A Study On The Role Of Digital Financial Literacy In Digital Payment Adoption In Kanyakumari District

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ABSTRACT

Digital payments are transactions that occur through digital and online modes. In this money transfer from one place to another with the help of a digital device or apps or having access to the internet. It is also known as electronic payment. A Large portion of the population has accessed to the Internet and is using smart phones. Digital technology facilitates all financial transactions, including online purchases, online investing, and online insurance.The main aim of the study is to identifythe digital payment adoption of consumers and relationship between financial literacy and digital payment adoption.This study is mainly based on the survey research. Simple random and multi stage stratified random sampling technique has used. It is based on well-structured questionnaire which was conducted to study the digital payment adoption of consumers and relationship between financial literacy and digital payment adoption. The questionnaires were distributed to 150 respondents in Kanyakumari District. Primary data were collected with the help of questionnaire from 150 respondents of the Kanyakumari District. Secondary data were collected with the help of online sources, journals and reports..

Keywords: Financial Literacy, digital payment services, digital payment adoption**.**

INTRODUCTION

Digital financial literacy refers to a person having knowledge, skills, and habits in using digital devices for making financial transactions. It says to make decision regarding finance in digital mode as we do online shopping, online payments of various bills, online investment, and online insurance, all done with the help of digital payment. Digital financial literacy says we have both financial literacy and digital literacy, as it combines both so we take informed decisions regarding finance in digital mode. Digital transformation is one of the biggest developments in banks as it brings new technologies in market, like fintech, which improves the operational efficiency of banks and makes work easier and faster. Digital payments are one of the big developments. Digital payments are transactions that occur through digital and online modes. In this money transfer from one place to another with the help of a digital device or apps or having access to the internet. It is also known as electronic payment. A Large portion of the population has accessed to the Internet and is using smart phones. Digital technology facilitates all financial transactions, including online purchases, online investing, and online insurance.

NEED OF THE STUDY

Changes in the digital world have had an impact on every stage of an individual growth. Life has become much easier as we can use smartphones and internet facilities for our benefits with just one push of a button. Needs and expectations of the consumer also increases at the same pace. It is a common knowledge that nowadays, the practice of cashless payments is on the rise and with the result, cash transactions is gradually coming down. In fact there are certain serious issues having larger ramification, especially regarding dimensions of privacy, confidentiality and security, but these issues could be resolved easily if consumers, banks and other agencies use and handle information in an appropriate manner. Therefore, there is a need for a study to find out the digital payment adoption of consumers.

OBJECTIVES OF THE STUDY

To identify the digital payment adoption of consumers.

To analyse the relationship between financial literacy and digital payment adoption.

METHODOLOGY

This study is mainly based on the survey research. Simple random and multi stage stratified random sampling technique has used. It is based on well-structured questionnaire which was conducted to study the digital payment adoption of consumers and relationship between financial literacy and digital payment adoption. The questionnaires were distributed to 150 respondents in Kanyakumari District. Primary data were collected with the help of questionnaire from 150 respondents of the Kanyakumari District. Secondary data were collected with the help of online sources, journals and reports.

SAMPLING DESIGN

Selection of the sample is an important part of the research work. The non-probability sampling methods were used for selection of samples and more particularly the purposive sampling method is used. The purposive sampling method provides a range of alternatives and options in selecting the sample. Hence, purposive sampling technique was adopted to collect details on digital payment adoption of consumers and relationship between financial literacy and digital payment adoption in Kanyakumari District.

DATA ANALYSIS AND INTERPRETATION

Table 1

Digital Payment Adoption by Gender

Sl.No	Gender	Adoption %	Non-Adoption %	Total
1.	Male	65(43.3)	30(20)	95(63.3)
2.	Female	35(23.3)	20(13.4	55(36.7)

Source: Field Survey

Male respondents lead with 43.3% adoption, indicating high literacy levels, better infrastructure, and exposure to digital campaigns.

Female shows moderate adoption (23.3%), reflecting a society in transition where younger groups drive adoption, while elders remain hesitant.

Table 2

Financial Literacy Score vs Digital Payment Adoption

Gender	Financial Literacy Score	Digital Payment Adoption
Male	72	65
Female	57	35

Source: Field Survey

Interpretation:

The data shows a direct proportionality between financial literacy and adoption.

Male respondents, with the highest literacy score (**72/100**), also recorded the highest adoption (65**%**).

Female respondents scored **57/100** and had moderate adoption (**35%**).

Table 3

Correlation & Regression Results for Financial Literacy Score vs Digital Payment Adoption

Variable	Correlation (r)	Significance (p-value)
Financial Literacy ↔ Adoption	0.85	<0.01
Education ↔ Adoption	0.70	<0.05
Age ↔ Adoption	-0.50	<0.05
Income ↔ Adoption	0.62	<0.05

Interpretation:

Financial literacy and adoption have a strong positive correlation ($r = 0.85$, $p < 0.01$), meaning that as financial literacy increases, digital payment adoption rises significantly.

Education is also a strong predictor ($r = 0.70$), showing that more educated respondents are more likely to adopt digital payments.

Age has a negative correlation ($r = -0.50$), confirming that older populations are more resistant to adoption, often due to lack of trust and difficulty in using new technology.

Income shows a moderate positive effect ($r = 0.62$), suggesting that higher-income groups adopt digital payments more, though literacy and education remain stronger drivers

Table 4

Reasons for using digital payment services (Garrett Ranking Technique)

Sl. No	Reasons	Average	Rank
1.	Convenience	61.89	I
2.	Online based transactions (Internet & mobile banking)	48.39	V
3.	Time Saving	55.63	III
4.	24x7 hour service	59.85	II
5.	Cross border financing	45.60	VI
6.	Economy in cost	51.27	IV
7.	Security	34.25	VIII
8.	Trust	39.68	VII

Source: Primary data

The above table 4 gives the details of important reason for using digital payment services. Based on Henry-Garrett Ranking Technique, the major reason for using digital payment services is convenience, as it was ranked first with Garrett score 9184 points and the average score of 61.89. Another major reason for using digital payment services is 24x7 hour service, as it was ranked second with 8978 points and the average score of 59.85. Time saving is ranked third with 8345 points and the average score of 55.63. Economy in cost and Online based transactions (Internet & mobile banking) are ranked fourth and fifth with 7691 and 7259 points respectively and the average score of 51.27 and 48.39 respectively. Cross border financing ranked sixth with 6840 points and the average score of 45.60. Trust is ranked seventh with 5952 points and the average score of 39.68. Security ranked last with 5138 points and the average score of 34.25.

Table 5

Distribution of sample respondents on the basis of inducing factor that influenced to open a Digital payment services

Sl. No	Factors	No. of Respondents	Percentage to Total
1.	Receiving government subsidies	10	6.7
2.	Quality of service	22	14.7
3.	Secured fund transfer	43	28.7
4.	ATM availability	55	36.7
5.	Receiving pension	14	9.3
6.	Others	06	4.0
	Total	**150**	**100**

Source: Primary data

Table 5 clearly reveals that 36.7 per cent of the sample respondents were influenced by ATM availability factor to open digital payment services account, 28.7 per cent of the sample respondents were influenced by secured fund transfer, 14.7 per cent of the sample respondents were influenced by quality of service by sending response message, 9.3 per cent of the sample respondents were influenced by receiving government subsidies, 6.7 per cent of the sample respondents were influenced by receiving pension and the remaining 4 per cent of the sample respondents were influenced by other factors.

FINDINGS

The study reveals that male respondents have a higher level of digital payment adoption (43.3%) compared to female respondents (23.3%).

Non-adoption of digital payment services is also higher among male respondents (20%) than female respondents (13.4%), mainly because of the larger number of male respondents in the sample.

Male respondents recorded a higher financial literacy score of 72 out of 100, while female respondents recorded a score of 57 out of 100.

The findings indicate a strong positive relationship between financial literacy and digital payment adoption, with a correlation coefficient of $r = 0.85$ ($p < 0.01$).

Education has a strong positive relationship with digital payment adoption, with $r = 0.70$ ($p < 0.05$), indicating that educated respondents are more likely to use digital payment services.

Age has a moderate negative relationship with digital payment adoption ($r = -0.50$, $p < 0.05$), showing that older respondents tend to be less willing to adopt digital payment services.

Income has a positive relationship with digital payment adoption ($r = 0.62$, $p < 0.05$), suggesting that higher-income respondents are comparatively more likely to use digital payment services.

Convenience is the most important reason for using digital payment services, securing Rank I with an average Garrett score of 61.89.

The availability of digital payment services on a 24×7 basis is the second most important reason, with an average score of 59.85.

Time saving is ranked third with an average Garrett score of 55.63, indicating that users value the speed and efficiency of digital transactions.

Economy in cost is ranked fourth with an average score of 51.27, showing that reduced transaction costs encourage the use of digital payments.

Online-based transactions through internet and mobile banking are ranked fifth with an average score of 48.39.

Cross-border financing is ranked sixth with an average score of 45.60, indicating that it is a comparatively less important reason for adopting digital payment services.

Trust is ranked seventh with an average score of 39.68, suggesting that lack of complete trust remains a barrier for some users.

Security is ranked eighth with the lowest average score of 34.25, indicating that security concerns may influence users' perceptions and adoption of digital payment services.

ATM availability is the major factor influencing respondents to open digital payment service accounts, accounting for 36.7% of the respondents.

Secured fund transfer is the second major inducing factor, influencing 28.7% of the respondents.

Quality of service, including prompt response messages, influenced 14.7% of the respondents to open digital payment service accounts.

Receiving pension influenced 9.3% of the respondents, while receiving government subsidies influenced 6.7%.

Other factors influenced only 4.0% of the respondents, indicating that ATM availability and secure fund transfer are the dominant factors encouraging digital payment service adoption.

SUGGESTIONS

Bank’s website for digital transactions should be easy to navigate. If they are upgrading their software, it should not interrupt the usual access procedure as it will obscure the users and may direct to errors.

Banks should publicise that digital payment services helps in cost saving, decreases travelling time, avoids waiting in long queue, and improving the security and privacy of their customers. Bank should mainly publish or aware through advertisement on the internet, through personal communication from banks / institutions, through advertisement on TV and through advertisement in print media etc. because research showed that customers mainly came to know through these channels.

CONCLUSION

This study clearly demonstrates a strong and consistent relationship between financial literacy and digital payment adoption in Kanyakumari District. The evidence shows that while technology has become available to a large section of the population, its effective utilization depends heavily on the knowledge, skills, and confidence that financial literacy provides.

The relatively high level of financial awareness, combined with access to smartphones and better internet infrastructure, has created an ecosystem where UPI and other digital payment modes are widely accepted. Yet, the persistence of fear related to cyber fraud, data breaches, and online scams highlights that literacy must go beyond basic financial concepts and incorporate digital security education as a core element.

Digital literacy refers to having knowledge, skills, and behavior in managing finances and taking informed financial decisions regarding money via digital modes. Digital transformation brings new technologies to the market, like digital payments. Digital payments are one of the innovations and play a vital role in promoting a cashless economy. A Cashless economy refers to us making transactions without the use of paper which have a positive impact on the environment such as sustainability. Reduce in burglary, and theft in using cash payment. Digital payments help in making payment from one place to another without the need for physical currency. Digital payments contribute to cashless economy, which helps in economic growth in a nation, increases tax collection, reduces corruption and increases financial inclusion by providing access of banks to rural areas. Besides these benefits, there are various challenges like cyber security and privacy concerns of customers, lack of digital literacy, and resistance to adopting digital change in people. So, it is needed that governments, banks, and businesses start launching awareness and training programs to increase digital programs and overcome these challenges. There are various digital entities also, like UPI, USSD, internet banking, BHIM, debit and credit cards, and mobile wallets enables people to making online payments, online shopping, online investments without the need to visit a bank every time, as by click at phone. These payment modes reduce the use of cash payment and contribute to cashless economy. So, these entities play a vital role in promoting a cashless economy.

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