insurance etc. These range of services are enabled by devices such as electronic cards, chips, tablets, phablets, biometric devices and any other electronic system.

## NEED OF THE STUDY

Though brick and mortar institutions continue to play a vital part in today's world, the shift in global technology has made it imperative for the country to improve its competitive advantage. Digital financial literacy is becoming increasingly important from the standpoints of both the individual and national economies. Individually, it necessitates the acquisition of advanced knowledge for the effective use of digital financial products, and on a national level, enhanced technological literacy can contribute to an increase in GDP and efficiency. Digital financial literacy may serve as a large leap frog in bridging the rich-poor divide, gender prejudice, and age gap.

## OBJECTIVES OF THE STUDY

### PRIMARY OBJECTIVE:

To investigate the prevalence of digital literacy and how it contributes to financial literacy and inclusion.

### SECONDARY OBJECTIVES:

- To comprehend the many elements that influence/hinder active usage of digital financial services.
- To investigate the relationship between various demographic characteristics and financial and digital financial literacy.
- To make recommendations on how to promote financial and digital financial literacy, and hence financial inclusion.

## RESEARCH METHODOLOGY:

It is an empirical research that use the survey approach. A structured questionnaire with two sections was used to collect primary data from 232 respondents, with part A asking about the respondents' demographic information and part B questioning about their awareness of various financial products. The collected data was examined using:

### 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 taken is 232 respondents.

## SOURCES OF DATA:

**PRIMARY DATA:** A systematic questionnaire is used to obtain primary data for this investigation.

Secondary data are those that have already been gathered or published for a reason other than the specific research requirement at hand. Secondary data is gathered from the following sources:

- Journals
- Magazine
- Websites

## DATA ANALYSIS:

Percentage analysis method

Ordinal mean test

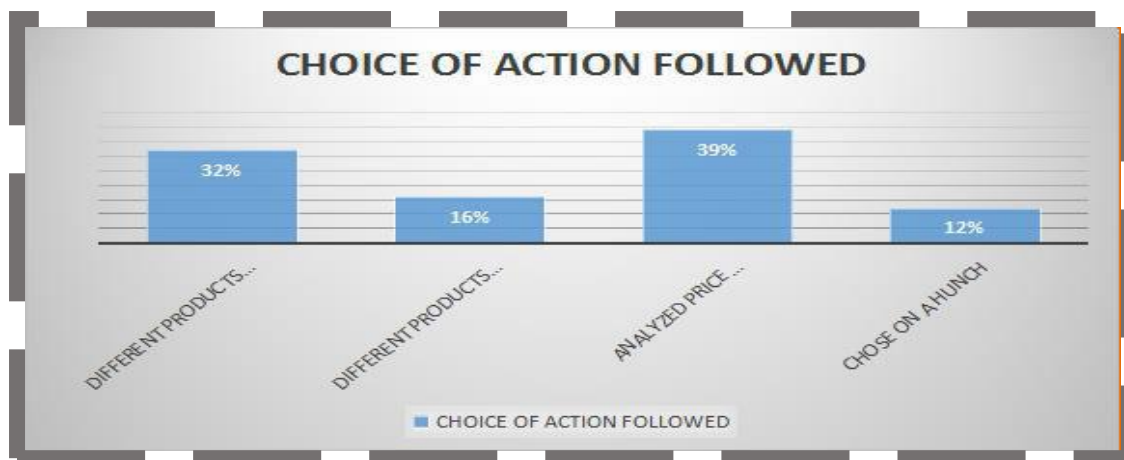
SPSS (chi-square, multiple responses variance)

## ANALYSIS AND INTERPRETATION

**TABLE 1:** CHOICE OF ACTION BY RESPONDENTS BEFORE CONSIDERING INVESTMENT OPTIONS.

STATEMENT	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS
Considered different financial products of different firms	83	35
Considered products of one firm	46	21
Analysed price movement of products and its risks	63	27
did not consider any other products and chose on a hunch	40	17
TOTAL	232	100

**FIGURE:** CHOICE OF ACTION BY RESPONDENTS BEFORE CONSIDERING INVESTMENT OPTIONS.



Source: Primary Data

**INTERPRETATION:**

The above table and figure show that the majority (39%) of respondents assure to examine market price fluctuations and the associated risk of several avenues of investment before making an investment, while a tiny percentage of respondents indicate they chose on a hunch.

**TABLE 2 :** MEDIA MOST USED TO CHECK BANK BALANCE AND CURRENT STATUS OF INVESTMENTS

MEDIA	NO. OF RESPONDENTS	PERCENTAGE OF RESPONDENTS

Check mail	36	15
Receive text message from bank	83	36
Ask for statement at the bank branch	18	8
Undertake telephone banking	13	6
Print slip at the ATM	20	8
Check mobile banking app	62	27
TOTAL	232	100

Source: Primary data

### **INTERPRETATION:**

According to the above table and figure, a large number of the respondents, 36%, rely on text messages from their bank, while just 27% utilise mobile banking applications. An even smaller proportion checks their mail.

**TABLE 3:** TO DETERMINE RESPONDENTS' PERFORMANCE IN FINANCIAL LITERACY QUIZ

QUESTION	NO. OF CORRECT ANSWERS	NO. OF WRONG ANSWERS	% OF CORRECT ANSWER
Suppose an amount of INR1000 is put in a saving bank account at an interest rate of 12%, what will be the amount at the end of the year.	98	88	58
Suppose an amount of INR1000 is put into a saving bank account at the rate of 10% compound interest, what will be the amount at the end of the 5 <sup>th</sup> year?	68	36	86
If interest rate is 6% and inflation rate at 8%, money in your account at the end of the year could fetch	119	26	48
Is it less likely to lose all your money if you invest them in different avenues?	73	68	56
True or false statement regarding bad loan payment and credibility	186	56	70

To find out the false statement with relation to UPI	152	78	26
What are some facilities provided by internet banking	117	165	95

Source: Primary Data

**INTERPRETATION:**

According to the above table, the respondents' literacy level in various elements of finance is somewhat above average, at 56% on the basis of the average of correct responses. The bulk of the answers to questions on basic interest rates, risk diversification, and loan payment are correct. However, the majority of respondents provided incorrect responses about compound interest rate, inflation rate, UPI, and banking facilities. It is possible to conclude that the majority of respondents are aware of fundamental financial facts but are unaware of technical financial elements or online banking.

**TABLE 4:** Provisions or requirements that encourage respondents to use digital financial services more frequently.

PARTICULARS	NO. OF RESPONDENTS	PERCENTAGE
Increased digital awareness	36	15
Organised classes or sessions by government or institutions	83	36
Bonus points, gifts or rewards on use or transactions through electronic media	48	21
Unhindered access and reasonable internet charges	33	14
External forces such as demonetisation	32	14
TOTAL	232	100

Source: Primary Data

**INTERPRETATION:**

According to the above table and figure, the majority of respondents (36%) believe that the most important motivator of digitization is increased awareness, followed by the provision of extra points, gifts, or awards for digital transactions.

**TABLE 5-8:** RATE FACTORS THAT INCENTIVE THE USE OF INTERNET OR MOBILE BANKING AND ONLINE TRANSACTIONS (1 BEING THE HIGHEST RANK AND 3 BEING THE LOWEST)

**CONVENIENCE**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid NOT SELECTED	87	37.5	<b>37.5</b>	37.5
SELECTED	145	62.5	<b>62.5</b>	62.5
Total	232	100.0	100.0	

	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	NOT SELECTED	62	26.72	26.72	26.72
	SELECTED	170	73.28	73.28	73.28
	Total	232	100.0	73.28	

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NOT SELECTED	89	38.36	38.36
	SLECTED	143	61.64	61.64
	Total	232	100.0	100.0

**\$FACTORS Frequencies**

\$FACTORS <sup>a</sup>	Responses		Percent of Cases
	N	Percent	
CONVENIENCE	115	39.9%	78.6%
SPEED	110	38.19%	81.8%
LOW SERVICE CHARGE	63	21.87%	58.5%
Total	288	100.0%	218.9%

a. Dichotomy group tabulated at value 1.

**INTERPRATATION:**

According to the preceding data, the majority of respondents choose online banking and mobile banking applications due to their speed, followed by their ease of use. The least crucial of the three variables is a low service charge.

**TABLE 9-12:** RATES THAT PREVENT THE USE OF INTERNET OR MOBILE BANKING AND ONLINE TRANSACTIONS

security breaches



	Frequency	Percent	Valid Percent	Cumulative Percent
Valid NOT SELECTED	89	38.36	38.36	38.36
SELECTED	143	61.63	61.63	100.0
Total	232	100.0	100.0	

**Technical knowledge**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid NOT SELECTED	66	28.45	28.45	28.45
SELECTED	166	71.55	71.55	100.0
Total	232	100.0	100.0	

**Additional online charges**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid NOT SELECTED	117	50.43	50.43	50.43
SELECTED	115	49.57	49.57	100.0
Total	232	100.0	100.0	

**\$FACTORS Frequencies**

	Responses		Percent of Cases
	N	Percent	
\$FACTORS <sup>a</sup> security breaches	75	25.25%	68.6%
tech. knowledge	140	47.13%	51.8%
add charges	82	27.61%	78.5%
Total	297	100.0%	198.9%

a. Dichotomy group tabulated at value 1.

**INTERPRETATION:**

According to the above tables, the majority of respondents are concerned about security breaches and phishing, which causes them to avoid internet and mobile banking or online transactions, followed by additional online costs and finally technical expertise about the internet.

**TABLE 13-15: AWARENESS OF TAX SHELTERED INVESTMENT PLANS**

H<sub>0</sub>: There is no relationship between gender and awareness of tax sheltered investment schemes

H<sub>1</sub>: There is relationship between gender and awareness of tax sheltered investment schemes.

GENDER		C.V.	DOF	P Value	Significant status
Male	168	0.483	1	0.345	N.S*
Female	64				

\*Not Significant

**INTERPRETATION:**

Significance level=0.05

Since P value (0.345) is less than  $\alpha$  value (0.05), so result is statistically significant.

Hence, we fail to reject null hypothesis. Therefore we conclude that there is no relationship between gender and awareness of tax sheltered investment schemes.

H<sub>0</sub>: There is no relationship between education and awareness of tax sheltered investment schemes.

H<sub>1</sub>: There is relationship between education and awareness of tax sheltered investment schemes.

EDUCATION		C.V.	DOF	P Value	Sig. status
primary	38				
secondary	24				

Technical/vocational	39	38.936	3	0.135	Sig
UG	78				
PG	53				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.135) is less than  $\alpha$  value (0.05), so result is statistically significant.

Hence, we reject null hypothesis. Therefore we conclude that there is relationship between education and awareness of tax sheltered investment schemes.

H<sub>0</sub>: There is no relationship between income and awareness of tax sheltered investment schemes.

H<sub>1</sub>: There is relationship between income and awareness of tax sheltered investment schemes

INCOME		C.V.	DOF	P Value	Sig. status
- 25000	88	28.665	6	0.314	Sig.
25000-50000	59				
50000-75000	45				
75000-100000	32				
100000 & above	8				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.314) is less than  $\alpha$  value (0.05), so result is statistically significant.

Hence, we reject null hypothesis. Therefore we conclude that there is relationship between income and awareness of tax sheltered investment schemes.

**TABLE 16-24: COMFORT WITH CAPITAL MARKET INSTRUMENTS**

H<sub>0</sub>: There is no relationship between age and awareness of capital market instruments.

H<sub>1</sub>: There is relationship between age and awareness of capital market instruments.

AGE		C.V.	DOF	P Value	Sig, status
18-28	68	19.175	4	0.235	Sig.
29-39	87				
40-60	48				
60 & above	29				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.235) is less than  $\alpha$  value (0.05), so result is statistically significant.

Hence, we reject null hypothesis. Therefore we conclude that there is relationship between age and awareness of capital market instruments.

H<sub>0</sub>: There is no relationship between income and awareness of capital market instruments.

H<sub>1</sub>: There is relationship between income and awareness of capital market instruments.

INCOME		C.V.	DOF	P Value	Sig. status
- 25000	88	16.237	4	0.167	N.S.
25000-50000	59				
50000-75000	45				
75000-100000	32				
100000 & above	8				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.167) is more than  $\alpha$  value (0.05), so result is statistically not significant.

Hence, we fail to reject null hypothesis. Therefore we conclude that there is no relationship between income and awareness of capital market instruments.

H<sub>0</sub>: There is no relationship between income and awareness of capital market instruments.

H<sub>1</sub>: There is relationship between income and awareness of capital market instruments

EDUCATION		C.V.	DOF	P Value	Sig. status
primary	38	28.143	4	0.126	Sig.
secondary	24				
Technical/vocational	39				
UG	78				
PG	53				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.126) is less than  $\alpha$  value (0.05), so result is statistically significant.

Hence, we reject null hypothesis. Therefore we conclude that there is relationship between education level and awareness of capital market instruments.

**TABLE NO 4.36-4.37: AWARENESS REGARDING PLASTIC MONEY**

H<sub>0</sub>: There is no relationship between age and awareness of plastic money.

H<sub>1</sub>: There is relationship between age and awareness of plastic money.

AGE		C.V.	DOF	P Value	Sig. status
18-28	68	26.191	4	0.265	Sig.
29-39	87				
40-60	48				
60 & above	29				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.265) is less than  $\alpha$  value (0.05), so result is statistically significant.

Hence, we reject null hypothesis. Therefore we conclude that there is relationship between age and awareness of plastic money.

H<sub>0</sub>: There is no relationship between area of residence and awareness of plastic money

H<sub>1</sub>: There is relationship between area of residence and awareness of plastic money.

AREA		C.V.	DOF	P Value	Sig. status
Rural	168	12.695	1	0.024	Sig.
Urban	64				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.024) is more than  $\alpha$  value (0.05), so result is statistically not significant.

Hence, we fail to reject null hypothesis. Therefore we conclude that there is no relationship between area of residence and awareness of plastic money

**TABLE NO. 4.38-39: AWARENESS REGARDING MOBILE APPS AND WEBSITES**

H<sub>0</sub>: There is no relationship between gender and awareness of mobile applications and websites.

H<sub>1</sub>: There is relationship between gender and awareness of mobile applications and websites.

GENDER		C.V.	DOF	P Value	Sig. status
Male	168	9.895	1	0.124	Sig.
Female	64				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.124) is less than  $\alpha$  value (0.05), so result is statistically significant.

Hence, we reject null hypothesis. Therefore we conclude that there is relationship between income and awareness of capital market instruments

H<sub>0</sub>: There is no relationship between age and awareness of plastic money

H<sub>1</sub>: There is relationship between age and awareness of plastic money.

AGE		C.V.	DOF	P Value	Sig, status
18-28	68	19.185	4	0.325	Sig.
29-39	87				
40-60	48				
60 & above	29				

**INTERPRETATION:**

Significance level=0.05

Since P value (0.325) is less than  $\alpha$  value (0.05), so result is statistically significant.

Hence, we reject null hypothesis. Therefore we conclude that there is relationship between income and awareness of capital market instrument

**FINDINGS:**

According to the report, the majority of respondents examine market price fluctuations and risk variables before making an investment choice. While just a tiny percentage, 32%, claim they chose their investing options on a whim.

- The vast majority of respondents (almost 36% of all respondents) rely on text messages from their banks to understand their bank balance. Only about 16% rely on mobile banking applications, with the remainder relying on ATM slips to obtain information on banking balances and the current state of investments. Telephone banking is the least favoured method of banking..

The exam revealed that the majority of responders had the fundamental financial literacy that is required. However, the majority of respondents gave inaccurate responses to questions about compounding interest, the consequences of inflation, the UPI, and online banking services. This demonstrates that most respondents are aware of the basic financial issues but lack understanding in banking, economic, and digital domains at a significantly greater degree.

Speed is the most appealing quality of online and mobile banking among the three primary considerations. Convenience is closely related to the second factor that motivates respondents to adopt digital. Low charges were last, although only slightly higher than average (68%).

Respondents cite security breaches, data theft, and phishing as the leading detractor of internet or mobile banking. The necessity for technical skills necessary to manage data and transactions online, as well as the excessive use of technical jargon, are the two most significant de-promoters. It is difficult for a layperson to comprehend.

This study sheds light on the link between the respondents' various demographic variables and their awareness of financial investing outlets and facilitators. It is understandable that age, education level acquired, and income level influence awareness of tax saving instruments. But not in terms of gender. Awareness of tax-saving investing strategies grows with age, education level, and income bracket.

Plastic money awareness is related to age and area of residence, as the young and tech-savvy sections are more aware of the possibilities of plastic money, and mobile application awareness is related to gender and age of respondents, as male populations are generally more technically advanced in the digital world.

### **SUGGESTIONS:**

- More planned seminars, sessions, or workshops can be conducted to aid in the spread of digital knowledge, particularly among women, who are thought to educate the entire family. This may also be used to empower and assist women.
- According to the study, additional points, gifts, and incentives on transactions might be a wonderful motivator. This strategy may be used on a broader scale to persuade the public to embrace digitalization.
- Government and non-governmental organisations also play important roles in ushering in the digital economy. People have a strong need to keep up with the newest market trends, including technological advances.

### **CONCLUSION:**

Financial inclusion necessitates financial literacy. In an era where technology advances on a daily basis, digital financial literacy is even more important. The weaker elements of society, or those who are technically impaired, continue to utilise traditional banking systems and are hesitant to shift. This barrier



can only be overcome by well-planned courses and classes. Instead of expecting people to gradually adopt technology, the government and fin-tech organisations might take steps to bring technology to them.

The fear of mistrust of digital solutions and payment systems is part of the culture of the older generation, who believe that 'fintech is not for them, but for the young and tech aware,' therefore missing out on technology that may provide them with better ease.

Proper consumer education is an essential component in convincing target groups and the mainly unbanked segment of society of the benefits of digital payments and gaining their broad adoption. Digital banking is not a solution for all evils in women's financial inclusion. Encouraging women to participate in the digital world and offering training on many areas will help bring women closer to technology, particularly in rural India.