

# THE IMPACT OF DIGITAL FINANCIAL LITERACY ON FINANCIAL DECISION MAKING AMONG GUJARAT CITIZENS

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## ABSTRACT

Major objective of this study is to identify the perception of an individual regarding investment decisions, to major awareness for financial planning and to major financial literacy. The researcher has used both types of data primary and secondary data. The primary data were collected with the help of questionnaire through the online (google) form. The researcher has collected sample of 151 respondents who are the citizens of Gujarat state from different districts. The data were expressed by using different testing like reliability test, normality test, chi-square methods, descriptive statistics, frequency distribution, factor analysis and Kruskal - Wallis test. Respondents are highly preferred to invest their fund or saving in the security market or a stock market. The stock market and mutual funds are the most preferable options of investments. majority of the respondents are not financially literate, although they have some financial knowledge regarding financial planning and investments but they are not fully are about the financial planning and market. Only 40% respondents scored above 12 out of 18, that means a financial literacy level is very low.

**Keywords:** Financial Literacy, Financial Planning, Investment, Individual.

## INTRODUCTION

Finance: simply means as a management of money and savings or investments. It includes acquisition of money, management, allocation and source of acquisition of money. It majorly involves decision making related to money. Financial literacy commonly known as a knowledge about financial field or awareness about financial terms and structures. Financial literacy means a combined knowledge, skills about financial decisions. Financial literacy is a very vast sector it has many sub divisions like financial knowledge, financial planning, financial education, financial inclusion and many more. It involves knowledge of basic concepts of finance and economy. To make a sound financial decision, financial literacy is essential. It not only helps to achieve financial goals but it also helps to avoid financial pitfalls. Financial planning literacy means a plan your finance or wealth in terms which will help you to grow your finance. Financial planning is a structure or a road map which help an individual to achieve their goals and financial objectives. Financial planning process involves many things like analyzing an income, expenses, goals, terms to achieve those goals, savings, investments, budgets, future plans and many more.

## FINANCIAL LITERACY IN INDIA

Financial literacy is an important issue in India, where a significant portion of the population lacks access to basic financial services and has limited knowledge about financial management.

According to a survey by the Reserve Bank of India (RBI), only about half of Indian adults are financially literate. This lack of financial literacy can have serious consequences, as individuals may fall prey to financial scams or make poor financial decisions that can lead to debt and financial hardship.

To address this issue, the Indian government and other organizations have launched various initiatives aimed at improving financial literacy among the population. For example, the RBI has launched a financial education program called the "Margadarshak" initiative, which provides financial literacy training to individuals in rural areas.

In addition, the government has introduced various financial inclusion programs, such as the Jan Dhan Yojana

scheme, which aims to provide basic banking services to individuals who are currently unbanked. The government has also launched programs to promote financial literacy among women, who are often underserved in terms of financial services and education.

## **INTRODUCTION OF DIGITAL FINANCIAL LITERACY**

Digital financial literacy refers to the knowledge and skills required to manage personal finances effectively in a digital or online environment. It involves understanding how to use digital tools and platforms to access financial services, make payments, and manage financial accounts.

In today's digital age, financial transactions are increasingly conducted online, and it is essential to have a basic understanding of digital financial services to manage personal finances effectively. Digital financial literacy includes understanding concepts such as online banking, mobile payments, e-wallets, digital currencies, and investment platforms. Digital financial literacy is important because it allows individuals to take advantage of the convenience and accessibility of digital financial services while avoiding potential risks such as online scams, identity theft, and cyber-attacks. By understanding how to use digital financial services effectively and securely, individuals can make informed decisions about their finances and achieve greater financial stability and security.

## **OBJECTIVES**

1. To examine the major factors affecting investors when investing funds in various investment options.
2. To study the Financial Literacy among the different types of investors towards different attributes such as risk-return matrix, liquidity, safety, etc. while investing their money.
3. An in-depth study of the level of financial planning, and budgeting awareness among Gujarat citizens.

## **SCOPE OF STUDY**

This empirical study of perception of individual residing in various districts of Gujarat state towards influencing factor of investment and options and to major the financial literacy and financial planning awareness among Gujarat citizens. The study is conducted to identify the awareness among the citizens about financial planning and major their financial literacy. This study is conducted to find the answer of the question regarding individual's perceptions towards investment and financial planning.

## **SIGNIFICANCE OF STUDY**

Number of studies has been conducted to provide the information regarding financial literacy among different category of individuals in India as well as outside India, like among youngsters, among different class of economy and many more. This particular study covers perception and attitude of and individual's residing in Gujarat state. This study will be helpful to the administrator and policy maker of Economy to introduce and create various type of policies that enhance level of financial literacy and awareness regarding financial planning and eventually result in the growth finance field. This study will also be helpful to the researchers who will carry out their research in the area of perception of individuals about investment decisions in multi-dimensional aspects in the future. This study is useful to potential financial planner in taking decision for connecting to person for the financial planning purpose in this huge sector.

## **LITERATURE REVIEW**

Women's domestic work load was increased during the pandemic period of covid 19. Now a days women's have to balance their jobs and household activities. Digital literacy skills are required to develop among learners in this current digital environment. Awareness about government schemes is helpful to create the betterment of lifestyle. The world moves towards digitalization in that situation rural people also have to learn the use of digitalization. (Bhatt D., 2023)

As part of the 12th Five-Year Plan (2012-17), the Indian government has ensured that all residents have access to basic financial services. SHG is well known worldwide. The SHG technique was developed by Dr. Mohammed Yunus. Almost every nation knows who he is. The oldest of nine brothers, Dr. Mohamad Yunus, was born in 1940 in a Bangladesh village close to Chittagong. His father worked as a jeweller and his mother stayed at home. The SHGs play a vital role in the fight against poverty because they assist individuals in starting their own businesses. Through

the Mysore Resettlement and Development Agency (MYRADA), the Savings and Credit Management Group (SCMG) and the Mysore Resettlement and Development Agency (MYRADA) developed the first self-help groups in India. **(Gokhru, N., & Kanchan, P., 2023)**

Recent years have seen a rise in interest in digital financial literacy among researchers and policymakers globally, particularly in India. By promoting financial literacy, financial inclusion can be achieved with more effectiveness. Demographic factors should be considered while developing digital financial literacy training programme for the development of digital literacy. Digital financial literacy is an important life skill for every individual. **(Abdul Azeez, et al., 2022)**

The purpose of this study is to examine how Financial Literacy impacts investment decisions made by people of different economic classes in Delhi, the Indian capital city. People have a difference in their financial needs though they are live in same geographical area. Research shows that for the majority of investors investment in the stock market is not a primary skill of most investors, and of those who do invest in it, the majority prefer to trade as investors rather than as speculators or hedge funds. Economy of the nation is highly dependent on the investment by an individual. A country's prosperity is bolstered by the investment of money in a variety of opportunities available to its citizens. In Indian investment market countless options are available in the present era. Mutual funds have become popular in recent years as a tool for good financial health. Compare to the other groups, self-employed and professionals are investing more than business people. This is especially true for the age groups 20 to 40 years. The modern investors are mature, highly knowledgeable and adequately groomed persons. **(Yadav, P., & Seth, A., 2022)**

The purpose of this study is to identify and analyse the characteristics of financial vulnerable groups. In recent years there is a dramatical change in the social and financial environment. An increase in financial knowledge and behaviours leads to improved financial literacy, as a result of an increase in financial knowledge. **(De Beckker, et al., 2019)**

Financial literacy has been centre of discussion all over the world and also it is a basic need of India. Financial literacy become old concept as the world moving towards digitalization the new concept is digital financial literacy. Specifically financial literacy means a skills and knowledge of which is helpful to take effective decisions through their understanding of finance. Digital financial literacy directly indicates the knowledge of different online modes like online purchasing, online payments, online banking systems usages etc. Nowadays digital and cash less India is a mission for government. In the growth of digital financial usage is result of demonetization of all Rs.500 and Rs. 1,000 banknotes of mahatma Gandhi series. Financial literacy is a best way to prevent over indebtedness of citizens. Financial inclusion means basic financial services reach to every citizen. **(Prasad, H., 2018)**

It is important for financial planners to consider the financial literacy of their clients when determining their financial capacity. Additionally, overconfident clients may appear to understand advice they don't actually comprehend, given that they may say they do but in reality, they don't. As consumer and investor confidence increases, financial literacy has been identified as an essential component of sound capital markets. The difference between perceived and actual financial literacy may manifest as either overconfidence or under confidence, and both may have adverse behavioural and knowledge-based consequences. **(Zwaan, L., et al., 2017)**

Working youth in urban India were the focused of this study. India joint family and consultative decision-making process are significantly influencing the financial literacy among working Youngs. Increase in self-management of finance result in the hike in an individual's responsibility in managing their own finance and secure their future financial needs. Emerging economies are particularly in need of financial literacy. As these economies try to boost economic growth rates, enhancing financial literacy will help them improve the financial wellbeing of their people even further through sound financial decision making. Both financial behaviour and attitude may be influenced by high financial knowledge. In general, the level of financial literacy among urban young people is similar to the levels prevalent among comparable groups in other countries. **(Agarwalla, S. K., Barua, et al., 2015)**

The purpose of this study is to explore the relationship between financial literacy and investment decision-making factors. Financial literacy has a very wide scope. To meet financial goals, individuals must be literate in financial matters to understand budgeting, managing cash flows, and allocating assets. **(Arif K., 2015)**

## RESEARCH METHODOLOGY

This researcher has used both primary and secondary data for the study. The primary data were collected from

questionnaire (Google form) from the citizens of different districts of Gujarat state. The researcher adopted non-probability, convenience sampling techniques to identify the Individuals Perception towards financial decisions, saving decisions, investment options and awareness about financial planning for the present study. The researcher has collected sample of 151 individuals from market. The researcher has applied different tests like factor analysis, chi-square test, frequency distribution, descriptive statistics and Kruskal Wallis test.

**Research design:** Descriptive research is chosen for this particular study in order to obtain complete and accurate information.

**Sources of data:** The study is based on primary data and secondar data that is collected using structured questionnaire through google form with the help of internet.

**Sampling area:** For studying to identify the Individuals Perception towards financial decisions, saving decisions, investment options and awareness about financial planning of particularly Gujarat citizens are selected as a sampling area.

**Sampling size:** Sampling size of this particular study is of 151 respondents.

**Sampling technique:** Structured questionnaire was sent to an individual by circulation of google form of different district of Gujarat state.

Rationale for study

To find the current financial awareness level among individual is significant for a student of finance. There is a lot of competition prevailing in the market for different financial organizations. This research is proven ration to help those financial organizations to know the perceptions and financial literacy level of an individual.

## DATA ANALYSIS

### Reliability test

**Table 1: The table show result of reliability testing**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.902	0.903	38

Null Hypothesis (H<sub>0</sub>): There is no significant difference between the observed scores and the expected scores.

Alternative hypothesis (H<sub>1</sub>): There is a significant difference between the observed scores and the expected scores.

### Interpretation:

Cronbach's Alpha is used for a reliability testing. If Cronbach's Alphas more than 0.7% than researcher can conclude that the data is reliable for study. From the above study researcher can conclude that the data proves reliability for the study. From the above table we can see that Cronbach's alpha is **0.903**, which indicates a high level of internal consistency for scale with this specific sample. From the above discussion we can conclude that the data is reliable to do research.

**Conclusion: Null Hypothesis will be accepted.**

**H<sub>0</sub> accepted.**

### Factor analysis

**Table 2: The table show result of Factor Analysis**

	Component										
	1	2	3	4	5	6	7	8	9	10	11
Dividends paid	.860										
Affordable share price	.832										
Expected Dividends	.829										

Information obtained from the internet										
Expected corporate earnings		.789								
Stock Marketability		.749								
Expected Losses in international financial		.610								
Condition of financial statements		.558								
Coverage in the press			.808							
Statements from government officials			.760							
Current economic indicators			.543							
Opinions of the firm's majority stockholders										
Insiders' information				.800						
Rumours				.720						
Expected Losses in other local investments				.576						
Minimizing risk				.558						
Expected stock split or capital increase										
Diversification purpose					.802					
The results of technical analysis					.724					
Government holdings					.505					
Expected bonus shares										
Financial advisors and analysts						.775				
Recent price movement in a firm's stock						.719				
Ease of obtaining borrowed funds							.691			
Fluctuation/developments in the stock index										
Religious reasons								.847		
Feelings for a firm's products and services								.846		
Reputation of the firm's shareholders								.730		
Family member opinions								.745		
Friend recommendations								.711		
Broker recommendation								.682		
Increase of the firm's involvement in solving community problems									.780	
Reputation of the firm									.698	



Firm status in industry										.685	
Past performance of the firm's stock										.528	
Perceived ethics of firm "Get rich quick"										.508	
Buying a single company stock usually provides a safer return than a stock in mutual funds											.771

**Interpretation:**

After interpreting all components in a similar fashion, we arrived at the following descriptions:

Factor 1 - "Dividend factor" Factor 2 - "Market conditions" Factor 3 - "External environment" Factor 4 - "Risk associated" Factor 5 - "Technical decisions"

Factor 6 - "Recent situation"

Factor 7 - "Reputation of firm in the society" Factor 8 - "Social environment"

Factor 9 - "Social work by company" Factor 10 - "Past performance"

Response for the factors affect an individual's investment decision. The all 38 component can be divided in the above 10 factor. These 10 factors affecting the decision making of an individual. This first factor includes 3 statement Dividends paid, Affordable share price, Expected Dividends. The second factor includes another four statement that are, expected corporate earnings, Stock Marketability, Expected

Losses in international financial, Condition of financial statements. The third factor includes three statement like Coverage in the press, Statements from government officials, Current economic indicators. Further fourth factor cover four statement which are Insiders' information, Rumours, Expected Losses in other local investments, Minimizing risk. Factor five, six, seven, eight and ten all includes threestatements. Whereas factor nine covers only two statements. Expected stock split or capital increase - this statement is not covered by any of the factor that means we will consider it as an outlier component, and also factor 11 is considering only one statement for that also we will discounting it so we get an accurate result and 10 factors.

**Table 3: The table show result of Descriptive statistics**

Do you have knowledge about financial planning?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	91	60.3	60.3	60.3
	no	31	20.5	20.5	80.8
	some	29	19.2	19.2	100.0
	Total	151	100.0	100.0	

**Interpretation:**

From the above table we can clearly say that 60% respondents have proper financial knowledge where as 21% respondents does not have financial knowledge and there are 19% respondents who have some part of financial knowledge.

CHI SQUARE TEST

**Table 4: The table show result of Chi Square testing**

	Chi-Square	df	Asymp. Sig.
Reputation of the firm's shareholders	6.185	4	0.185722
"Get rich quick"	2.94	4	0.567849

Firm status in industry	7.179	4	0.126735
Perceived ethics of firm	7.245	4	0.123492
Past performance of the firm's stock	4.066	4	0.397117
Reputation of the firm	6.384	4	0.172241
Expected bonus shares	3.603	4	0.462443
Diversification purpose	8.04	4	0.090133
Broker recommendation	3.47	4	0.482424
Stock Marketability	6.583	4	0.159649
Dividends paid	16.715	4	0.002195
Affordable share price	11.086	4	0.025613
Government holdings	4	4	0.406006
Information obtained from the internet	1.616	4	0.805933
Fluctuation/developments in the stock index	7.377	4	0.117235
Coverage in the press	12.013	4	0.017253
Statements from government officials	9.497	4	0.049815
Current economic indicators	6.318	4	0.176633
Recent price movement in a firm's stock	9.762	4	0.044641
Financial advisors and analysts	3.801	4	0.433561
Minimizing risk	12.609	4	0.013351
Expected Losses in international financial	4.066	4	0.397117
Expected Losses in other local investments	3.007	4	0.556718
Buying a single company stock usually provides a safer return than a stock in mutual funds	3.404	4	0.492629

**Interpretation:**

Null Hypothesis (H0): There is no significance difference between Individuals age and Investment decision affecting factor.

Alternative Hypothesis (H1) : There is a significance difference between Individuals age and Investment decision affecting factor.

With the help of chi-square test researcher can conclude that there is no significance difference between Individuals age and Investment decision affecting factor.

**Conclusion:**

**H0 is accepted. That means individuals investment decision is not affected by the age factor.**

**KRUSKAL WALLIS TEST**

**Table 5: The table show result of Kruskal Wallis testing**

	N	Median	Chi-Square	df	Asymp. Sig.
Do you have knowledge about financial planning	151	1	4.159b	3	0.244845
Does your household have a budget	151	1	5.851c	3	0.119081
Is Your spending being within your budget	151	1	1.650d	3	0.648037
Are you doing savings	151	1	1.579e	3	0.664098
Are you investing your savings	151	1	6.235f	3	0.100727
Are you investing your money in stock market	151	1	8.917g	3	0.030414
Are you investing in Mutual funds	151	1	6.038b	3	0.109788

### Interpretation:

Null Hypothesis (H0) : There is no significance difference between Individuals financial planning and education.

Alternative Hypothesis (H1) : There is a significance difference between Individuals financial planning and education.

With the help of Kruskal Wallis test researcher can conclude that there is no significance difference between Individuals financial planning and education.

### Conclusion

**H0 is accepted. That means individuals investment decision is not affected by the age factor.**

### FINDINGS

- This research study is mainly concerned with the analysis of an individual's financial literacy, financial planning awareness, and investment decision.
- Respondents prefer more invest in securities as compared to other options, and many factors are highly affecting the decisions of an individuals while investing.
- Majority of the respondents (46%) are below age 25, whereas only few (4%) are above age 65, and others (50%) are between age 26 to 60 years.
- There are nearly equal responses collected from male (54%) and female (46%).
- Maximum respondents are post graduated (44%), and on the second rank (34%) are graduated respondents. On the other hand, only few (3%) are doctorate and (19%) are having schooling or high school education.
- Among the total 151 respondents 73% has a house hold budget, and 70% are doing savings and also investment their savings.
- Majorly preferable investment options are stock and mutual fund. Nearly 60% respondents are investing their saving in stock market and mutual funds.
- Only 40% respondents scored above 12 out of 18, that means a financial literacy level is very low.
- Respondents are highly preferred to invest their fund or saving in the security market or a stock market. The stock market and mutual funds are the most preferable options of investments.

### CONCLUSION

- ✓ The present study on financial literacy and financial planning covers different districts of Gujarat state. The result of this research shows that the majority of the respondents are not financially literate, although they have some financial knowledge regarding financial planning and investments but they are not fully are about the financial planning and market.
- ✓ In security market risk is very high, so that the respondent's awareness matters for all financial and investment decisions.
- ✓ For long term or medium-term investment options individuals select a stock market as a good option.
- ✓ Majority of the respondents who are investing their finance in the stock market or mutual funds has gain more than they had invested.
- ✓ Still respondents have the lack of financial literacy but it can be improved in near future with help of financial educations and upcoming services.
- ✓ Only 40% respondents scored above 12 out of 18, that means a financial literacy level is very low.

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