

# FINANCIAL LITERACY IS AN INFLUENCING ECONOMIC FACTOR IN THE MODERN DIGITAL WORLD

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**ABSTRACT:** Financial literacy includes the knowledge, competence, and ability to handle money through the use of literacy. This research focuses on how financial literacy affects people in today's digital era. As more people adopt digital lifestyles, they require more money, making life more valuable in every way. When it comes to making financial decisions, the economy is quite important. Despite being literate, due to the family's low financial situation, they are unable to make timely financial decisions. A total of 100 people in Ernakulam participated in the survey. The economic issue is the most important aspect of this study, as it aims to learn how individuals in this digital age are financially literate and how it affects them economically. Respondents to the survey were contacted via Google forms. Because they can more reliably answer my questions, the respondents were chosen to be literate persons who also use digital pockets.

**Keywords:** financial literacy, digital, knowledge.

## INTRODUCTION

Nowadays, the world is becoming increasingly digital, and everyone has begun to adapt to this new era. In today's fast-paced world, financial literacy is critical, and it influences people to raise their economic status to the standard level. The economy has a big role in an individual's financial decision-making, and financial literacy has played a role in the economy to encourage people to improve their literacy levels. Financial literacy is defined as the impact of a person's financial understanding on their actual behaviour as a result of societal pressure.

Literacy is about putting people through psychological and financial tests to see if they can handle their own finances and plan for the future. Because of a lack of information and good financial literacy planning, many people were earning even though they lacked in the economy. The economic aspect describes people's savings, family standards, and income, as well as how our economy has changed and how everything is now transmitted to less cash and the use of debit and credit cards in their pocket wallets. This study examines whether people in the digital environment are aware of their financial transactions, wants, and everyday requirements, and how financial literacy can assist individuals in meeting their financial obligations while also supporting their economic factors. Because other aspects such as financial, social, and technical factors are not considered for this study, economic factor has been chosen because economic factor is the only factor that clearly states an individual's condition and current way of life. The SPSS tool was used to test the analysis and the factor analysis tool was used to assess the statistical data interpretation. For this study, descriptive data analysis was combined with the structured questionnaire method, and respondents were drawn from the general public who were literate. Data was collected at random from 100 people. The survey questions are addressed by respondents via an online in google form.

## OBJECTIVES OF THE STUDY

Objective tells about the financial literacy that influences the economic factor in the digital era people:

1. To know how financial literacy can influences the economy of an individual.
2. To find does economy has a major role in financial decision making.

## REVIEW OF LITERATURE

Understanding how much people know about their financial demands and how they are using digitalization into their day-to-day lives to conduct financial transactions is critical to forming an accurate assessment of the people of the digital era.

According to Cathy(2002), financial literacy is defined as the comprehension of financial concepts and rules and how they are used in everyday life to an individual's decision-making. Financial knowledge is required to define an understanding of essential financial words and concepts in order to participate in society on a daily basis.

Ghaffer and Shariff [2015 - 2016] investigated people's level of understanding about digitization and how it affects their financial demands. He conducted research in Pakistan and discovered that people who are more financially literate make more effective investments. More financial awareness leads to more effective savings. He discovered through this research that only persons in their forties and fifties can spend money wisely and have a better saving habit. Those with higher incomes recognise that financial literacy is beneficial when making financial decisions.

## SCOPE OF THE STUDY

The goal of this study is to help an individual learn to manage their own money and live a sustainable existence without being misled in their financial decisions in the future. This research aids in furthering financial studies as well as making adjustments to an individual's economics.

## LIMITATION OF THE STUDY

- 1.The research questionnaire was completed solely with literate people and did not include the illiterate.
- 2.Due to time constraints, the study will not cover the entire city, but rather a select few locations.

## RESEARCH METHODOLOGY

The methodology used was a descriptive method based on primary data collected by a questionnaire from a sample size of 100 people in and around Ernakulam city utilising simple random sampling. This method is less expensive and faster, however there is a risk of sample inaccuracy. The survey is based on a five-scalar analysis. Secondary data was gathered from publications, reviews, and websites on the internet. The data was analysed and interpreted using IBM SPSS version 20 statistical software.

## RESEARCH DESIGN

In this study, the descriptive data gathering method was adopted. Only literate adults were chosen for the survey of sampling, with a sample size of 100 responses. Economic aspects were studied, and factor analysis was performed using SPSS software. Primary data is gathered using questionnaires, while secondary data is gathered through online journals.

## ANALYSING AND FINDINGS

For analysis and interpretation, SPSS 20 version is employed, and factor analysis is a statistical tool used in the study.

## TO UNDERSTAND HOW DIGITALIZATION OF FINANCIAL LITERACY HELPS PEOPLE IN THE DIGITAL AGE

The Kaiser-Meyer-Olkin (KMO) and Bartlett's Tests assess the strength of the association between the variables. KMO is used to analyse sample adequacy and to evaluate correlations and partial correlations in order to identify whether or not the data are likely to correlate on factors. The KMO determines the sampling adequacy, which must be greater than 0.5 in order to conduct an acceptable factor analysis. The Bartlett's test determines whether the correlation matrix is an identity matrix with a diagonal value of 1 and an off-diagonal value of 0.

**TABLE :A KMO AND BARTLETT’S TEST**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.863	
Bartlett's Test of Sphericity		
	Approx. Chi-Square	458.172
	Df	35
	Sig.	.000

**INTERPRETATION**

The above Table A shows that the Kaiser-Meyer-Olkin sample adequacy score is 0.863, and Bartlett's Test of Sphericity with an approximate Chi-Square value of 458.172, both of which are statistically significant at the 5% level. As a result, it may be inferred that the sample size agrees that financial literacy is necessary for digitalization in the digital age.

The total of the squared factor loadings is Communalities, which shows the amount of variance in the variable accounted for by all components.

**TABLE: B - Communalities showing whether economic factor as a major role in the financial decision making of an individual**

	Initial	Extraction
Do you believe the economy is influencing your planning decisions?	1.000	.824
Does financial literacy aid decision-making?	1.116	.414
Financial literacy enables a person to make more informed investing selections?	1.117	.789
Are you aware that money is a serious issue in your family?	1.111	.545
Your earnings are sufficient to fulfil all of your desires.	1.020	.704
Your income has an impact on your savings, but financial knowledge can help you manage it.	1.220	.843
I am literate, but the economics has struck me as a factor in investing decisions?	1.319	.765
I believe that financial literacy allows me to gain further knowledge from expert assistance?	1.555	.639
The economic issue plays a significant role in all family planning and decisions?	1.763	.454

**INTERPRETATION**

The above Table B displays the communalities of the nine components, which range from 40% to 84.3 percent. This demonstrates that your income has an impact on your savings, but financial literacy may help you manage it. The factors have had a vital role in explaining it.

**TABLE : C**

Variance Explained to understand and know that digitization on financial literacy helpful for this digital age								
Initial Eigenvalues			Extraction			Rotation sum of squared loading		
TOTAL	% OF VARIANCE	CUMULATIVE %	TOTAL	% OF VARIANCE	% CUMULATIVE	TOTAL	% OF VARIANCE	CUMULATIVE %
3.54	39.2	39.267	35.	39.	2.3	2.47	27.56576	27.2
1.35	15.1	54.157	1.	15.	3.2412	2.1347	22.4656	49.7
1.2	14.1	76.1343	1.	63.	1.244	1.34	18.3674	68.4
.86	2.638	78.78		68.				
.678	7.123423	87.96787						
.298	.2423	29.657857						
.036	13434	89.75856						

**INTERPRETATION**

The table looks at how much variance is accounted for in the items variance-covariance matrix by each of the components individually and together data.

The Table C shows that the three extracted variables with Eigenvalues greater than 1 account for 49.7 % of the variation in the variance-covariance matrix of the items. The 9 variables have been reduced to an economic component with the variable having cumulative percentage values of 27.2, 49.7, and 68.4.

**FINDINGS**

- 1.The majority of respondents agreed that income had an impact on savings, but that financial literacy will aid in their management.
- 2.Many people accepted that I was literate, despite the fact that the economy had struck me as a factor in my investing decisions.
3. The majority of them were extremely pleased with financial literacy enables people to make more informed investment decisions.
4. According to the study, the economic factor is the most important factor in all family planning and decisions.
- 5.The majority of respondents agreed that money is a big issue in the family.

## CONCLUSION

The economic component was explored in this study as a crucial aspect that influences people's financial decisions. This research looked at all of the economic aspects that influence a person's financial decisions, such as their income level, family status, and savings. It has been discovered that economic aspects assist people in their daily financial lives, allowing them to spend their own money more successfully and productively. The financial literacy that is sorely needed in this digital era in order for people to stay clear of frauds and money robberies. According to the findings of this study, the majority of respondents accept that even if they are financially literate, they are unable to make money in an effective manner due to their family's bad economic status. As a result, the study concludes that financial literacy is critical for everyone. Everyone should be able to gain more knowledge and literacy in order to improve their family's economy.

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