IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Factors Influencing The Adoption Of Digital Finance Among The Millennial Consumers In Kerala

Dr. Mahija K
Associate Professor of Commerce
Government Victoria College
Palakkad, Kerala -678001

Dr. Jeeja K S
Associate Professor of Economics
Government Victoria College
Palakkad, Kerala -678001

Abstract: The adoption of digital finance has grown rapidly in recent years, particularly in developing countries where traditional banking services may be limited or inaccessible. Digital finance has the potential to improve financial inclusion, allowing more people to access and use financial services to improve their lives. This research aims to explore the factors influencing the adoption of digital finance among millennial consumers. The researcher used a descriptive research design and collected data from 130 millennial consumers in Kerala aged between 18 and 34 years old. The collected data were analyzed using descriptive and inferential statistics. The findings of this study could contribute to the existing literature on the adoption of digital finance among millennial consumers and might be useful to financial institutions and policymakers seeking to improve the adoption of digital finance.

Keywords: Financial Inclusion, Digital Finance, Millennial consumers

Introduction

Digital finance is a broad term that refers to the use of technology to deliver financial services, including payments, savings, lending, and insurance. Digital finance includes various types of financial technology (FinTech) services, such as mobile banking, online payment platforms, digital wallets, and peer-to-peer lending. Millennials, defined, as individuals born between 1981 and 1996, are a large and influential demographic that are often early adopters of new technologies. By examining the factors that influence the adoption of digital finance among millennials, this research can provide insights into strategies for promoting the adoption of digital finance and improving financial inclusion among this important demographic. Digital finance offers several advantages to customers, including convenience, accessibility, and security. With digital finance, customers can access financial services at any time and from any location using their smartphones or computers. This makes it easier for customers to manage

their finances and make transactions, without the need to visit physical bank branches or carry cash. Digital finance also offers greater accessibility to financial services for people who live in remote or underserved areas, or for people with disabilities who may find it difficult to access traditional financial services.

Digital finance has emerged as a key driver of financial inclusion and economic growth, offering greater convenience, accessibility, and security to consumers around the world. However, the adoption of digital finance is not uniform across different segments of the population, and factors influencing the adoption of digital finance may vary depending on demographic characteristics. This research aims to explore the factors that influence the adoption of digital finance among millennial consumers.

Review of Literature

In recent years, various financial institutions have taken a digital route and a collaborative move with the FinTech firms to meet the customers' needs. The development of technology has resulted in flexible payment channels and it provides the bank customers with user-friendly bank services. **Das, A., & Das, D. (2020)** examined the Perception, Adoption, and Pattern of Usage of FinTech Services by Bank Customers in Hojai District of Assam, India. The researchers revealed that the majority of bank customers in the Hojai district are aware of FinTech services, but their adoption and usage of these services is relatively low. The researchers identified factors such as lack of awareness, trust, and digital literacy as major barriers to adoption, and suggested that banks can take steps to address these barriers and encourage greater adoption of FinTech services among their customers. **Misal, R. N., & Kanthe, R. U. (2022)** explored the awareness and adoption of financial technology (FinTech) by customers of Equitas Small Finance Bank in India. The researchers studied the emergence and growth of FinTech services in the financial industry. The study focused on Equitas Small Finance Bank, describing its use of various FinTech tools and platforms to offer customer services, and provide a detailed account of the methodology used in the study. The findings revealed that the majority of customers of Equitas Small Finance Bank are aware of the FinTech services offered by the bank, and a significant proportion have adopted these services. The researchers identified the factors such as ease of use, convenience, and speed as important drivers of adoption, and suggest that banks can take steps to further enhance the customer experience and encourage greater adoption of FinTech services. **Chan et al. (2022)** examined the factors influencing the adoption of open banking services by consumers. The researchers provided a thorough review of relevant literature and theoretical frameworks, and their empirical findings shed light on the attitudes and behaviors of consumers towards open banking services. The study used a qualitative approach, including in-depth interviews with 32 consumers, allows for a detailed and nuanced analysis of the factors influencing the adoption of open banking services. The authors provide rich and detailed accounts of the experiences and perspectives of these consumers, and the analysis is grounded in a solid theoretical framework. The study identified the factors such as trust, privacy, and perceived benefits as major drivers of adoption, and suggest that banks can take steps to address these factors and encourage greater adoption of open banking services among their customers**. Hassan et al.**

(2023) investigated the factors that affect the acceptance of Islamic mobile FinTech services. The study uses a modified UTAUT2 (Unified Theory of Acceptance and Use of Technology) approach to investigate the determinants of acceptance among users of Islamic mobile FinTech services. The study suggested that performance expectancy, social influence, facilitating conditions, and self-efficacy are important determinants of Islamic mobile FinTech service acceptance, while effort expectancy and hedonic motivation do not have a significant effect on acceptance.

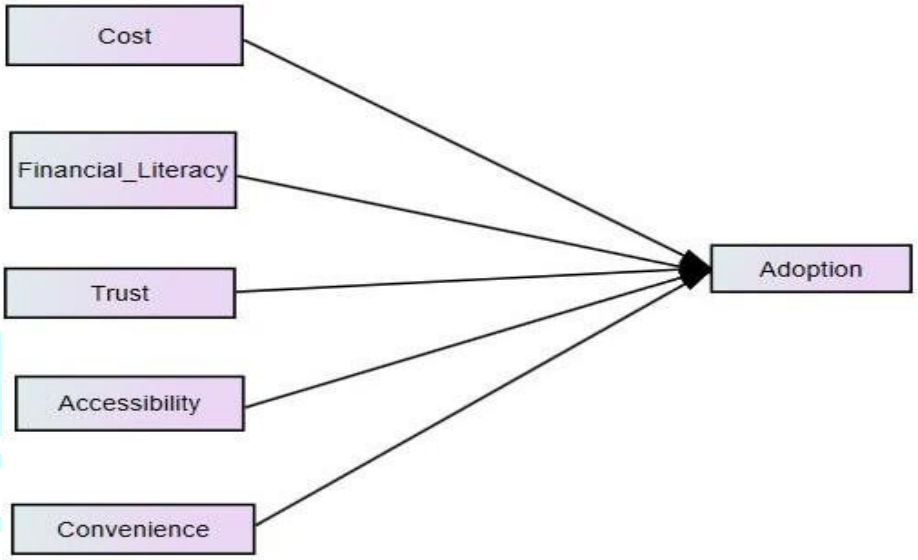

Figure 1 Proposed Research Model

Objective of the study

- To explore the factors influencing the adoption of digital finance among the millennial consumers in Kerala with special reference to Palakkad district.

Hypothesis of the study

H_0: There is no significant impact of factors such as cost, convenience, trust, financial literacy, and accessibility on the adoption of digital finance among millennial consumers in Kerala.

Research Methodology

The researcher used descriptive research design. The researcher collected data from 130 respondents from Palakkad district. Purposive sampling method is used for collecting the data. The target population will be millennial consumers who are aged between 18 and 34 years old in Palakkad district. A structured self-administered questionnaire used for collecting the primary data. The regression analysis used to determine the relationship between the independent and dependent variables.

Analysis and Discussion

Exploratory Factor Analysis

KMO and Bartlett's Test used to determine the suitability of the data for factor analysis. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) to measure the proportion of variance in the data that might be caused by underlying factors. It indicates the extent to which the data is suitable for factor analysis. KMO values range from 0 to 1, with values closer to 1 indicating that the data is better suited for factor analysis.

Table 1
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.802
Bartlett's Test of Sphericity	Approx. Chi-Square	1045.88
	df	105
	Sig.	.000

(Source: Computed data)

KMO value of 0.802 suggests that the data is suitable for factor analysis, as the value is above the recommended threshold of 0.60. In this case, the approximate chi-square value is 1045.88 with 105 degrees of freedom, and a p-value of .000, indicating that the null hypothesis is rejected and the data is suitable for factor analysis.

Table 2

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.219	41.462	41.462	6.219	41.462	41.462	2.416	16.106	16.106
2	1.592	10.611	52.073	1.592	10.611	52.073	2.32	15.466	31.572
3	1.405	9.365	61.438	1.405	9.365	61.438	2.205	14.699	46.271
4	1.156	7.707	69.146	1.156	7.707	69.146	2.201	14.671	60.942
5	0.881	5.876	75.022	0.881	5.876	75.022	2.112	14.08	75.022
6	0.682	4.547	79.569						
7	0.589	3.929	83.498						
8	0.508	3.385	86.882						
9	0.471	3.142	90.024						

10	0.399	2.662	92.686						
11	0.315	2.097	94.784						
12	0.291	1.939	96.723						
13	0.214	1.425	98.148						
14	0.144	0.958	99.106						
15	0.134	0.894	100						
Extraction Method: Principal Component Analysis.									

(Source: Computed Data)

The above table shows the total variance explained in the factor analysis. The above table reveals that out of the 15 Statements about adoption of digital finance among millennial consumers in Kerala, five factors have been extracted and these five factors explain the total variance of factors influencing the adoption of digital finance to the extent of 75.022 %.

Table 3

Factors influencing the adoption of digital finance

Factor Name	Items	Factor Loading	Total Variance Explained
Trust	I trust digital finance platforms to keep my financial information secure.	0.825	16.11%
	I trust digital finance platforms to process my financial transactions accurately and efficiently.	0.779	
	I am confident that digital finance platforms have adequate security measures in place to prevent fraud and unauthorized access to my financial information.	0.731	
Cost Saving	I find that digital finance offers lower transaction fees than traditional banking methods.	0.874	15.46%
	I am willing to pay a small fee for the convenience of using digital finance platforms.	0.803	
	The cost savings of using digital finance is an important factor in my decision to use it over traditional banking methods.	0.766	
Accessibility	Digital finance platforms make it easier for me to access financial services from any location at any time.	0.892	14.70%
	I feel more connected to my financial accounts and transactions when using digital finance platforms.	0.860	

	The accessibility of digital finance platforms is an important factor in my decision to use them over traditional banking methods.	0.544	
Convenience	Digital finance offers a more convenient way to access financial services than traditional banking methods.	0.841	14.67%
	Digital finance allows me to manage my finances more efficiently and effectively.	0.833	
	I find it easy to use digital finance platforms for my financial transactions.	0.672	
Financial literacy	I have a good understanding of how to use digital finance platforms for my financial transactions.	0.791	14.08%
	I am confident in my ability to make informed decisions when using digital finance platforms.	0.724	
	I am knowledgeable about the benefits and risks of using digital finance platforms.	0.640	

(Source: Computed Data)

Exploratory Factor Analysis (EFA) used to identify the underlying factors that influence the adoption of digital finance among millennial consumers in Kerala. The extracted factors named and interpreted based on the observed variables that load onto them. From the Rotated Factor Loadings, it has been identified that the 15 statement belong to five factors, which explained about 75.02% of the variance. The researcher named the five factors according to the literature review. First factor named as trust and explained by 16.11%, second factor named as cost saving and explained by 15.46%, third factor named as accessibility and explained by 14.75, fourth factor named as convenience and explained by 14.67% and fifth factor named as financial literacy and explained by 14.08%.

H_0: There is no significant impact of factors such as cost, convenience, trust, financial literacy, and accessibility on the adoption of digital finance among millennial consumers in Kerala.

Table 4 Regression

Model	R	R Square	Adjusted R Square	Change Statistics		Durbin-Watson
				R Square Change	Sig. F Change	
1	.892[a]	.796	.788	.796	.000	1.542
a. Predictors: (Constant), Cost saving, Trust, Financial literacy, Accessibility, Convenience						
b. Dependent Variable: Adoption						

(Source: Computed data)

Table Number 4 presents the results of a regression model that investigates the relationship between several predictors and a dependent variable. The dependent variable in this case is Adoption of digital finance, and the predictors are Cost saving, Trust, Financial literacy, Accessibility, and Convenience. The R-value is 0.892. This value indicates a strong positive relationship between the predictors and the dependent variable. Moreover, the R-square value is 0.796, which means that

approximately 79.6% of the variation in the dependent variable is explained by the predictors. The Durbin-Watson statistic is used to test for the presence of autocorrelation in the residuals of the model. In this case, the value is 1.542, which indicates that there is no significant autocorrelation present in the residuals.

Table 5 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.059	5	5.212	96.887	.000[b]
	Residual	6.670	124	.054		
	Total	32.730	129			

(Source: Computed data)

The ANOVA table suggests that the regression model is a good fit for the data, and that the predictors are significant in explaining the variation in the dependent variables such as Cost saving, Trust, Financial literacy, Accessibility, and Convenience.

Table 6 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.096	.144		7.593	.000		
	Cost saving	.120	.022	.271	5.532	.000	.686	1.457
	Trust	.095	.032	.167	2.967	.004	.518	1.930
	Financial literacy	.095	.032	.164	2.941	.004	.528	1.893
	Accessibility	.168	.033	.256	5.134	.000	.659	1.518
	Convenience	.241	.033	.377	7.231	.000	.604	1.656

(Source: Computed data)

The table presents the coefficients for the regression model, including the intercept and the regression coefficients for each predictor variable. The coefficients provide information about the magnitude and direction of the relationship between each predictor variable and the dependent variable.

It is identified from the coefficient table, the variables like Cost saving (Beta Coefficient = .271, Sig = .000), Trust (Beta Coefficient = .167, Sig = .004), Financial literacy (Beta Coefficient = .164, Sig = .004), Accessibility (Beta Coefficient = .256, Sig = .000) and Convenience (Beta Coefficient =.377, Sig = .000) have significant positive effect on adoption of digital finance among millennials in Kerala, since all the significant values of predictor variables is less than 0.05. It reveals that the variables such as Cost saving, Trust, Financial literacy, Accessibility, and Convenience has the highest significant positive effect on adoption of digital finance. All the tolerance values are above 0.5, indicating that there is no serious collinearity issue among the predictor variables.

Conclusion

Digital finance has revolutionized the way people manage their money and has made financial services more accessible, convenient, and affordable for many individuals and businesses worldwide. One of the significant advantages of digital finance is that it eliminates the need for physical cash and traditional financial institutions, which can be costly, time- consuming, and inconvenient. Based on the analysis of the data, it can be concluded that there is a significant level of adoption of digital finance among millennials in Kerala. The regression model shows that the predictor variables, including Cost saving, Trust, Financial literacy, Accessibility, and Convenience, are all significant predictors of Adoption. This suggests that millennials in Kerala are motivated to adopt digital finance services due to their potential cost savings, trust in the system, financial literacy, ease of accessibility, and convenience. The ANOVA table shows that the regression model accounts for a significant proportion of the variance in the Adoption variable, with an R-squared value of .796. This indicates that the predictor variables explain approximately 80% of the variation in Adoption, and the model is a good fit for the data. Overall, the results suggest that digital finance has a promising future among millennials in Kerala, and service providers should focus on increasing accessibility, convenience, and financial literacy to encourage further adoption. However, it is essential to note that this study is limited to a specific population and may not generalize to other regions or populations. Future research can explore the factors that affect digital finance adoption in other regions or populations to provide a more comprehensive understanding of the phenomenon.

Reference

Akhtaruzzaman, Md., Md. Syedul Islam, Shibli Rubayat Ul Islam, Mohammad Rakib Uddin Bhuiyan, Mohammad Tareq, and Md. Jahir Uddin Palas. 2017. An Impact Study on Mobile Financial Services (MFSs) in Bangladesh. *Department of Communications and Publications, Bangladesh Bank. Retrieved September 27: 2020.*

Das, A., & Das, D. (2020). Perception, adoption, and pattern of usage of FinTech services by bank customers: Evidences from Hojai District of Assam. *Emerging Economy Studies*, *6*(1), 7-22.

Misal, R. N., & Kanthe, R. U. (2022). Awareness and Adoption of Financial Technology used by Equitas Small Finance Bank to offer Customer Services. *Journal of Positive School Psychology*, 4622-4629.

Chan, R., Troshani, I., Rao Hill, S., & Hoffmann, A. (2022). Towards an understanding of consumers' FinTech adoption: The case of Open Banking. *International Journal of Bank Marketing*, *40*(4), 886-917.

Hassan, M. S., Islam, M. A., Yusof, M. F. B., Nasir, H., & Huda, N. (2023). Investigating the Determinants of Islamic Mobile FinTech Service Acceptance: A Modified UTAUT2 Approach. *Risks*, *11*(2), 40.

Hu, Z., Ding, S., Li, S., Chen, L., & Yang, S. (2019). Adoption intention of fintech services for bank users: An empirical examination with an extended technology acceptance model. *Symmetry*, *11*(3), 340.

Jin, C. C., Seong, L. C., & Khin, A. A. (2019). Factors affecting the consumer acceptance towards fintech products and services in Malaysia. *International Journal of Asian Social Science*, *9*(1), 59-65.

Shaikh, I. M., Qureshi, M. A., Noordin, K., Shaikh, J. M., Khan, A., & Shahbaz, M. S. (2020).

Acceptance of Islamic financial technology (FinTech) banking services by Malaysian users: an extension of technology acceptance model. *foresight*, *22*(3), 367-383.

Sumathy, M., & Sujith, T. S. (2018). Effect of Brand on Customer Loyalty among SBI Banking Customers. *International Journal of Scientific Engineering and Research*, *6*(9), 2015–2018.

Tamilmani, K., Rana, N. P., & Dwivedi, Y. K. (2019). Use of 'habit'is not a habit in understanding individual technology adoption: a review of UTAUT2 based empirical studies. In *Smart Working, Living and Organising: IFIP WG 8.6 International Conference on Transfer and Diffusion of IT, TDIT 2018, Portsmouth, UK, June 25, 2018, Proceedings* (pp. 277-294). Springer International Publishing.

T.S, S., & C.D, J. (2018). Environmental accounting : A conceptual study. *Internat Ional Journal of Applied Research*, *4*(12), 147–149.

T.S, S., & C.D, J. (2019). Antecedents of Customer or Member Loyalty in Primary Agricultural Credit Societies in Kerala. *Our Heritage*, *68*(21), 224–232.

Tarhini, A., El-Masri, M., Ali, M., & Serrano, A. (2016). Extending the UTAUT model to understand the customers' acceptance and use of internet banking in Lebanon: A structural equation modeling approach. *Information Technology & People*.

T.S, S., & K, M. N. (2019). How Mobile and Internet Banking Service Experience of Canara Bank Influence the Youngsters of Thrissur District. *International Journal of Research and Analytical Reviews (IJRAR)*, *6*(2), 792–799.

TS, S., & Sumathy, M. (2022). Application of Technology Acceptance Model (TAM) on Adoption of Food Delivering Applications (Apps.) among University students in Tamil Nadu.

T.S, S., and Sumathy, M. (2022). Technical and Scale Efficiencies in Primary Agricultural Credit Societies (PACS) in Kerala. *International Journal of Advanced Research in Science, Communication and Technology (IJARSCT), 2(1)*, 476–483. https://doi.org/10.48175/IJARSCT-2982.

T.S, S., and Sumathy, M. (2022). Does the Co-operatives Helps the Rural Development in India ? *Technoarete Transactions on Advances in Social Sciences and Humanities, 2(1)*, 11–15.

Usman, H., Projo, N. W. K., Chairy, C., & Haque, M. G. (2022). The exploration role of Sharia compliance in technology acceptance model for e-banking (case: Islamic bank in Indonesia). *Journal of Islamic Marketing*, *13*(5), 1089-1110.

Win, N. N., Aung, P. P., & Phyo, M. T. (2021). Factors Influencing Behavioral Intention to Use and Use Behavior of Mobile Banking in Myanmar Using a Model Based on Unified Acceptance Theory. *Human Behavior, Development & Society*, *22*(1).

Zhou, T., Lu, Y., & Wang, B. (2010). Integrating TTF and UTAUT to explain mobile banking user adoption. *Computers in human behavior*, *26*(4), 760-767.