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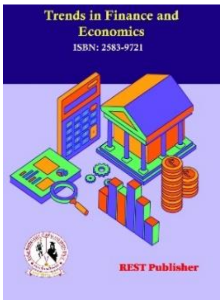


# Exploring the Impact of Demographic Variable on Digital Financial Literacy

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***Abstract:*** *Digitalization is one of the main features of this modern ear, and it has also revolutionized the Financial Industry, which results the formation of Fintech Companies (FC). Nowadays, reliance on the digital transactions is increasing very rapidly however, with increasing digitalization along with the convenience and easiness online frauds (OF) are also escalating and to mitigate the associated risk there is need of comprehensive understanding of different options for financing and investment activities along with the potential Online Fraud (OF) and scams, Data protection and safe online practices. The purpose of this study is to analyze the awareness level of an individual about the available Digital Products (DP) and understanding level of them, of the associated risk with these Digital Products (DP). The study will revolve around the need of Digital Financial Literacy (DFL) and educational resources regarding the use of digital financing tools which is essential for safely and securely managing financial activities.*

***Keywords:*** *Digital financial literacy, Digitalization, Online fraud, Digital product, Financial literacy, Fintech company*

## 1. INTRODUCTION

Today's era is all about the digitalization and use of technology for the purpose of convince and finance and financially word are not left out by its impact. Digitalization has completely revolutionaries the finance industry, which had created the basis for formation of the fintech companies. Uses of latest technology in the finance word are increasing rapidly all over the world and it providing the scope of effective management and growth in terms of finances. There are a lot of Digital Financial Products available in the market now days along with the a lot of Digital Financial Services, But along with it the digital fraud are also increasing at large scale and putting the large question mark over the reliability and trustworthiness of these digital financial products and digital financial services. The solution to these issues lies in the financial literacy along with the Digital Financial Literacy. Finance is the blood of any activity and it is need by all; Individual, Institution, Organization, or any Industry. A proper management of finance can play a crucial role in the growth and success of any venture and for managing the finance effectively there is need have to be aware and educated about the money and finance facts. Financially literacy is a very important aspect of the today's changing word and it can decide the future path of any venture. The simple meaning of financial literacy is the capability of understanding, analyzing, interpreting and using financial matters for daily life. It is the knowledge of individuals to read, analyze and use about financial matters that affect the life of every day. Financial literacy is closely connected to an individual's emotional, personal, social, economic, and employment success. It is the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing.

Financial literacy is characterized by an individual's capacity to understand and implement financial concepts, as outlined by Servon and Kaestner (2008). Basically, Financial literacy is related with the understanding and comprehend the financial knowledge firstly, and then secondly having the skills to implement that knowledge for managing the finance efficiently and effectively. Financial literacy is a type of human resource that includes using information to make sound financial decisions. It is also defined as ―possessing the skills and knowledge required to confidently take effective action that best meets an individual's personal, family, and global community goals. The author D. L. Remund(2010) has stated that the definition of financial literacy has five

elements, knowledge of financial concepts, ability to communicate about financial concepts, aptitude in managing personal finances, skill in making appropriate financial decisions and confidence in planning effectively for future financial needs.
Digital Financial Literacy is the new emerging concept; it gets popularized because of the digitalization. If we talk about the digital literacy it's simply means the ability to comprehend, read and navigate the digital content and includes the competence and knowledge to access and use digital products and services such as mobile phones, tablets, or internet. Using the Digital Literacy into the management of money and finances Give the raise to the concept of Digital financial literacy. It is defined as "acquiring the knowledge, skills, confidence, and competencies to safely use digitally delivered financial products and services, to make informed financial decisions and act in one's best financial interest per individual's economic and social circumstance" Alliance for Financial Inclusion (2021). Digital Financial Literacy is a multi-dimensional concept which integrates financial literacy, financial capability and digital literacy.

**Financial Literacy and Digital Financial Literacy in India:** In the 2015 the Digital India initiative was launched by the prime minister so, every citizen can be enabling to do the transactions digitally. Initially due to lack of awareness and skills people were reluctant to adopted these changes but several initiatives has been taken to aware them about the various digital financial tools and services.

Some of important initiative taken to financial inclusion is Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, which seeks to ensure that every household in the country has access to a bank account, and for digital financial literacy the Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) is launched by the government. Along with this The Unified Payments Interface (UPI), an instant real-time payment system developed by the National Payments Corporation of India (NPCI), has revolutionized digital transactions. Phonepe, an Indian payments and financial services company is established in December 2015 which was based on the Unified Payments Interface (UPI) and then Bharat Interface for Money (BHIM) app, a mobile payment application launched on 30 December 2016 by government, to facilitate quick, secure, and reliable cashless payments. The Aadhaar-enabled payment system (AePS) has been particularly effective in improving payment coverage in rural regions along with that MUDRA banks have also played crucial roles in enhancing financial inclusion. In 2021, RBI also takes a important steps to make the people educated and aware about the digital financial literacy by launching the Financial Literacy Week, with the theme "Go Digital, Go Secure." Despite of these initiatives data shows that overall financial literacy rate of India is only 27 percent and additionally, only 16.7 per cent of Indian students have a basic understanding of finance and money management. Visa Global Financial Literacy Barometer reveled in a survey that out of 28 countries India got only 23$^{rd}$ position in the financial literacy.

## 2. REVIEW OF LITERATURE

**Joshi et al. (2024)** analyzed the influence of digital financial literacy on individual investment behaviour of Nepali investors. The research highlights the interconnectedness of digital financial proficiency, financial literacy, financial goal management and individual investment behaviour. It was found that, Investment behaviour has significantly influenced by financial literacy, digital financial literacy and financial goal management. However, cyber security and awareness did not show a significant relationship with investment behaviour. Further, It was recommended by the authors that Financial institutions and educators should leverage digital platforms to enhance financial education and prepare individuals for informed investment decisions in Nepal's evolving stock market landscape.

**Putri et al. (2024)** investigated how digital financial literacy affects future orientation, which in turn influences financial management decisions about saving and spending. The researcher used Structural equation modeling (SEM) methodology. The study found that, digital financial literacy have very vital impact on financial management, future orientation, spending, and saving decisions. Further study has established that higher digital financial literacy of Gen Z of Palopo City is leading to positive impacts on the Palopo City's economy.

**Abdallah et al. (2024)** examined the relationship between digital financial literacy and customers' perceived financial behavior within the Kuwait city. Further, it explored how digital financial literacy relates to different financial behavior dimensions. The study showed that there is substantial relationship between digital financial literacy and different dimensions of financial investment behaviour. It was observed that, financial knowledge, awareness and decision-making were the factors that had the most significant impact on financial behaviour.

**Widyastuti et al. (2024)** evaluated the relationship between digital financial literacy (DFL) and digital financial inclusion (DFI) while considering gender differences. The study revealed that there has been a significant association between Digital Financial Literacy (DFL) and Digital Financial Inclusion (DFI) among both females and males. Moreover, it was stated that impact of digital financial literacy on digital financial inclusion are more noticeable for female group. Further, the study highlighted the need of gender-inclusive strategies for digital financial inclusion and emphasize that Digital Financial Literacy is a vital step towards achieving comprehensive financial inclusion on a broader scale.

**Chaugule et al. (2024)** evaluated the role of digital financial literacy among the individuals. The study has showed that digital financial literacy plays a vital role for increasing debt management, preventing fraud, promoting awareness about savings, and improving access to financial services. Further, it has been established that, it also made a major contribution to financial literacy, risk management, access to Microfinance, efficient spending tracking, and support for digital banking. Nevertheless, the study also demonstrated that tax knowledge and understanding of government initiatives, such financial aid programmers, were not significantly impacted by digital financial literacy which gave the basis for the suggestion that in order to improve understanding in these areas there is requirement of focused Educational initiatives.

**Kaur (2024)** examined digital financial inclusion and financial literacy in the Himalayan states of India, utilizing data from different sources like NCFE 2019, Fin EQUITY BRIEF 2021, and the Digidhan dashboard. The focus was on the analysis of digital financial inclusion and digital financial literacy by assessing how these contribute to the adoption of different digital payment platforms. The study revealed that there were diverse adoption levels of digital financial services across the region. States like Uttarakhand and West Bengal show advanced usage of digital payment systems, while Arunachal Pradesh and others display early stages of digital financial involvement. The analysis showed variability in digital financial literacy and financial inclusion compared to the national average, which also highlighted the impact of education and awareness in promoting digital financial integration.

**Ranpariya and Tushar (2024)** examined the emergence, utilization, and literacy surrounding Digital Financial Services (DFS) within the Gujarat region. The study indicated that there has been a positive trend toward digitalization in the financial sector but, despite of the growth of digital financial services, many individuals still lack the necessary knowledge and skills to effectively use these services which emphasize the importance of financial literacy initiatives. The study also examined the factors influencing digital financial literacy and usage. Furthermore, the study highlighted the significance of promoting digital financial literacy to drive financial inclusion and empower individuals in Gujarat. It was stated that by enhancing individuals' understanding and confidence in using digital financial services, it is possible to improve their access to financial resources and contribute to their overall financial well-being.

**Syahnur et al. (2024)** evaluated the impact of digital financial literacy and digital financial inclusion on the empowerment of women entrepreneurs. The study was conducted in the Indonesia and the findings of the study showed that digital financial literacy and digital financial inclusion have a significant positive impact on the empowerment of women entrepreneurs. Further, it revealed that Female entrepreneurs are needed digital literacy and financial inclusion in view of the rapid digital development and for this author has emphasize over the collaborative actions of different stakeholders.

**Weerakoon and Niluka (2024)** investigated that, how financial literacy shapes the relationship between digital banking and the financial performance of small and medium-sized enterprises (SMEs) in Sri Lanka. The findings of the study revealed that there has been a very positive moderating influence of financial literacy on this relationship and there was constructive impact of digital banking on SME development and financial performance in Sri Lanka. Furthermore, this research showed the roles of financial literacy and digital banking in bolstering SMEs and advocated for their strategic utilization to elevate financial performance. Overall it emphasizes the crucial role of financial literacy in encouraging the adoption of digital banking and promoting SME growth in developing economies.

**Dube et al. (2023)** examined the impact of digital financial literacy on the components of digital financial services knowledge, awareness and risk control. The findings of study revealed that there was a noteworthy difference found between digital financial services knowledge, awareness and risk control based on millennia's" city of residence. Furthermore, study showed that with the increasing use of digital financial tools, individuals who lack financial literacy are at risk of falling victim to financial scams, making poor financial decisions, and failing to take advantage of opportunities to grow their wealth.

**Research Gap:** There is a lot of study done on the financial literacy and financial awareness but only few of them explore the Digital Financial Literacy aspect. Digital Financial literacy is new emerging concept and there is not much study done over it and if we talk about India this number got less. This provides a significant research gap for the study as digital financial product and digital financial service is becoming very important aspect of today's digitalized world. This study is an attempt to explore the impact of various demographical variables on the Digital Financial Literacy.

## 3. RESEARCH METHODOLOGY

The research methodology section of paper describes that how research has been conducted and methods and procedure are used to collect the data and then what techniques are used to analysis the data.

**Need of Study:** There is need to make the people aware about the digital frauds and for this we need to analyze the current awareness level of the people regarding the financial literacy and digital financial literacy. Along with that, effective management money is the universal factor as each and every activity relied upon it so, this study can provide the basis for the every individual, institution, organization, industry, and economy.
**Scope of Study:** The study is conducted in the four state of the India. It is showing the status of the digital financial literacy in the India. Here attempt is made to analyze the awareness related to the digital financial products and usage of these products in the investment pattern.

**Objectives of Study**

1. To evaluate the current levels of digital financial literacy across different age groups, genders, education levels, income brackets, and geographic locations in India.
2. To identify key demographic variables that influence digital financial literacy.
3. To study the common barriers to the Digital Financial literacy.

**Sampling and Sample Size:** The sample for study includes 150 respondents who were surveyed by using a structured questionnaire in Himachal Pradesh. The Random sampling method was used to ensure representative sample of the population.

## 4. DATA ANALYSIS AND INTERPRETATION

Descriptive statistics (percentages) were used to analyze the relationship between demographic variables and digital financial literacy. The data is presented through tables and charts for easier interpretation

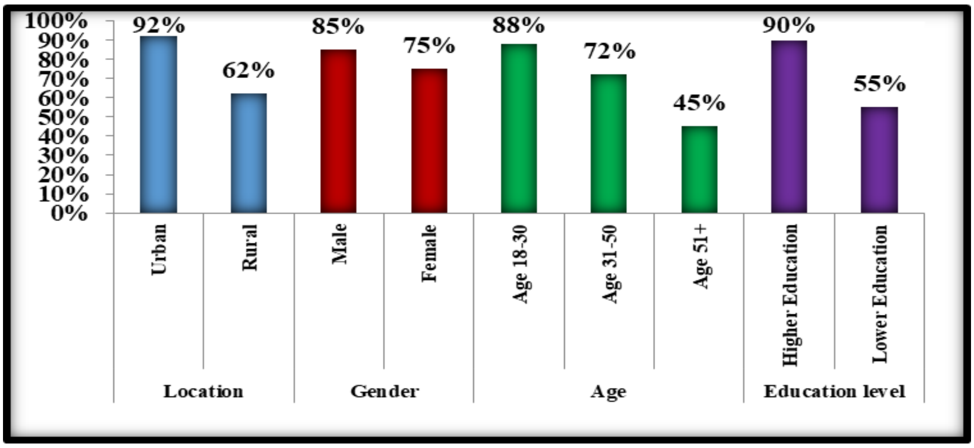


**FIGURE 1.** Awareness of Digital Financial Tools

**TABLE 1.** Awareness of Digital Financial Tools

| | Demographic Variable | Percentage Aware of Digital Financial Tools |
|---|---|---|
| Location | Urban | 92% |
| | Rural | 62% |
| Gender | Male | 85% |
| | Female | 75% |
| Age | Age 18-30 | 88% |
| | Age 31-50 | 72% |
| | Age 51+ | 45% |
| Education Level | Higher Education (Graduates & Above) | 90% |
| | Lower Education (High School or Less) | 55% |

*Source: Primary Data*

Table1 shows the awareness of different demographical variables regarding the digital financial tools. The table shows that awareness of the urban respondents is 92% which is significantly high whereas; rural respondents' awareness percentage is only 62% which means urban respondents are more aware as compare to the rural respondents. Further, it is also observed that Male respondents are (85%) more aware as compare to the female respondents (75%). In the age group variable it is observed that age group 18-30 is highly aware as compare to the other age groups. It is also found out that respondents with higher education are around 90% aware which is significantly high whereas respondents with lower education level are only aware around 55% only.
In conclusion awareness of digital financial tools is significantly higher in urban areas and among younger individuals with higher levels of education. Rural areas lag behind in awareness, indicating a need for targeted awareness campaigns. Education level is highly impacting the awareness level of respondents.

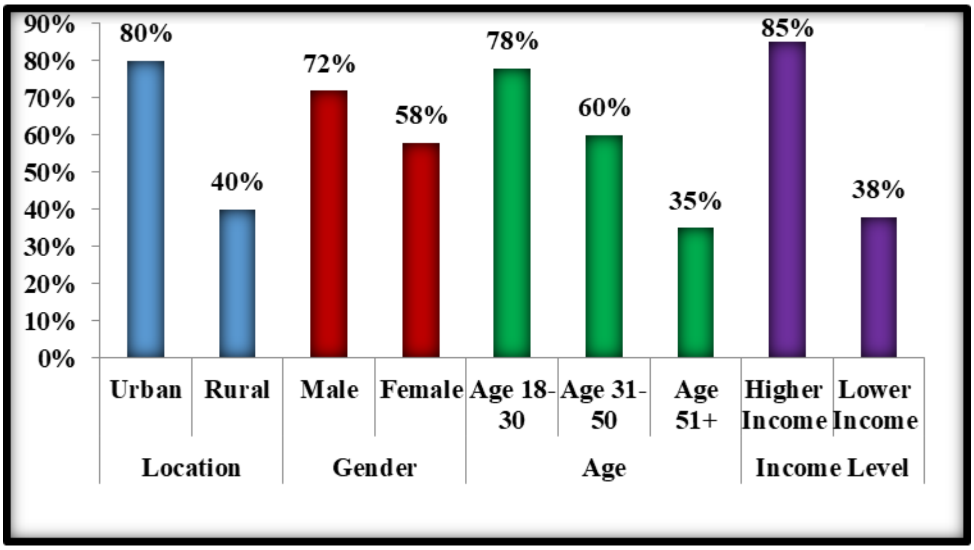


**Figure 2.** Usage of Digital Financial Services

**TABLE 2.** Usage of Digital Financial Services

| | Demographic Variable | Percentage Using Digital Financial Services Regularly |
|---|---|---|
| Location | Urban | 80% |
| | Rural | 40% |
| Gender | Male | 72% |
| | Female | 58% |
| Age | Age 18-30 | 78% |
| | Age 31-50 | 60% |
| | Age 51+ | 35% |
| Income Level | Higher Income (> INR 50,000) | 85% |
| | Lower Income (< INR 15,000) | 38% |

*Source: Primary Data*

Table 2 is showing the percentage of the respondents who are using the digital financial services on the regularly basis. It is shown in the table around 80% respondents from the urban area are using the DFS on the regular basis and 72% of male are using these services. Whereas, only 40% of rural respondents are using these services on the regular basis and only 58% of female respondents are using these services. Further it is observed that People with higher income have good habit of using these services as percentage is 85% which is significantly high and age group 18-30 are more active in using these services as compare to the other age groups.

In conclusion there is a substantial gap in the usage of digital financial services between urban and rural populations. Gender disparities are also observing where women reporting lower usage than men. Similarly, older adults and lower-income groups show significantly lower usage.

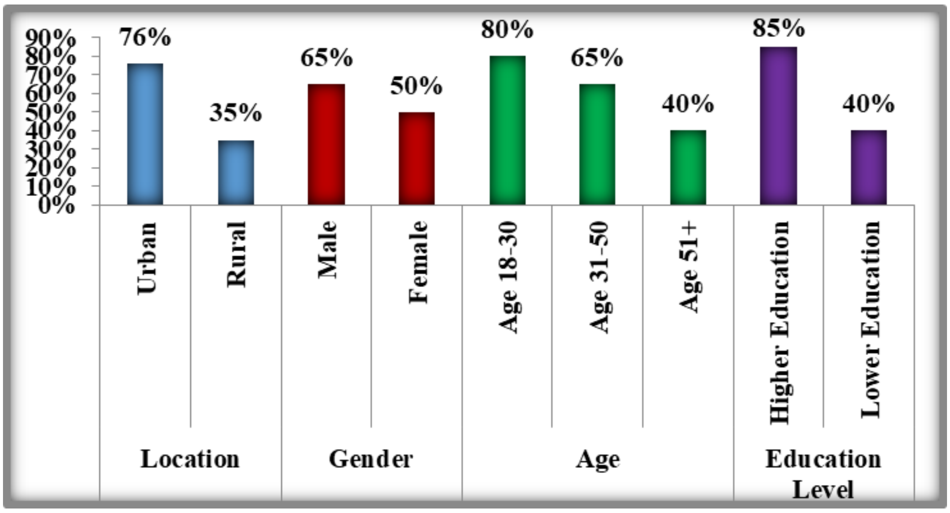


**FIGURE 3.** Confidence in Using Digital Financial Tools

**Table 3.** Confidence in Using Digital Financial Tools

| | Demographic Variable | Percentage Confident in Using Digital Financial Tools |
|---|---|---|
| Location | Urban | 76% |
| | Rural | 35% |
| Gender | Male | 65% |
| | Female | 50% |
| Age | Age 18-30 | 80% |
| | Age 31-50 | 65% |
| | Age 51+ | 40% |
| Education Level | Higher Education | 85% |
| | Lower Education | 40% |

*Source: Primary Data*

Table 4.3 is showing the confidence of the respondents in using the DFT. It is shown people with higher education have very high confidence (85%) while using the DFT and respondents in urban are showing the around 76% confidence in DFT. Whereas in rural area and female respondents are showing very low confidence in using the DFT which is 35% and 50% respectively. Further, respondents with the younger age group are more confident as compare to the elderly age group their percentage is 80% and 40% respectively whereas people with the mid age are around 65% confident in the Digital financial tools.

In conclusion confidence in using digital financial tools is much higher among urban, male, and more educated respondents. Whereas it is observed that rural populations and women exhibit lower confidence, potentially due to lack of exposure and training.

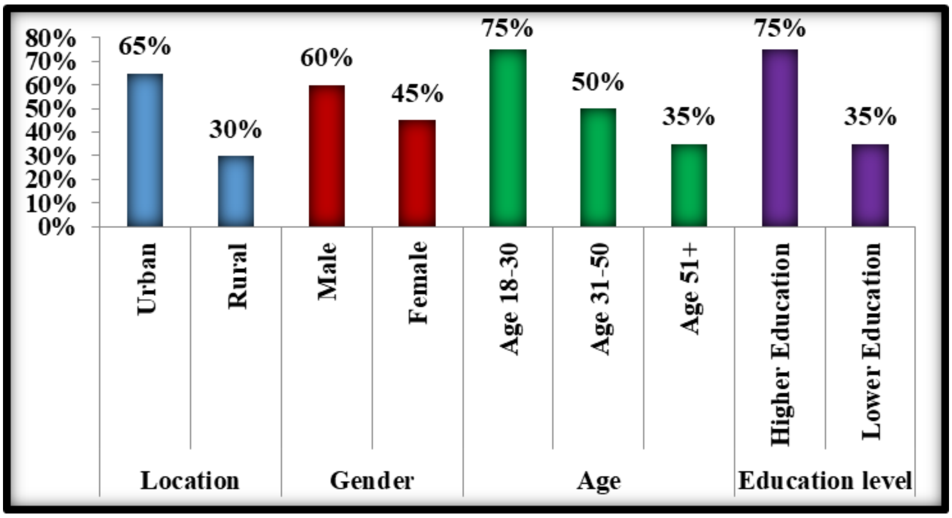


**FIGURE 4.** Cyber security Awareness

**Table 4.** Cyber security Awareness

| | Demographic Variable | Percentage Aware of Cyber security Practices |
|---|---|---|
| Location | Urban | 65% |
| | Rural | 30% |
| Gender | Male | 60% |
| | Female | 45% |
| Age | Age 18-30 | 75% |
| | Age 31-50 | 50% |
| | Age 51+ | 35% |
| Education Level | Higher Education | 75% |
| | Lower Education | 35% |

*Source: Primary Data*

Table 4 is showing the awareness of people regarding the cyber security issues. It is shown in the table that only 65% of urban respondents are aware relates to the cyber security practices and only 30% of rural people are aware related to these practices which significantly very low. Whereas 60% male are aware relate these cyber securities practices and only 45% female are aware relate to these. However, people with higher education have high awareness related with these practices which is around 75% and the younger age group has more vigilant regarding cyber security awareness.

In conclusion awareness of cyber security practices is considerably higher in urban areas, Younger age group and among highly educated respondents. However, there is a low awareness level in rural areas and among female respondents. It highlights the vulnerability of these groups to digital financial fraud.

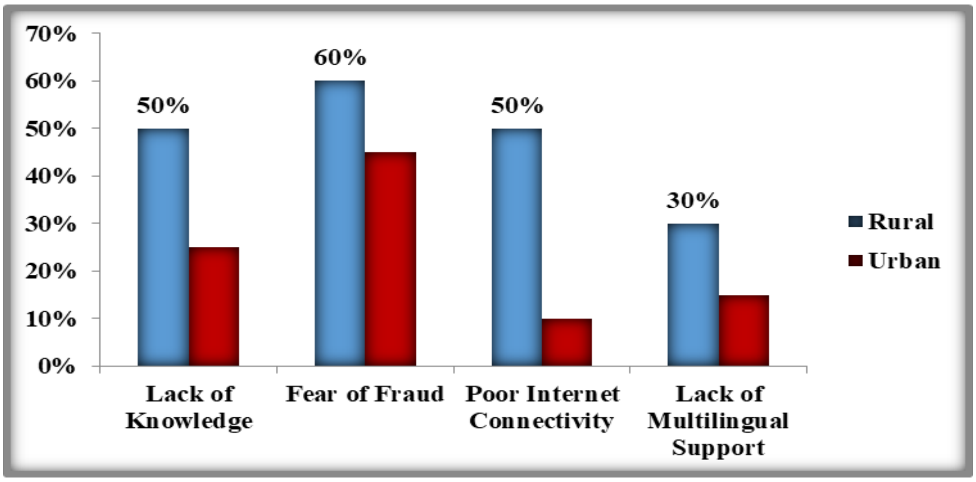


**FIGURE 5.** Barriers in the Digital Financial Literacy

**Table 5. Barriers to Digital Financial Literacy**

| Barrier | Rural | Urban |
|---|---|---|
| Lack of Knowledge | 50% | 25% |
| Fear of Fraud | 60% | 45% |
| Poor Internet Connectivity | 50% | 10% |
| Lack of Multilingual Support | 30% | 15% |

*Source: Primary Data*

Table 5 is showing the Barriers percentage in the rural and urban area. It is shown that there are more barriers to using the Digital financial literacy in the rural area as compare to the urban area. But common factors for the both area is Lack of knowledge and fear of fraud which is 50% and 60% in rural area and 25% and 45% in urban area respectively.

## 5. FINDING AND CONCLUSION

The findings of this study showed that there are very significant variations in digital financial literacy across different demographic variables in India. It is observed that awareness and usage are relatively high in urban areas and among younger, more educated populations. Further, it is also found out that in rural areas, among older adults, women, and people with lower levels of education and income are not much aware about DFT and these sections need have digital financial literacy as these groups could be easy targeted for the digital fraud. The factors which are contributing for the lower awareness and usages are limited internet access, lack of digital education, fear of fraud and socio-cultural barriers.

**Recommendations:**

On the basis of this study these are the recommendations for improving the Digital financial literacy

1. Targeted Digital literacy and Digital Financial Literacy Campaigns: Government and private sectors should collaborate to provide digital literacy and financial literacy programs in rural areas, focusing on women and older adults.
2. Improving Cyber Security Awareness: There is need to do special efforts to educate all demographics about cyber security Issues and practices, particularly in regions with low awareness. This can also improve the usages of the Digital financial tools as the confidence level of the user will also improve.
3. Incentivize Financial Inclusion: Financial institutions could offer incentives, such as lower transaction fees, to encourage the usage of digital financial services in underserved regions.

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