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Role Of Digital Financial Literacy And Various Digital Payment Entities In Promoting Cashless Economy

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Abstract: Digital financial literacy is important, as one must have financial knowledge and know how to use digital platforms so that they use digital payments effectively and take informed decisions regarding money. A large portion of the population has access to the internet and is using smart phones. Digital technology facilitates all financial transactions, including online purchases, online investing, and online insurance. Digital transformation is the biggest developments in banks, as it brings new technologies that improve the operational efficiency of banks and make work easier and faster. Digital payments are one of them. Digital payments, which are also known as electronic payments, refers to making payments from one account to another through digital modes. Digital payments promote a cashless economy and Digital payments have contributed to various sectors in promoting cashless economy like healthcare, transportation, and hospitality. Cashless payments refer to methods of making payments without the use of physical currency from one place to another, relying on digital platforms like UPI, BHIM, Internet banking, credit and debit cards, and RuPay cards. Cashless economies offer various benefits like improved financial transparency as every transaction is recorded digitally, reduced tax evasion, security, speed, lower costs, convenience, and contribution to sustainability by reducing carbon emissions as lower use of paper. Digital financial literacy is vital for everyone to using digital payments and help in promoting cashless economy. This paper is descriptive in nature. This paper discusses the impact of digital financial literacy in promoting cashless economy, which help in the financial inclusion and economic growth of nation. It is done with the help of secondary data that is collected from books, journals, and e-articles.

Keywords: Digital financial literacy, cashless economy, financial inclusion.

I. 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. For example, if, we purchase something on shop, then we make payment through UPI by scanning QR codes, and in online shopping, we make payment through internet banking. this all ways qualifies as digital payment. Digital financial literacy offers various benefits like better financial management, convenience in making transactions, enhanced security awareness, and less costly is using. Economic growth, financial inclusion and improved decision making. It enhances the use of digital payment, which also refers to use of cashless transactions. The digital India scheme launched in 2015, that aim to make India a cashless, paperless or digitally empowered society. Digital payments are a key part of this scheme as UPI, mobile wallets, Aadhar enabled scheme. Demonetization, which happened in 2016, also accelerated the use of digital transactions. Digital payments are having various benefits for our economy, like it making our payments faster, easier, less expensive, and less time consuming, promoting cashless transactions as well as promoting sustainability also. Cashless transactions are one of the greatest benefits for the economy.

Cashless transactions are those that made through digital modes instead of using physical currency such as debit cards, credit cards, mobile wallets, and online banking. This reduces the use of paper and makes payments contactless. It is easy for people to use digital payments with one click on phones instead of visiting the bank every time and is cost effective also. A Cashless economy helps an economy in advancement and modernization like other developed nations. It raises the standard of living of people and increases knowledge of people about financial and digital technology and also increases the use of digital payment. It reduces the black money, corruption, as every transaction is digitally recorded. So, it increases the economic growth and financial inclusion of nation also, and it also helps in sustainability by reduction the usage of paper. Cashless transactions reduce the risk of theft, and cash related crimes. The success of a promoting cashless economy depends on the level of digital financial literacy of individuals. This paper is discussing the impact of digital financial literacy in a promoting cashless economy. A Cashless economy reduced the cost of cash management, increased efficiency of payment system and driving financial inclusion. Cashless does not refer to the fully absence of cash in the economy, instead it says cash-based transactions are kept to a minimum with digital apps on each fund transfer, mobile phone credit recharge, bill payment, cash withdrawal, and balance enquiry. One must have knowledge of how to contribute to a cashless economy for this, digital financial literacy is very important.

Significance of study

1. This study discuss about digital and cashless economy.
2. This study discusses about opportunities and benefits of cashless economy.

Research methodology

This study is descriptive in nature. It is done with the help of secondary data (the data is collected from books, journals, periodicals, articles, and publications.)

Here, conclusions are drawn from various literature available on e-sites and books.

II. LITERATURE REVIEW

1 (Shehadeh, Dawood & Husaainey 2024): This study examines the relationship between various components of digital financial literacy, namely awareness, subjective knowledge, digital legal framework, and skills influence on cash payment among universities in Jordan. It explores the mediating role of gender in a relationship cross-section study and data from 418 participants analyzed. Factor analyses are used for checking reliability and validity. The Result says that digital financial awareness, experience, and skills are significant catalysts for using cashless payment among demographic groups. Gender differences emerged, highlighting a stronger association between digital financial experience and cashless payment usage for women.

2 (Soenjoto & Mahmudah 2023): The Pandemic has changed the trade pattern of transactions from cash to a cashless economy. Increasing use of cashless changed the habits and patterns of consumer behavior in Indonesia. The Gen z community most uses digital tools. Cashless help in increasing online payment, and online shopping. Digital financial literacy refers to making decision regard finance on digital media. As it plays in promoting a cashless economy. Digital financial literacy also helps in reducing theft and fraud in carrying cash in hand.

3 (Ravikumar, Suresha, Prakash, Vazirani& Krishna 2022): Technological innovations bring a vast number of digital financial services to the market. Digital financial services help in making transactions faster, easier, more convenient, and accessible in India. A vast number of digital financial services are in use, like BHIM, UPI, internet banking., and RuPay cards. digital financial improves the financial inclusion of people, and for this, digital financial literacy is very important.

4 (Rahayu, Ali, Aulia& Hidayuh2022): The development of information has brought a lot of changes in all sections, such as digital financial payments in the finance sector. Fin tech is proof of digital technology. Digital financial services help people to use mobile banking, internet banking, and e-wallet without the need to visit the bank every time. It can utilize online investment, and funding activities online. So, for using these services and managing money digitally, digital financial literacy is very important.

5 (T Pang Ng & Lau 2022): This paper investigates the relationship between digital payment and economic growth in various countries. Cashless payments have a positive impact on economic growth through this surely. Digital payments help in economic growth of nation through various ways, like increase in tax collection, reduce corruption.

6 (Mouri & Jarboui2022): This study identifies the impact of government policy on the determinates of financial inclusion and digital payment services in the MENA region. Author investigates the effect of age, education, gender, and income on using digital financial services. The paper focus on the role of technology adoption by government authorities in extending financial inclusion and digital payment. The findings say that better relations between government and the financial sector help to develop digital financial inclusion through the use of technology adoption chances.

7 (Prasad, meghwal, dayama2018): Digital financial literacy says to manage finances digitally and has various benefits also, like greater financial inclusion and expansion of basic services with the use of mobile phones. This study examines digital financial literacy among the households of Udaipur city in Rajasthan state. This study is a descriptive study and a questionnaire in which 11 statements related to expenditure and investments are developed. data from 268 households collected. Data analysis done through SPSS. Results show males of households have more knowledge about digital financial services as compared to women. graduates have more knowledge.

8 (Yuvaraj, sheila2018): Everyone has access to the internet and Smartphones. Smart phones and instant facilities have made life simpler with a click of buttons. As people make or receive payments digitally without the need for cash at anytime and anywhere but, there are few challenges like privacy and security concerns, but it depends on how consumer handle it.

9 (Bayero 2015): This paper discusses the effect of a cashless economy on financial inclusion in Nigeria. Financial inclusion refers to people being able to use financial services to meet their needs at affordable costs. Financial inclusion includes full usage of financial services including, like payment, savings, credit, insurance, pension product.

Research gap

Though digital payment has made work faster, and easier for people but, there are various challenges in making a cashless economy like people lacking digital financial literacy, gender disparities in using phones, financial crises in affording phones and internet facilities, cyber security, privacy and digital arrest scams, financial inclusion of rural areas and marginalized groups, consumer adoption and behavior towards these new changes in banks.

Research objective

- 1.To discuss current relation of digital financial literacy and cashless economy
- 2.To discuss the challenges and opportunities of cashless economy.
3. To suggest strategies to overcome challenges.
- 4 To discuss role of various digital entities in promoting cashless economy.

III. THE CURRENT RELATION OF DIGITAL FINANCIAL LITERACY AND CASHLESS ECONOMY

Digital financial literacy refers to having the skills and knowledge to use digital technology and financial services effectively to make informed financial decisions. For digital financial literacy, one must have knowledge about financial aspects as well as digital platforms. Our economy is experiencing significant growth and innovation due to technological advancements, rising Smartphone usage, and widespread internet access. These factors all contribute to the rise in digital payments, which supports the cashless economy. Everyone can use digital payments because they save time, cut down on unnecessary expenses, and make it easier for everyone to use them. Digital payments help achieve a cashless economy by reducing the use of physical currency because all transactions are made through digital channels, such as mobile banking, internet banking, POS terminals, debit and credit cards, and smart phones. As of right now, everything is done online, including buying groceries, clothes, and luxury goods, and payments are made using a variety of digital apps.

Digital payments have experienced remarkable growth in significantly moving towards a cashless economy. The total digital payment transaction has significantly grown in recent years, with the volume of transactions increasing at a compound annual growth rate 44% and UPI transactions increased at a growth rate of 129%. The Growing network of participating banks and fintech platforms has made UPI the most preferred mode of payment for millions of users in country. Now, as digital payments significantly promote a cashless economy, so cashless economies provide various benefits like an increase in tax collection, a reduction in black money transaction, reduction in theft of money, economic growth, and financial inclusion of nations and in challenges, it increases the risk of cyber security, privacy of customers, digital arrest cases, lack of digital financial literacy.

Cashless economies play a vital role in financial inclusion. Financial inclusion is the availability of financial services to all people at an affordable cost. Is the main purpose to enhance financial services to vulnerable groups and rural populations also and bank the unbanked sector of economy. It includes banking, insurance, and other financial services. Financial inclusion leads to more savings and investment from which economy grows. Financial inclusion implies not only usage of the full spectrum of financial services but also that financial inclusion promotes habits of saving and enhances financial knowledge among people. A cashless economy helps in promoting financial inclusion by increasing access to financial services all, people even in remote areas. Cashless transactions reduce the risk of theft and loss and are convenient to use. People easily get credit from online mode, corruption, and increase transparency, so cashless transactions help in financial inclusion by strong digital infrastructure, financial literacy program, and policies ensuring accessibility for all. Financial inclusion helps in improving financial awareness and financial literacy.

Digital payment has contributed in various sectors in promoting a cashless economy, like healthcare, transportation, and hospitality. a individual start making payment through UPI, BHIM, internet banking, debit, and credit cards. As we see in transportation like metro, which issued the smart cards for consumer making payment, and FASTag which is used for electronic toll collection on highways in India which reduces cash payment. Ola and Uber also adopted digital wallets, allowing cashless payments. This all-digital method brings transparency in fare collection and reduces corruption. Similarly in healthcare, digital payments help in making fast billing processes, reduce handling of physical cash as they help in minimizing infection to spread in hospitals from one person to another. Digital records help in insurance claims also. The Hospitality sector includes hotels, restaurants, travel, tourism services and digital services help in enhancing efficiency, customer experience, and financial transparency, which help in promoting a cashless economy.

Digital financial literacy plays a crucial role in adoption of cashless economy with providing knowledge to individuals in using digital payments effectively and securely. a well knowledgeable person about financial and digital aspects increased usage of digital payment and contributed to the cashless economy and help individuals in reducing cyber security Frauds also. A digital literary person accelerates the transition to a cashless economy and reduces cash related in efficiencies like corruption, black money, theft and fraud. digital financial literacy is a fundamental pillar for promoting a cashless economy.

3.1 Opportunities of cashless economy

1 Increased adoption of digital payments: Digital financial literacy helps people in adopting digital payments through UPI, debit and credit cards, mobile wallets, and online banking as people with financial and digital knowledge help in using digital apps and accelerate the use of digital payments.

2 Convenient in making transactions: Digital financial knowledge through the use of digital payments make it convenient for people to make transaction, as it is easier, less time consuming, faster, less expensive than cash-based transactions. eliminates the need to carry, and store physical cash and reduce risk.

3 Economic growths: Digital payments increase the economic growth of a nation by increasing the GDP of nation. As sales of production increase by digital payments. and many people get employment also in the technical sector. So digital financial knowledge helps in economic growth of a nation

4 Financial inclusions: Digital financial literacy help in financial inclusion of nation by providing knowledge to individuals in using digital services in urban and rural areas both. As unbanked society, like rural population, also uses digital payment by sitting at home instead of visiting the bank every time through knowledge about digital financial aspects.

5 Improved tax collection: Digital transactions improved in the tax collection of the government because every transaction is recorded now digitally, so there is less chance of tax evasion among people. So, tax collection helps in the development of the nation.

6.Reduce corruption and Increase security: As every transaction is made digitally, not in the form of cash so, there is less chance of corruption in the country and there is also security also as the risk of theft, robbery, counterfeit currency circulation reduces.

7 Sustainability: Cashless transactions reduce the use of physical currency, so there is less need of cash .so it will help in the reduction of carbon emissions that emit from paper production so is environment friendly also.

8 Innovation and technological advancement: A cashless economy encourages the growth of fin tech companies, mobile payment platforms, block chain technology. open doors for new business models.

3.2 Challenges of cashless economy

1 Digital divide: Though a large part of the population uses digital payments but, still the rural population and marginal communities are excluded from digital payments due to a lack of access to smart phones, and internet connectivity. which hampers digital financial knowledge efforts. Power shortage and network failure also create problems in using digital payments.

2 Cybersecurity risks: Digital payments increase the risk of fraud, hacking, data breaches, and digital arrest which is a new scam. So, this is the biggest challenge in using digital payments. Educating people about online scam remains a challenge.

3 Privacy concerns: As we visit any website then they have the tendency of recording customer data then it may misuse the personal information of customer and concerns about surveillance of customer .so there is a risk of privacy concerns by using digital payments. digital awareness about this important for individuals.

4 Difficult for small business: It is difficult and costly for small businesses to adopt digital payment systems, including lot of regulations and formalities and transaction fees charged by payment processors.

5 Infrastructure challenges: Developing and setting infrastructure for a cashless economy is challenging as well as costly because it requires investment in reliable electricity, internet and payment gateways, especially in rural areas.

6 Lack of language and digital literacy: Digital financial education materials are usually not available in many languages so it limits accessibility. There are a lot of people that are of old age, rural population, and women faces difficulty in using Smartphone and digital payment services, so this is the biggest challenge for a cashless economy.

7 Resistance to change: Cultural habits and preferences for cash lead to resistance to the adoption of digital payments among individuals, and businesses. trust issues also create problems in the adoption of digital payment. older generations also hesitant in the adoption of digital platform due to fear of technology.

3.3 Steps to overcome these challenges

1 Enhance digital literacy: Launch an awareness program to provide training to educate people like elderly, rural populations, and marginal communities to how using digital payment system and identifying scams.

2 Strengthen cyber security: Bring data protection laws for the safety of users personal and financial information and educate users on safe online practices and fraud.

3 Reduce cost for adopting digital payment: Reduce cost and provide subsidies to small businesses for adopting digital payment systems. also offer cash back, discounts to discounts digital payment among consumers.

4 Improve digital financial infrastructure: Provide affordable and reliable internet infrastructure to rural and undeserved areas, ensure there is proper electricity in remote areas. and upgrade the payment system so everyone can use it easily.

5 Motivate people to adopt change: People who resist to accepting change it is much better to provide right information and motivation to adopt digital changes especially older people and low-income group women.

IV. ROLE OF VARIOUS DIGITAL PAYMENT ENTITIES IN PROMOTING CASHLESS ECONOMY

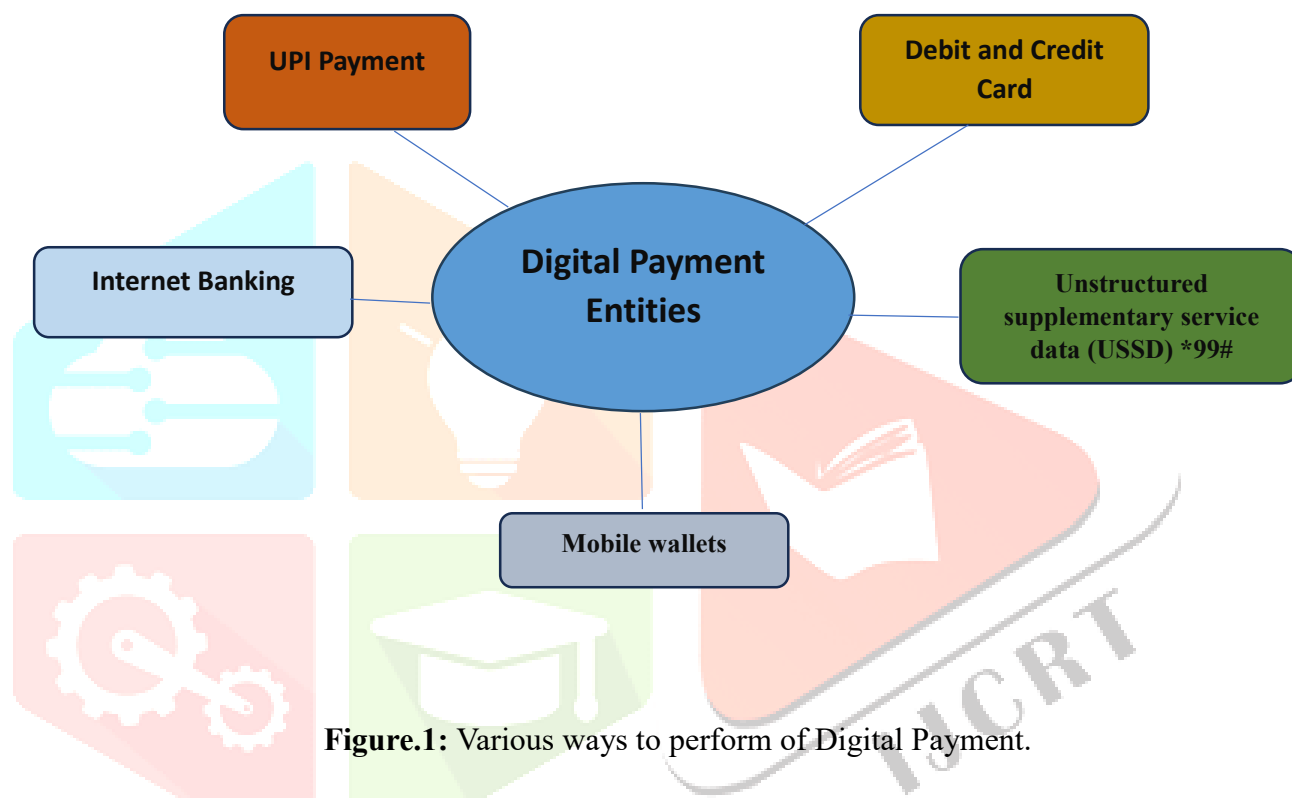


Figure.1: Various ways to perform of Digital Payment.

1 UPI: UPI achieved year on year growth in financial transactions, lead to digital transformation. It was launched by national payment corporation of India in 2016. UPI has changed nation payment system by incorporating multiple banking system into a single mobile application.

UPI enables fund transfers, peer to peer transactions, merchant banking, and offers flexibility to users in various ways such as instant transfer of money through a click at phone. UPI has made financial transactions fast, secure, efficient.

UPI play a vital role in country shift towards cashless economy and these achievement highlights technology role in inclusive growth by providing access, secure for both individuals and business, economic growth, financial inclusion.

2 Debit and Credit card: Debit and credit card play a vital role in driving towards cashless economy as offer individuals convenient and secure alternative to transaction cash transaction.

Debit and credit cards allow quick payment of transactions at Pos terminals, online shopping, ATM.

It eliminates the need of carrying cash and it reduce cash handling expenses and time-consuming processes.

Card transactions are traceable, reducing fraud as electronic transactions leave a digital footprint it helps in reducing fraud, tax evasion, black money.

Card plays a role in enhancing financial inclusion by proving access to banking services to affordable range.

3 Internet banking: net banking also known as online banking; e banking is an electronic payment system that enable consumer in making wide range of financial transactions through use of financial institutes websites.

Services like NEFT, RTGC, IMPS has facility large scale of digital transactions for business and individuals. Net banking enables online transactions like bill payment, online shopping, fund transfer, investment without use of visiting banks and without use of cards.

Banks integrate UPI, debit card, digital wallets apes with instant banking for smoother cashless expenses. So, it contributes to cashless economy.

4 Unstructured supplementary service data (USSD) *99#

This service is a mobile connection that enable to make transactions without requiring internet and connecting or use of smart phones. It plays a vital role in promoting cashless economy. It plays a role in providing financial deepening and inclusion of under banked society in mainstream banking services.

Customer use these services by dialing *99# to make transactions like fund transfer, balance enquiry, mini statement host,

It plays role in promoting financial inclusion by making digital payment accessible, secure affordable especially in rural areas.

5 Mobile wallets: like Pay tm, Google pay, Phone pe, Amazon pe allow users to store money digitally and make transactions without cash.

It enables quick payments for shopping, fund delivery, bill payment.

It enhances financial inclusion as people without bank account and cards use mobile wallets by depositing money via cash deposits. It is secure and contactless payment.

It reduces cash dependency which provide cashless and increase transparency as every transaction is recorded digitally.

V. CONCLUSION

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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