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Digital Financial Literacy: An Empirical Analysis

Mandeep Kaur

Assistant Professor

University School of Social Sciences

Rayat Bahra University, Mohali, Punjab.

Abstract: A person with digital financial literacy is equipped with the information and abilities to use digital tools to improve their financial judgment. Understanding digital financial products and services, managing digital financial risk, and being aware of consumer rights and methods for redress are all components of digital financial literacy. The primary objective of this research paper was to analyze the level of digital financial literacy among people in the Amritsar district of Punjab. A well-structured questionnaire was used to gather data from 300 respondents, who were chosen using a simple random sampling to test their level of digital financial literacy. Our analysis revealed that the degree of digital financial literacy was influenced by demographic factors such as gender, education, and residential area. We discovered that digital financial services require strategies for improving financial literacy, particularly through policy interventions, educational reforms, and digital outreach.

Keywords: Financial Literacy, Digital Literacy, Digital Financial Products and Services.

Introduction

Financial literacy means the capacity to understand and efficiently use financial skills like budgeting, savings and financial management. Financial literacy increases demand for financial products and services as it makes the common man understand their requirement and advantages. Budgeting and spending control, debt management, retirement planning, insurance and risk management, savings and investments, and comprehension of financial concepts and products are all included.

In today's fast-paced world, financial literacy has become essential for individuals to make sound financial decisions, manage their resources efficiently, and prepare for unforeseen financial emergencies. It is impossible to overestimate the role that financial literacy plays in promoting both individual financial security and general economic stability. Knowledge of online banking systems, online payment methods, and online shopping are all closely related to digital financial literacy. Cashless and digital India's current mission is India. The significance of this endeavour is being felt, particularly in light of the Government of India's demonetization of all Rs. 500 and Rs. 1,000 Mahatma Gandhi Series banknotes on November 8, 2016.

The Indian government adopted demonetization to tackle black money and make India a cashless digital economy. The demonetization promotes a cashless economy and increases the use of digital financial services. Digital financial literacy is important for financial inclusion, economic empowerment and protection against digital frauds and cyber threats.

For digital financial literacy, people should be financially and digitally literate. In India, financial literacy and digital financial literacy levels are low, and there is a notable gap between urban and rural populations, as well as between different socio-economic groups. A large part of the Indian population is engaged in an informal economy, relying on cash transactions. The government of India and the Reserve Bank of India (RBI) have been taking initiatives for a long time for financial literacy, financial inclusion, digital literacy

and digital financial literacy. Some of the initiatives taken by the Government of India and Reserve Bank of India (RBI) are the establishment of the National Centre for Financial Education (NCFE), National Strategy for Financial Education (NSFE), Financial Literacy Centres (FLCs), Financial Literacy week, RBI Kehta Hai Campaign; financial inclusion schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), Atal Pension Yojana, National Pension systems, Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY); digital literacy programmes like National Digital Literacy Mission (NDLM), Digital India, Digital Saksharta Abhiyan (DISHA), Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) Digital Finance for Rural India and Common Service Centres(CSCs).

Review of Literature

Prasad et.al (2018) revealed that one's level of education have a significant impact on one's understanding of the digital platform and how to utilize it. The mean score of the respondents with no more than a high school education was quite low. However, the responses in the professional and graduate categories were almost identical. This group of responders should be the focus of public awareness campaigns by governments, banks, and other organizations. The government should also offer programs that are user-friendly, accessible to, and usable by individuals with lower levels of literacy. The average score for males was higher than that for females. Perhaps it's because women are less likely to use digital platforms, particularly older, more seasoned ones. As a result, there is a need for awareness campaigns about digital platforms for households managed by women.

Azeez and Akhtar (2021) analysed that wen predictors such as landholding, gender, income and education levels, occupation, and type of ration card were taken into account, the digital financial literacy of respondents in the rural areas of Aligarh district was found to be statistically significant. The coefficient for these variables was positive. In addition to socioeconomic and demographic considerations, the Reserve Bank of India, the Central Government, and several other financial institutions have made significant and fruitful initiatives through projects and programs aimed at enhancing digital financial literacy.

Koskelainen et. al. (2023) found that the revolution in financial services brought about by digital advances is altering consumer behaviour and individual money management. The widespread usage of digital technology has made a wide range of digital services readily available to the public, which has both benefits and drawbacks for managing one's finances. The three main issues at the nexus of finance and digitalization were behavioral interventions, digital financial behaviour, and fintech. The research recommended determining how to assess digital financial literacy, developing new digital learning materials, and enhancing the financial literacy curriculum. Additionally, it emphasizes the necessity of collaboration between the public and private sectors in creating an inclusive and fair economic climate.

Mishra et. al. (2024) discovered that financial and cyber fraud awareness must be included as a basic component in order for digital financial literacy to be truly successful and inclusive. In addition to reducing the risks of cybercrime, such measures would give women more protection and confidence while interacting with the online financial world. Initiatives to achieve gender parity and financial inclusion by the SDGs may be jeopardized if this barrier to digital financial literacy programs is not removed, as it could expose women to financial exploitation and prevent them from fully participating in the digital economy. A key component of women's empowerment is their increased independence, privacy, and ability to make their own financial decisions as a result of their decreased dependency on others brought about by digital financial literacy. Including this component in the study would strengthen the argument that digital literacy is an essential tool for attaining financial independence and gender equality.

The review of these studies reveals that digital financial literacy is a multifaceted issue influenced by education, gender, income, technology adoption, and institutional support. The literature suggests addressing the barriers faced by women and low-literacy groups, cyber security education, policy design. This comprehensive approach aligns with broader goals of financial inclusion, economic empowerment, and sustainable development.

Research Objectives

The present research work utilizes primary data to assess the state of financial literacy in both urban and rural contexts. The objective of the research was to study knowledge of financial products among

respondents. Additionally, it sought to investigate the connection between digital financial literacy and the use of digital financial services as well as the association between demographic factors and digital financial literacy level. Moreover, it analysed the level of cyber security awareness. Further, it identified the factors influencing digital financial literacy and proposed actionable recommendations for policymakers, educators, and financial institutions.

Research Methodology

It explains various statistical tools used in the analysis of data to meet the objectives of the study. This research utilizes a survey-based approach to collect primary data. 300 respondents were analysed, with an equal number of participants from urban and rural areas. The sample size includes men and women across different age groups, income levels, and educational backgrounds.

A two-sectioned questionnaire was designed to measure the level of digital financial literacy among people of the Amritsar district of Punjab. In this, section 1 included personal details of the respondents, including gender, age, education, marital status, income, and area of residence, whereas section 2 assessed their digital financial literacy. The questionnaire was filled by 350 respondents out of which data of 300 respondents with complete information were taken for the analysis. Mainly tabular analysis has been used and percentages have been calculated concerning the total number of respondents.

Data Analysis and Results

Table 1: Demographic Analysis

		Frequency	Percentage
Gender	Male	150	50
	Female	150	50
Age	Young Age (20-39)	137	46
	Middle age (40-59)	121	40
Education	10+2	58	19
	Graduation	85	28
	Post-Graduation	119	40
	Others	38	13
Area of residence	Rural	150	50
	Urban	150	50
Marital Status	Married	207	69
	Unmarried	85	28
	Divorcee	5	2
	Widow/Widower	3	1
Annual Income	Less than 2.5 lakh	82	27
	2.5 lakh -5 lakh	133	44
	5 lakh -10 lakh	74	25
	More than 10 lakh	11	3

The sample population is evenly distributed between rural and urban residents and males and females, each comprising 50 per cent. This indicates a rural-urban and gender-balanced dataset, which is beneficial for comparative analysis of regional disparities across gender lines. The majority of the participants are in the young age group constituting 46 per cent, followed by middle age (40 per cent). This age structure suggests that the sample leans towards a younger demographic, potentially reflecting a working-age or economically active population. The highest percentage (40 per cent) of Post-graduates form the largest educational group, followed by (28 per cent) graduates, and the least (13 per cent) others which represents vocational or diploma holders. This shows a relatively educated sample, with a strong representation of higher education levels. Most respondents are married with the highest percentage of 69 per cent, which suggests that the sample primarily consists of family-oriented or household heads. The largest income group (44 per cent) earns between ₹2.5 lakhs to ₹5 lakhs per annum, followed by less than 2.5 lakh (27 per cent), and indicates that a majority of the sample belongs to a lower-middle to middle-income group.

Table 2: Financial Knowledge

		Budget Preparation for Personal Finance	Preference for Saving and Investment rather than Spending on Luxuries	Financial Planning and Setting of Financial Goals	Preference to avoid Credits or Loans	Investment in Financial Products (mutual funds, insurance, stocks, etc.)	Maintenance Emergency Fund
Gender	Male	100 (67%)	90 (60%)	80 (53%)	107 (71%)	70 (47%)	80 (53%)
	Female	67 (45%)	75 (50%)	79 (53%)	116 (77%)	40 (27%)	90 (60%)
Education	10+2	18 (31%)	19 (33%)	17 (29%)	39 (67%)	13 (22%)	15 (26%)
	Graduation	53 (62%)	51 (60%)	44 (52%)	64 (75%)	34 (40%)	55 (65%)
	Post-Graduation	81 (68%)	73 (61%)	80 (67%)	95 (80%)	53 (45%)	78 (66%)
	Others	15 (40%)	22 (58%)	18 (47%)	25 (66%)	10 (26%)	22 (58%)
Area of residence	Urban	105 (70%)	92 (61%)	92 (61%)	121 (81%)	70 (47%)	105 (70%)
	Rural	62 (41%)	73 (49%)	67 (45%)	102 (68%)	40 (27%)	65 (43%)

The table shows that the males exhibit higher financial knowledge in all aspects except emergency fund maintenance whereas females have higher scores in avoiding loans and emergency fund maintenance. The reason behind less financial knowledge among females is that other member of their house handles personal finance. So, they do not much bother about personal financial management. Also, the table indicates that financial literacy increases with higher education. Postgraduates score highest across all indicators (e.g., 80 per cent plan financial goals, 80 per cent avoid loans, 66 per cent maintain emergency fund). Those with only 10+2 education score lowest, especially in investment and emergency fund maintenance. Moreover, urban residents show higher financial literacy across most indicators. 70 per cent of urban residents prepare a budget vs. 41 per cent of rural residents. Emergency fund maintenance is significantly higher in urban areas (70 per cent) than in rural (43 per cent).

Table 3: Digital Financial Knowledge

		Internet Banking /Mobile Banking	Usage of Mobile Payment apps	Online trading of financial securities	Purchase Insurance products online
Gender	Male	102 (68%)	115 (77%)	85 (57%)	103 (69%)
	Female	150 (57%)	150 (65%)	150 (51)	150 (55%)
Education	10+2	24 (41%)	32 (55%)	18 (31%)	23 (40%)
	Graduation	59 (69%)	63 (74%)	45 (53%)	56 (66%)
	Post-Graduation	87 (73%)	94 (79%)	81 (68%)	83 (70%)
	Others	17 (45%)	24 (63%)	18 (47%)	24 (63%)
Area of residence	Urban	109 (73%)	121 (81%)	93 (62%)	109 (73%)

	Rural	78 (52%)	92 (61%)	69 (46%)	77 (51%)
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The above table shows that the males are more digitally financially literate than females across all services. The reason behind this is that the housewives did not participate in financial decision-making or handling money independently. They might be more cautious about using online financial services because they are more afraid of fraud, scams, or cyber surveillance as compared to men.. Also, higher education correlates strongly with greater digital financial knowledge and activity. Post-graduates and Graduates exhibit the highest digital financial literacy in all categories. 10+2 shows the lowest engagement in all digital financial activities. Moreover, urban residents demonstrate significantly higher participation in digital financial activities, likely due to better infrastructure, awareness, and access to digital tools. Online trading and insurance purchases remain less popular, especially among lower-educated and rural individuals.

Table 4: Awareness of digital financial risk and Protection

		Avoiding Sharing of personal and financial information	Regularly updating passwords for financial accounts	Regularly reviewing bank statements and online financial transactions	Avoiding usage of public Wi-Fi for financial transactions	Encountered issues related to online security or fraud while conducting financial transactions online	Knowledge of appropriate forum if become a victim to any digital risk while doing any digital financial transaction
Gender	Male	125 (83%)	87 (58%)	80 (53%)	107 (71%)	8 (5%)	109 (73%)
	Female	112 (75%)	79 (53%)	77 (51%)	102 (68%)	5 (3%)	95 (63%)
Education	10+2	42 (72%)	21 (33%)	17 (29%)	32 (55%)	5 (9%)	33 (57%)
	Graduation	69 (81%)	49 (58%)	44 (52%)	64 (75%)	3 (4%)	61 (72%)
	Post-Graduation	98 (82%)	78 (66%)	81 (68%)	90 (76%)	2 (2%)	86 (72%)
	Others	28 (74%)	18 (47%)	15 (39%)	23 (61%)	3 (8%)	24 (63%)
Area of residence	Urban	130 (87%)	93 (62%)	91 (61%)	117 (78%)	5 (3%)	119 (79%)
	Rural	107 (71%)	73 (49%)	66 (44%)	92 (61%)	8 (5%)	85 (57%)

The table shows that males generally show higher awareness regarding digital risk and protection. However, females show slightly lower awareness of protective behaviours, indicating a possible digital literacy gap. Also, education seems positively correlated with digital financial awareness and safety behaviour. Moreover, urban residents show higher awareness than rural residents of digital financial risk and protection.

Conclusion and Recommendations

The goal of this study is to assess the digital financial literacy of the population of the Amritsar district of Punjab, with an equal representation of people from urban and rural regions. The study shed light on disparities in financial and digital financial literacy based on gender, education, and residence. It revealed that gender, education and area of residence are positively correlated with digital financial literacy. The urban residents generally showed better digital financial knowledge than rural residents due to better digital

infrastructure, awareness and literacy. Due to the non-availability of financial products and digital platforms in the local language and their complex working were found to be a barrier for rural and less educated people. There was a gender gap which showed women were less active in digital financial activities as compared to men because financial decisions were taken by the male head of the family, due to which females lacked financial literacy and had less exposure to digital platforms, lacking digital literacy. The study also found that qualifications less than graduation showed low engagement and awareness in all digital financial activities. Moreover, people did not use digital platforms because they did not want to disclose their money transactions. Almost, 60 per cent of the respondents who lacked digital financial literacy showed interest in attending workshops or webinars on digital financial literacy. Therefore, the Government of India, Reserve Bank of India, and other financial institutions should make financial education programs and awareness campaigns for women, rural and less educated people. Also, digital financial platforms and mobile-based financial education apps should be available in regional languages with ease of use for rural and less educated people. The policies should educate the people to prepare budgets so that the people can cut their unnecessary expenditures and increase their savings and investment, choosing financial products and digital platforms, making financial decisions and ensuring financial security.

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