

BULETIN

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Financial Literacy and Digital Financial Literacy

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Basic financial literacy is a skill that is crucial for everybody in making financial decisions from very simple decisions to complex financial decisions. Everyone may use this skill to make decisions on how much money should be used for daily expenses, or deciding whether to buy a car or a house. Having these skills enables us to make informed decisions about our financial well-being. For a student, financial literacy is associated with understanding the value of saving money.



It is about how they react in spending and saving situations that they might encounter in their daily lives if they do not have enough money to buy something. According to Investopedia, financial literacy is ‘the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing’. Whereas Atkinson and Messy (2012), define financial literacy as the combination of awareness, knowledge, skills, attitudes, and behaviours needed to make informed financial decisions and ultimately attain personal financial wellbeing. In other words, it is about how to use money effectively to achieve financial goals.

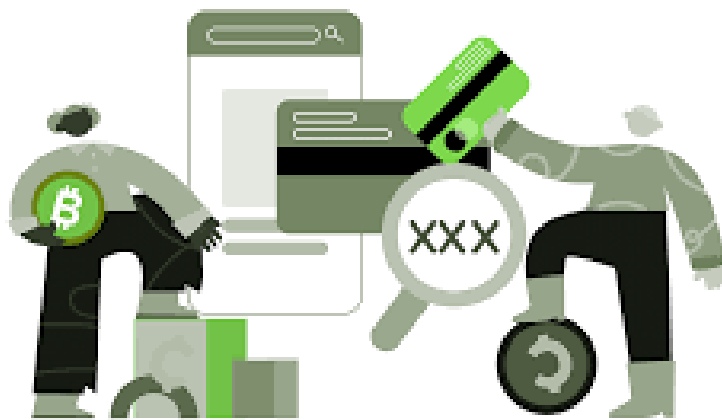
Financial knowledge is part of financial literacy. Basic financial literacy can be learned by reading books, subscribing to financial content via online platforms, or consulting with financial professionals. To enhance financial literacy among younger children, parents can talk about money with their children. It can help the children learn and develop the values, attitudes, standards, norms, knowledge, and behaviours needed for financial independence and well-being (OECD, 2017). Financial literacy is also crucial for entrepreneurs. The success of the business depends on the financial literacy of the entrepreneurs. Entrepreneurs need to manage finances, understand accounting, and create budgets. Those who are financially literate usually sustain their businesses, even in tough economic times.



Since the COVID-19 pandemic in 2019, there have been significant changes in how people access and use financial services. People now rely more on mobile apps for financial transactions instead of in-person interactions. Digitalization of financial services has made digital finance more complex, requiring everyone to have strong financial literacy and continually improve their digital financial skills to keep up with the evolving business and technology landscape (Uthaileang and Kiattisin, 2023). Without digital financial

literacy, individual or small entrepreneurs may be excluded from digital financial services and products, missing out on the empowerment that technology can provide.

According to Yang et al. (2023), digital financial literacy refers to the ability to understand and use digital financial tools and services, such as online banking, mobile payments, budgeting apps, and digital currencies. Digital financial literacy differs from traditional financial literacy as it focuses more on teaching people how to effectively utilize the digital platforms in daily life or in managing a business. Being digitally financial literate helps people to stay safe during online transactions as they know how to keep their financial information private and secure from scammers and hackers. Additionally, being digitally financial literate enables entrepreneurs to understand new financial tools like Bitcoin and digital investment platforms, which will enhance their investment opportunities in digital world. Therefore, having both financial literacy and digital financial literacy helps people make smart financial decisions in the digital world.



References

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