



# Navigating The Digital Frontier: Role Of Digital Financial Literacy In Shaping The E-Payment Platform's Dynamics.

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## Abstract

Digital-financial education is a very important part of the modern finance and economy. It is a very essential part for success of digital financial inclusion via extensive use of e payment platforms. In the times of e-commerce, it is difficult to imagine the economy without e payment platforms. They are used in online shopping, money transfer, vendor payment as well as for investments.

**Purpose:** The paper deals with the impact of digital-financial literacy on the factors that are responsible for adoption and usage of e payment platforms (derived from TAM and its extension).

**Methodology:** The research was done on a sample size of 125 students in order to understand how digital financial literacy impacts Perceived Risk, Perceived usefulness, Perceived ease of use, Trust, Attitude and Behavioral intention towards usage of e payment platforms. Correlation and Regression was used to understand the relationship between the variable.

**Findings:** The impact of Digital financial literacy on Trust on e-payment platforms was found to be positively significant. It also has a significant impact on Behavioral intention to use e-payment platforms and Attitude towards e payment platforms ( $R^2$  values of .416, .650 and .606 respectively) while its impact on Perceived Risk was not found significant. Perceived usefulness and perceived ease to use the e payment platform also had positive correlations with Digital financial literacy.

**Originality:** The use of digital tools for financial services has achieved popularity in the recent times. It becomes important to understand how the digital financial literacy is impacting the usage of digital financial tools. The paper helps to understand how digital-financial literacy impacts the factors that are responsible for adoption and usage of e payment platforms. This paper will help not only help to understand these relations but also open ways for open ended studies of such relations.

**Key Words:** Digital financial literacy, Digital financial inclusion, e payment platforms, Perceived Risk, Perceived usefulness, Perceived ease of use, Trust, Attitude, Behavioral intention

## 1.1 Introduction

Financial literacy is the basis for wealth accumulation and retirement planning (Behrman et al., 2010). Financial literacy can be expressed as understanding the economic information and taking informed decisions related to household finance and investments considering risks and inflation. Futuristic approach is important. Planning the finances needs calculative skills which is related to financial literacy (Lusardi & Mitchell, 2011). Financial education programs and the drive to enhance financial literacy are being run all over the world but the current scenario, the world is getting digitalised and so are financial services. Digitalisation of financial services reduces cost and time required to access them. Technology is integral part of the financial world. Financial services can be accessed virtually instead of paying a visit to banks. There has been a drastic change in the number of mobile device and internet user which unlocks huge potential to banking industry (Gu, Lee & Suh, 2009).

E payment developed as a result of developing information technology and markets (Alarafee et al. 2022). It helps the user to access his financials remotely via electronic network (Teoh et al., 2013). The last two decades have exhibited an augmented growth in e commerce and has changed the way of business as well as payments (Herhausen et al., 2015). E payment platforms have removed the time and place constraint of traditional payment methods. Significant Researches on factors impacting adoption of e payments are available indicating aspects (but not limited to) such as perceive usefulness, perceive ease of use, Risk, cost, trust, security and convenience. Since digitalization in financial services has given birth to e payments, there is a scope of studying if digital financial literacy is impacting the factors that play a role in e payment adoption.

## 1.2 Literature review

Perceived usefulness is defined as the extent to which an individual believes that using a particular system or a technology would enhance his/her job performance (Davis, 1989). Sing & Nasuredin, (2023) in their study found perceived usefulness to hold significant relationship with the adoption of e-payment services. The respondents believe e-payment services to be convenient and effective. The findings of Sulaiman, (2023) suggested that higher degree of perceived usefulness and simplicity in the usage of the technology, higher will be the number of people who are attracted to adopt the e-payments systems.

For e-payment platforms Perceived usefulness is the perception of user that using such platforms will enhance their performance and are actually helpful to them. Where as, perceived ease to use indicated how effortless is the usage of e payment platforms (Davis, 1989). Both the factors play an important role in adoption of e payment platforms as they frame the behavioral intention and attitude toward usage. Where as Hsu & Lu (2004) objected that perceived usefulness and the perceived ease-of-use cannot reflect the actual adoption alone but are influenced by other factors as well.

Perceived ease of use refers to the degree to which a person believes that using a particular system or technology would be free from effort (Davis, 1989). This comes from the literal meaning of the term "ease", which means without putting in great effort or without difficulty. Perceived ease of use and student's decision to do online shopping using e-payments systems are positively and significantly correlated, this clearly indicates that easier it is to use e-payment, the more likely students are to use it to make their payments while doing online shopping (Nurhelmi et al., 2023). Perceived ease of use has to be considered as one of the important factors while building electronic payment systems in order to promote customer's willingness to use e-payment systems (Sarkam et al., 2022).

Perceived risk in financial services is high. There is an increase in online financial crime in the past decade. Data theft and identity theft are also part of such risk. Right information about avoiding, mitigating and readressal of financial risk may be helpful in reducing perceived risks in adoption of e payment platforms. Vinitha & Vasantha (2017) studied the factors influencing consumer's intention to adopt digital payment wherein perceived risk came out as one of the factors. Özkan et al (2010) in their study found that there is no relationship

between intention to adopt e-payment systems and perceived risk, which indicates that the risk involved in the online transactions have no impact on the e-payment adoption.

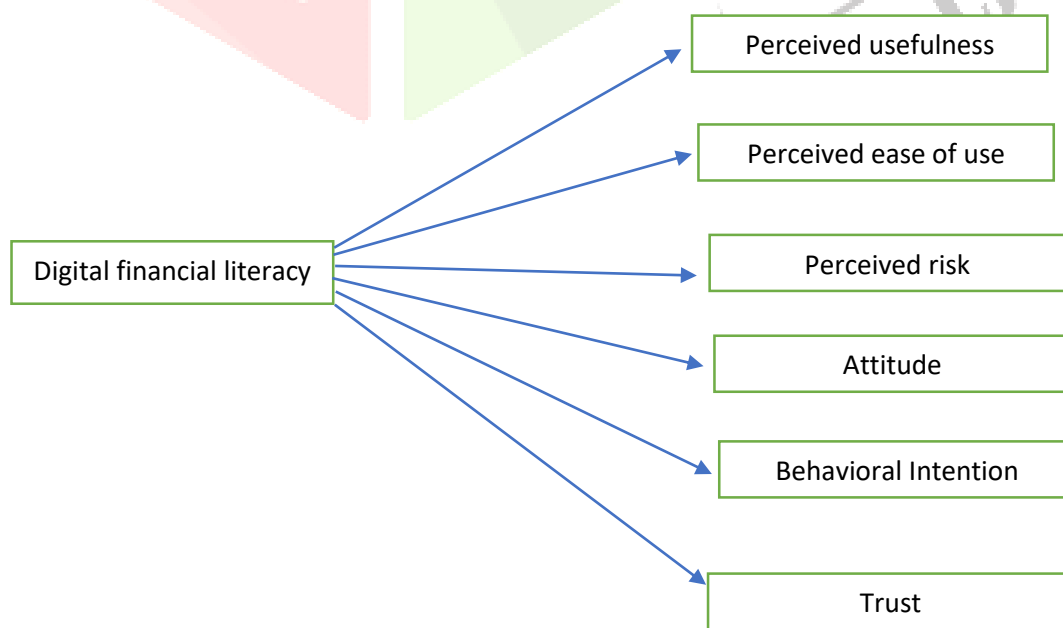
Perceived risk has a feature to make consumers reluctant to participate in online shopping. It puts the consumer in dilemma in the environment of internet which results in reduction of the shopping response (Pavlou, 2003). High level of uncertainty is associated with all kinds of online transactions. This uncertainty can be balanced with trust. Trust can be said as the users belief of e-payment platforms behaving in a socially responsible way (Pavlou, 2003). Trust and perceived risk plays an important role in acceptance of technology as they act as a major barrier to it.

Al-Sabaawi et al (2023) in their study done on e-payment system users found that trust has a positive and significant effect on the intention to adopt and use e-payment mode. This clearly indicates that when people have trust in the e-payment mechanism they tend to use more of such payment modes. Customer behavior and confidence in utilizing these services are significantly impacted by trust and security concerns in mobile banking. (Access et al., 2023). Nor & Won (2022) analyzed trust as one of the significant factors which affect the consumer’s acceptance of the e-payment systems.

In a survey of 325 students using questionnaire, Perceived usefulness was found to impact the e payment usage among Chinese college students (Nadler, Chen & Lin, 2019). Similarly, in a study of 406 consumers from Saudi, perceived ease of use and trust were found to be the factors that impact acceptance of e payments in Saudi (Ameerbakhsh, Alfsdli & Ghabban, 2021).

### 1.3 Research Methodology and Data Analysis

A well-structured questionnaire using five-point Likert scale was prepared in order to collect the data. A sample of 125 students was collected from students studying in various colleges of Gwalior region. Correlation and Regression was used to understand the relationship between the variables.



**Research Model** (Prepared by Researcher)

## Data Analysis

Reliability statistics was applied on all 33 items of the questionnaire and Cronbach Alpha was found to be .951.

Reliability Statistics	
Cronbach's Alpha	N of Items
0.951	33

The correlation values between Digital financial literacy and other variables of the study are indicated in the table below:

Correlations								
		DFL	T	A	B	PR	PU	PEU
DFL	Pearson Correlation	1	.645**	.778**	.806**	0.127	.712**	.537**
	Sig. (2-tailed)		0.000	0.000	0.000	0.158	0.000	0.000
	N	125	125	125	125	125	125	125

\*\* . Correlation is significant at the 0.01 level (2-tailed).

DFL showed a strong positive correlation with T,A,B and PU while moderate positive correlation with PEU.

Further testing the hypothesis for the proposed model of the study, the Null Hypothesis can be stated as follows:

H<sub>1</sub>: Digital financial literacy has no significant impact on Perceived usefulness of e payment platforms.

H<sub>2</sub>: Digital financial literacy has no significant impact on Perceived ease of use of e payment platforms.

H<sub>3</sub>: Digital financial literacy has no significant impact on Perceived risk of e payment platforms.

H<sub>4</sub>: Digital financial literacy has no significant impact on Trust on e payment platforms.

H<sub>5</sub>: Digital financial literacy has no significant impact on Behavioral intention of usage of e payment platforms.

H<sub>6</sub>: Digital financial literacy has no significant impact on Attitude towards usage of e payment platforms.

Regression was applied to test the hypothesis. The below table indicates the significance value, R<sup>2</sup> and F value for the relations tested.

Hypothesis	Regression Weight	Beta coefficient	R <sup>2</sup>	F	p-value	Hypothesis supported
H <sub>1</sub>	DFL to PU	.712	.506	126.193	.000	No
H <sub>2</sub>	DFL to PEU	.537	.288	49.845	.000	No
H <sub>3</sub>	DFL to PR	.127	.016	2.018	.158	Yes
H <sub>4</sub>	DFL to T	.645	.416	87.568	.000	No
H <sub>5</sub>	DFL to B	.806	.650	228.221	.000	No
H <sub>6</sub>	DFL to A	.778	.606	189.128	.000	No

The coefficient of determination for the impact of Digital financial literacy (DFL) on Perceived usefulness (PU) of e payment platforms was .506 at a p-value of .000 which signifies a positive impact of DFL on PU.

Similarly, Trust on e-payment platforms, Behavioral intention to use e-payment platforms and Attitude towards e payment platforms were found to have  $R^2$  values of .416,.650 and .606 respectively which signifies a positive impact of DFL on these variables.

On the other hand, Perceived risk was not found to be impacted by Digital financial literacy with a  $R^2$  value of .016 and p-value of .158.

## 1.4 Conclusion and Future scope

Digital payment platforms are the future of banking industry and are very important for economic development. Digital financial literacy can be helpful in making people comfortable in using this technology. It will also help users to know about grievance resolution as well as make them well aware of the risks involved in the process. They can be well aware of the investment's avenues available. The results of the study indicate a positive relation between digital financial literacy and perceived usefulness, perceived ease of use, attitude, trust and behavioral intention. The relation between perceived risk and digital financial literacy was found to be insignificant.

Also, digital and financial literacy around the world is not significant and varies a lot geographically and demographically(Lusardi & Mitchell,2011), which impacts the study .The study includes a limited number of factors that affect the usage of e payment platforms. Many other factors such as social influence, facilitating conditions etc. can be used in future studies. The impact of training on digital-financial literacy is also a factor for future studies. Post usage behavior of user can also be studied. As the relationship between perceived risk and digital financial literacy was found insignificant, open-ended study may be helpful to understand the relation. Similar study can also be done a larger geographical area and bigger sample size.Impact of Digital - Financial literacy e-commerce adoption can also be studied.

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