

Tech-Savvy Wealth: How Digital Financial Literacy is Redefining Saving and Investment Behaviour in India

Shilpa Gawande¹, Dr. Shabana A. Memon^{2*}

¹Department of Management, Symbiosis Center for Distance Learning, Pune, India

^{2*}Department of Management, Bharati Vidyapeeth (Deemed to be University), Institute of Management, Kolhapur, India

*Corresponding author: Shilpa Gawande¹,

Department of Management, Symbiosis Center for Distance Learning, Pune, India

Email: shilpa.deshmukh84@gmail.com

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ABSTRACT

The expansion of digital financial tools in India has significantly impacted saving and investment behaviors. However, despite the growth of digital platforms, the level of digital financial literacy among the population remains varied, influencing how effectively individuals manage their finances. This study aims to explore the relationship between digital financial literacy, saving, and investment behavior in India. It investigates the key factors that contribute to digital literacy, examines trends in saving and investment behaviors influenced by digital tools, and identifies barriers and opportunities for enhancing financial literacy. The research employs both qualitative and quantitative methods to assess the state of financial literacy and its impact on saving and investment decisions, with a particular focus on the urban-rural divide.

INTRODUCTION

India, with over 1.4 billion people, is experiencing rapid growth in digital financial services, thanks to advancements in mobile technology, fintech startups, and government initiatives such as the Digital India program. The accessibility of digital platforms has enabled many to save and invest more conveniently. However, digital financial literacy remains a challenge, particularly in rural areas where traditional financial education models are less accessible. (Mahajan & Singh, 2021; Patel & Mehta, 2020).

Digital financial literacy refers to the ability to effectively use digital financial tools for managing one's finances, such as mobile wallets, online banking, stock trading apps, and mutual fund platforms (Kumar & Yadav, 2022; Sharma & Sahu, 2021). Financial literacy is critical for making informed decisions regarding saving, investment, and risk management. The lack of digital financial literacy could lead to financial mismanagement and a higher susceptibility to fraud, despite the potential benefits of these platforms.

This paper aims to analyze how digital financial literacy influences saving and investment behavior in India and identifies the barriers to financial literacy in different regions and demographic groups.

Objectives of the Study:

1. **To assess the level of digital financial literacy in different regions of India**, focusing on urban and rural populations, and its impact on saving and investment behaviors.
2. **To examine the relationship between digital financial literacy and saving behavior** among Indian individuals, particularly how digital tools influence their saving patterns.
3. **To evaluate the impact of digital financial literacy on investment decisions** in India, with a focus on the adoption of digital investment platforms like mutual funds, stocks, and ETFs.
4. **To identify the key barriers to digital financial literacy** in India and propose recommendations for overcoming these challenges to foster more inclusive financial behavior.

Literature Review

2.1 Digital Financial Literacy

Digital financial literacy plays a vital role in determining how effectively individuals can use digital tools for saving and investment. According to the Reserve Bank of India (2020), digital financial literacy is necessary for participants to comprehend digital transactions, manage finances through apps, and protect themselves from cyber threats. Research by Sharma and Sahu (2021) emphasizes that a significant portion of India's population is still unfamiliar with advanced digital financial services, such as online stock trading or cryptocurrency investments.

2.2 Saving Behavior in India

Traditionally, Indian households preferred tangible forms of saving like gold, fixed deposits, and cash savings. However, as digital platforms have proliferated, mobile banking and digital wallets are now part of regular saving behavior. Gupta and Joshi (2021) observed that 45% of urban households in India now use digital apps to manage their savings. Conversely, rural households continue to rely heavily on traditional saving methods due to limited access to mobile internet and digital tools (Patel & Mehta, 2020).

2.3 Investment Behavior in India

Investment behavior has also evolved with the introduction of digital platforms. As Agarwal and Tiwari (2021) suggest, a shift toward stock markets, mutual funds, and exchange-traded funds (ETFs) has become more prominent, particularly among the younger, tech-savvy population. Digital tools make it easier for individuals to access investment opportunities that were previously available only to the wealthy. Sharma and Kapoor (2022) confirm that digital investment platforms have lowered the entry barriers, enabling broader participation in financial markets.

2.4 Challenges in Digital Financial Literacy

Despite the rapid adoption of digital tools, India still faces significant challenges in digital financial literacy. Mahajan and Singh (2021) highlight a digital divide between urban and rural areas, with urban populations demonstrating a higher level of engagement with digital platforms. Barriers such as lack of trust, limited internet access, and financial exclusion are preventing rural populations from participating in digital financial services (Tiwari, 2022; Patel & Mehta, 2020).

3. Methodology:

A **mixed-methods** approach was used for this research, combining both **quantitative** and **qualitative** data collection techniques to capture the nuances of digital financial literacy and its impact on saving and investment behavior in India.

- **Quantitative Data:** A **survey** was conducted with 1,000 respondents from diverse backgrounds, including rural and urban regions, across multiple states of India. The survey measured respondents' digital financial literacy, saving habits, and investment behavior.
- **Qualitative Data:** In-depth **interviews** were conducted with financial advisors, bank managers, fintech professionals, and educators to gain insights into the practical challenges and opportunities related to digital financial literacy.

4. Data Analysis and Discussion:

4.1 Digital Financial Literacy and Saving Behavior

The survey data revealed that individuals with higher levels of digital financial literacy exhibited greater use of digital tools for saving purposes. Below is a table summarizing the relationship between **digital financial literacy** and **saving behavior** across different income group

Table [SJ1]1: Digital Financial Literacy and Saving Behavior

Income Group	Low Digital Financial Literacy (%)	Medium Digital Financial Literacy (%)	High Digital Financial Literacy (%)	Use of Digital Saving Tools (%)
Urban High Income	18%	32%	50%	72%
Urban Medium Income	20%	40%	40%	65%
Rural High Income	25%	35%	40%	55%
Rural Medium Income	40%	30%	30%	45%

Interpretation:

Table 1 indicates that individuals with high digital financial literacy are more likely to use digital saving tools, especially in urban areas. In contrast, rural areas have lower participation rates in digital saving behavior due to factors such as limited access to the internet and digital literacy gaps (Patel & Mehta, 2020).

4.2 Impact of Digital Financial Literacy on Investment Behavior

The following table summarizes the adoption of digital investment tools (like mutual funds, stocks, ETFs) among individuals with varying levels of digital financial literacy, segmented by age groups.

Table 2: Digital Investment Behavior by Digital Financial Literacy and Age Group

Age Group	Low Digital Financial Literacy (%)	Medium Digital Financial Literacy (%)	High Digital Financial Literacy (%)	Investment in Digital Platforms (%)

18-24 Years	8%	17%	75%	55%
25-34 Years	10%	25%	65%	60%
35-44 Years	15%	35%	50%	58%
45+ Years	18%	40%	42%	50%

Interpretation:

Table 2 shows that **younger individuals** (18-34 years old) with **high digital financial literacy** are more likely to adopt **digital investment platforms**, with a significantly higher rate of participation compared to older individuals (Agarwal & Tiwari, 2021; Sharma & Kapoor, 2022). The adoption rate decreases with age, although the pattern remains consistent across income groups.

4.3 Barriers to Digital Financial Literacy

To understand the barriers faced by individuals in adopting digital financial tools, Table 3 presents the **reasons for not using digital financial services** based on survey responses.

Table 3: Barriers to Digital Financial Literacy

Barrier	Urban Respondents (%)	Rural Respondents (%)
Lack of Trust in Digital Platforms	15%	45%
Limited Internet Access	10%	30%
Lack of Financial Knowledge	12%	25%
Fear of Cyber Fraud	20%	50%
No Need for Digital Services	30%	15%

4.4 Socioeconomic Influence on Digital Financial Behavior

The data analysis also revealed that socioeconomic factors such as **income level, education, and age** significantly influenced saving and investment behavior. Higher-income individuals were more likely to use digital financial tools for both saving and investing. Similarly, those with higher levels of formal education, particularly in urban areas, demonstrated better digital financial literacy and were more active in investing in equities, mutual funds, and digital insurance (Gupta & Joshi, 2021; Verma & Singh, 2021).

5. Recommendations:

5.1 Financial Literacy Programs

To address the literacy gap, targeted digital financial literacy programs should be launched, especially in rural areas. These programs should cover basics like online banking, digital wallets, and mutual funds. Financial institutions and government bodies should collaborate to create these educational resources, using local languages and community-based workshops.

5.2 Building Trust in Digital Platforms

Trust-building initiatives are essential to increasing the adoption of digital financial services. This can include showcasing successful case studies, improving transparency in digital transactions, and ensuring high-security standards in financial apps. Financial literacy campaigns should emphasize the security features of digital platforms to reduce apprehension about fraud.

5.3 Infrastructure Improvement

Improving internet connectivity in rural areas is a long-term solution that will enable more people to access digital financial services. Government initiatives focused on expanding digital infrastructure could help bridge the digital divide and enable rural populations to benefit from digital financial tools.

5.4 Incentives for Digital Adoption

To encourage the adoption of digital financial tools, financial institutions could offer incentives such as lower transaction fees, discounts, or bonus rewards for users who actively engage with digital platforms for savings or investments. Additionally, government policies could include tax breaks for digital investments or cashback offers for digital transactions.

6. Conclusion:

The research highlights the significant role of digital financial literacy in shaping saving and investment behaviors in India. While digital platforms have the potential to foster greater financial inclusion, the current gaps in literacy, trust, and access particularly in rural areas pose challenges to their widespread adoption. By enhancing digital financial literacy, addressing barriers to trust, and improving infrastructure, India can unlock the full potential of its digital financial ecosystem, promoting more inclusive financial growth and empowering individuals to make informed financial decisions.

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