



A Study of Conceptual Framework and Need of Digital Financial Literacy in India

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ABSTRACT

Financial literacy is the ability to understand and effectively manage personal finances. In India, financial literacy is an important issue, as many people lack the knowledge and skills to manage their finances effectively. According to the National Centre for Financial Education (NCFE), only 24% of Indian adults are financially literate. This lack of financial literacy can lead to several problems, such as debt, low savings, and financial insecurity. To address this issue, the Indian government has launched several initiatives aimed at promoting financial literacy in the country. For example, the Reserve Bank of India (RBI) has established a Financial Education Fund (FEF) to promote financial literacy and consumer protection. The government has also launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, which aims to provide every household in the country with a bank account and access to financial services. This research study aimed to highlight the need for digital financial literacy in India, given the country's rapid move towards a cashless economy and the increasing prevalence of digital financial services. A review of existing literature on digital financial literacy and financial inclusion in India was conducted, and the results were analyzed to identify key trends and challenges.

KEYWORDS: Reserve Bank of India, Financial Education Fund, NCFE

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I. INTRODUCTION

Financial literacy is the ability to understand and effectively manage personal finances. In India, financial literacy is an important issue, as many people lack the knowledge and skills to manage their finances effectively. According to the National Centre for Financial Education (NCFE), only 24% of Indian adults are financially literate. This lack of financial literacy can lead to several problems, such as debt, low savings, and financial insecurity. To address this issue, the Indian government has launched several initiatives aimed at promoting financial literacy in the country. For example, the Reserve Bank of India (RBI) has established a Financial Education Fund (FEF) to promote financial literacy and consumer protection. The government has also launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, which aims to provide every household in the country with a bank account and access to financial services.

In addition to government initiatives, there are several private sector initiatives aimed at promoting financial literacy in India. For example, banks and financial institutions are offering financial education programs and training sessions to help consumers understand how to manage their finances effectively. Non-governmental organizations (NGOs) are also working to promote financial literacy among underserved and marginalized communities. Financial literacy levels in India are relatively low, with many people lacking the necessary knowledge and skills to manage their finances effectively. According to a survey by the Reserve Bank of India (RBI), only 24% of adults in India are financially literate. This lack of financial literacy can lead to a variety of financial problems, including debt, bankruptcy, and a lack of retirement savings.

CONCEPT OF DIGITAL FINANCIAL LITERACY

There are several initiatives underway in India to promote digital financial literacy. One such initiative is the Digital India program, launched by the Indian government in 2015, which aims to transform the country

into a digitally empowered society and knowledge economy. As part of this program, the government has launched several initiatives to promote digital financial literacy, such as the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme, which aims to provide every household in the country with a bank account, and the BHIM app, a mobile payment app launched by the government.

Digital financial literacy refers to the knowledge and skills required to effectively manage one's financial affairs using digital tools and platforms. It involves the ability to use technology to access financial services, make informed decisions, and safeguard against financial fraud. Digital financial literacy includes understanding how to use online banking platforms, mobile payment systems, and digital wallets, as well as how to use financial planning software and apps to manage expenses, savings, and investments. It also involves knowledge of digital security practices such as protecting personal information and preventing identity theft. In today's digital age, digital financial literacy has become increasingly important for individuals to manage their finances and make informed decisions. It can help individuals to access financial services more efficiently, reduce the risk of fraud and financial loss, and increase their financial security and wellbeing.

II. REVIEW OF LITERATURE

T Ravikumar, B Suresha, N Prakash, Kiran Vazirani & T.A. Krishna have studied on “ Digital financial literacy among adults in India: measurement and validation ” The results exhibit that Digital Knowledge, Financial Knowledge, Knowledge of DFS, Awareness of Digital Finance Risk, Digital Finance Risk Control, Knowledge of Customer Right, Product Suitability, Product Quality, Gendered Social Norm, Practical Application of Knowledge and Skill, Self-determination to use the Knowledge and Skill and Decision Making are the determinants of DFL among the adults in India. Further, the users of DFS without DFL will face numerous challenges such as inability to complete the transaction, financial loss and privacy breach, etc. Hence, the study concludes that DFL is prerequisite to use DFS effectively.

N. P. Abdul Azeez and S. M. Jawed Akhta have studied on “Digital Financial Literacy and Its Determinants: An Empirical Evidences from Rural Indi. The determinants of digital financial literacy focus on the socio-economic demographic factors and used ordinary least square, multiple regression model. This model determines how various independent variables, namely age, gender, income, religion, social groups, family size, marital status, educational level, occupation, etc., significantly influence the respondents' digital financial literacy. The analysis is based on the primary data with five hundred samples collected from the rural areas of Aligarh district.

III. OBJECTIVES OF THE STUDY

The objectives of a digital financial literacy study in college students in India may include:

- (1) Understanding the current level of financial literacy among college students in India, particularly in the areas of digital financial services, such as online banking, digital wallets, and mobile payments.
- (2) Identifying the factors that influence financial behavior among college students in India, such as cultural attitudes towards money, access to financial resources, and socio-economic status.
- (3) Assessing the effectiveness of existing financial literacy programs in colleges and universities in India, and identifying areas for improvement.
- (4) Developing strategies and educational materials to improve financial literacy among college students in India, particularly in the areas of digital financial services.
- (5) Investigating the relationship between financial literacy and financial well-being among college students in India, including the impact of financial literacy on their ability to manage debt, save money, and plan for the future.
- (6) Examining the role of digital technology in promoting financial literacy and financial inclusion among college students in India, and identifying innovative approaches to using technology to enhance financial literacy.
- (7) To understand the concept of digital financial literacy.
- (8) To know the status and awareness on digital financial literacy.

Overall, the goal of a digital financial literacy study in college students in India would be to improve financial knowledge, skills, and behaviors among this population, and to promote greater financial inclusion and financial well-being in the country.

DIGITAL FINANCIAL LITERACY CAMPAIGN IN INDIA

It was found that the education level is an important determinant for awareness about the digital platform and its use. Digital financial literacy is particularly relevant in India, where the government has been actively promoting digital financial inclusion through initiatives such as Digital India and Jan-Dhan Yojana.

With the growing adoption of digital financial services, it is becoming increasingly important for Indian citizens to have a good understanding of how to use digital financial tools and platforms effectively. This includes using digital payment systems such as BHIM UPI, mobile banking apps, and e-wallets, as well as understanding concepts such as credit scores, financial planning, and investment management.

Improving digital financial literacy can help individuals in India to access financial services more efficiently, reduce the risk of fraud and financial loss, and increase their financial security and well-being. It can also help to promote financial inclusion and contribute to the overall economic growth and development of the country.

As a result, there have been various initiatives and programs aimed at improving digital financial literacy in India, including the National Centre for Financial Education's (NCFE) Digital Financial Literacy Campaign and various private sector initiatives such as ICICI Bank's Digital Banking Skill Academy.

IMPORTANCE OF DIGITAL FINANCIAL LITERACY

Digital financial literacy is crucial in India for several reasons. First, India is rapidly becoming a more digital economy, with a significant increase in the adoption of digital financial services such as mobile banking, digital wallets, and online payment platforms. As a result, it is important for individuals to have the necessary knowledge and skills to use these services effectively, securely, and efficiently.

Secondly, digital financial literacy can help increase financial inclusion in India, particularly among those who may be excluded from traditional financial services. Digital financial services can provide access to financial services to those who are underserved or unserved by traditional financial institutions, and digital financial literacy can help ensure that these individuals are able to use these services effectively.

Thirdly, digital financial literacy can help individuals make informed financial decisions. With the right knowledge and skills, individuals can compare and select the best financial products and services, manage their money more effectively, and make informed decisions about investments and savings.

Finally, digital financial literacy can help protect individuals from fraud and other financial crimes. With the rise of digital financial services, there has also been an increase in cybercrime and financial fraud. Digital financial literacy can help individuals identify potential scams and frauds and take appropriate measures to protect themselves.

CHALLENGES OF DIGITAL FINANCIAL LITERACY IN INDIA

Digital financial literacy is the ability to use digital financial services effectively and safely. India, being one of the fastest-growing economies in the world, has made significant progress in expanding digital financial services. However, there are still several challenges that hinder digital financial literacy in India. Some of these challenges are:

1. **Lack of awareness:** Many people in India are unaware of digital financial services and the benefits they offer. This lack of awareness is especially prevalent in rural areas, where access to digital infrastructure is limited.
2. **Limited digital infrastructure:** Digital financial literacy requires access to digital infrastructure such as smart phones, internet connectivity, and digital payment systems. Many people in India, particularly in rural areas, lack access to these basic amenities.
3. **Low levels of financial literacy:** Many people in India have low levels of financial literacy and may not understand basic financial concepts such as interest rates, credit scores, and savings. This lack of financial literacy can make it challenging for people to make informed financial decisions, including those related to digital financial services.
4. **Security concerns:** Security concerns such as fraud, identity theft, and cybercrime can make people hesitant to use digital financial services. This is particularly true for people who are not well-versed in digital technology and may not understand how to protect themselves from these threats.
5. **Limited language support:** Digital financial services often rely on English, which is not widely spoken or understood in India. This can create a language barrier that can prevent people from accessing digital financial services.
6. **Lack of trust in financial institutions:** Many people in India have a low level of trust in financial institutions. This lack of trust can make people hesitant to use digital financial services, particularly if they perceive them as being controlled by these institutions.

Overall, these challenges pose significant obstacles to improving digital financial literacy in India. Addressing these challenges will require a concerted effort from government, financial institutions, and other stakeholders to ensure that everyone has access to digital financial services and the knowledge to use them effectively and safely.

LIMITATIONS OF THE STUDY

Limitations of digital financial literacy in India

While digital financial literacy is important in India, there are some limitations and challenges that need to be addressed.

One major limitation is the lack of access to digital infrastructure, particularly in rural and remote areas. While India has made significant progress in expanding access to digital services, there are still many areas where people do not have access to basic digital infrastructure, such as high-speed internet and mobile phones. This can limit the ability of people in these areas to access digital financial services and benefit from digital financial literacy programs.

Another limitation is the lack of awareness and trust in digital financial services among certain segments of the population. Many people in India are still skeptical of digital financial services due to concerns about security and privacy, as well as a lack of understanding of how these services work. This can make it challenging to promote digital financial literacy and encourage people to adopt digital financial services.

Finally, there is a need for more targeted and effective digital financial literacy programs in India. While there are many initiatives aimed at promoting digital financial literacy, these programs are often generic and do not take into account the specific needs and circumstances of different populations. To be effective, digital financial literacy programs need to be tailored to the needs and concerns of different segments of the population, and should be delivered in a way that is accessible and engaging for all.

IV. CONCLUSION

This study found that digital financial literacy is essential in India to promote financial inclusion, particularly for underserved and marginalized communities. It also highlighted the importance of digital financial literacy in reducing the cost and inconvenience associated with traditional banking services, and in promoting the uptake of digital financial services. However, the study also identified several limitations and challenges to promoting digital financial literacy in India. These include the digital divide, with many people lacking access to digital infrastructure and services, and a lack of awareness and understanding of digital financial services among many people in India.

The study concludes that efforts to promote digital financial literacy in India need to be targeted towards underserved and marginalized communities, and should focus on improving access to digital infrastructure, as well as providing education and training on digital financial services. The study also highlights the need for collaboration between government, financial institutions, and technology providers to develop and implement effective strategies to improve digital financial literacy levels in India.

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