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# DIGITAL FINANCIAL LITERACY AND FINANCIAL BEHAVIOUR: THE CASE OF UNIVERSITY STUDENTS

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## ABSTRACT

COVID-19 has changed the way financial transactions are carried out, from physical transactions to digital or online transactions. Hence, there is an increase in the use of digital financial goods and services. Among the highest users is the younger population, which coincidentally has weak financial management skills or financial behaviour. This is because the number of bankruptcy cases among the younger population in Malaysia has escalated. Therefore, a new concept of financial literacy from a digital perspective, which is digital financial literacy (DFL), has emerged. This study examines the level of DFL among university students, the factors that affect DFL, and the impact of DFL on students' financial behavior. This study collected data from 183 Malaysian university students and utilised SmartPLS for data analysis using partial least squares (PLS) modelling. The result indicated that digital financial knowledge is lacking, including awareness of risk related to digital financial transactions among the students compared to the other DFL elements. Additionally, financial literacy and usage of social media positively impacted DFL, and DFL does not boost a sound financial behavior among university students. This study highlights the importance of DFL in the financial literacy body of knowledge and the significance of utilizing social media for DFL education.

**Keywords:** Digital financial literacy (DFL), financial literacy, financial behavior, university students

## INTRODUCTION

The COVID-19 pandemic has considerably impacted the adoption of technology across various domains, including financial transaction (Al-Marouf et al., 2020; Puriwat & Tripopsakul, 2021), by accelerating the transition to online financial transactions due to the necessity for physical isolation. The utilisation of digital financial services has increased (Mansour, 2021), particularly among individuals aged 18–44 (Gomes, 2022), who are also reported to have the highest bankruptcy rates in Malaysia, with 36,173 cases recorded from 2017 to 2021 (Malaysian Department of Insolvency, 2021). This raises concerns regarding the influence of digital financial literacy (DFL) on financial behaviour, as personal bankruptcies are exacerbated by poor financial management and the convenience of digital transactions. Consequently, it is imperative to investigate the levels of DFL and their determinants within this demographic. The objective of this study is to examine the level of DFL among university students, factors that affect their DFL, and whether DFL results in sound financial behaviour. 183 students in Selangor, Malaysia, were selected as a sample for the study.

## MATERIAL AND METHOD

The questionnaire was distributed online using Survey Monkey. There are four sections of the questionnaires. The first section comprises of questions related to the demographic information about the respondents. The second section collects information related to respondents' DFL. The questions were adapted from Setiawan et al. (2020), comprised of three dimensions discussed in past studies (Lyons & Kass-Hanna, 2021; Morgan et al., 2019; Tony & Desai, 2020). The three dimensions are knowledge, practical know-how, and self-defence. The third section extracts information related to factors that could affect DFL and also financial behavior, such as financial literacy, programme level, parental influence, peers' influence, and also social media influence. The factors are chosen based on the Theory of Planned behaviour of Ajzen (1991). The last section measures the students' financial behaviour based on items suggested by Perry and Morris (2005) and Dew and Xiao (2011). This study utilises SmartPLS 3.3.3 (Ringle et al., 2015) as the statistical tool to assess both the measurement and structural models using the Partial Least Squares Structural Equation Modelling (PLS-SEM) method.

## RESULTS AND DISCUSSION

The first objective of this study is to examine the level of DFL among university students. Three dimensions of DFL, which are knowledge, practical know-how, and self-defence, have been asked. The result indicated that the respondents had a high total digital financial literacy (DFL) score of 4.55, showing excellent knowledge of digital financial services. The score is higher than that of the DFL reported by Setiawan et al. (2020) in Indonesia, which is 2.986. The high score can be attributed to the COVID-19 pandemic, which has led to a shift in various transactions to online platforms, necessitating the adoption of digital skills by young people in conducting financial transactions. Looking at individual dimensions, digital financial knowledge and awareness of risk related to digital financial transactions among the students scored lower than other DFL elements with a mean score of 4.33. However, they have extensive experience (4.65) with digital payments via mobile or internet banking and e-wallets. Their experience with fund transfers through these sites was slightly greater (4.66). More importantly, students are aware of the significance of securing personal information and PINs (4.76).

For the second objective, this study aims at identifying the factors that could affect DFL. The  $R^2$  for the model was 0.192. Based on the results, financial literacy ( $\beta = 0.275$ ,  $p < 0.01$ ) and social media ( $\beta = 0.218$ ,  $p < 0.01$ ) have a significant positive effect on a student's DFL. The result indicated that a student who possesses a strong financial foundation exhibits greater confidence when utilising digital financial products and services. Therefore, it is critical that students acquire enhanced understanding and proficiency in digital financial products and services. Furthermore, in addition to creating effective self-protection mechanisms while utilising digital financial products and services, a good foundation in financial literacy will educate students on the risks associated with their use.

Because of the COVID-19 outbreak, people are talking to each other online instead of in person. Because of this, there has been a big rise in the use of social media to connect with others. Al-Marouf et al. (2020) say that the effort to beat COVID-19 has led to more use of technology. This is because many students use social media a lot, which has helped them learn basic digital skills like how to set a password for an account, which has improved their DFL. Students can improve their online financial skills by visiting sites or following accounts that deal with money and the economy. Based on the study's findings, social media is a useful tool for learning DFL, which is in line with the Social Learning Theory.

The last objective of the study is to identify the role of DFL in influencing a student's financial behaviour. The  $R^2$  for this model is 0.533. The study found that rather than having a beneficial impact, DFL actually has a significant detrimental influence on students' financial behaviour ( $\beta = -0.144$ ,  $p < 0.05$ ). In contrast with the findings by Setiawan et al. (2020) and Rahayu et al. (2022), this study suggests that students who possess a high level of digital financial literacy are more likely to exhibit undesirable financial behaviour. This could be the result of a correlation between high DFL and students' overconfidence in their digital literacy, which in turn increases the likelihood that they will indulge in risky financial behaviour.

## CONCLUSION

In the post-COVID-19 era, it is imperative to utilise digital financial products and services. Due to concerns regarding COVID-19 and social distancing, consumers favour online transactions. The high incidence of bankruptcy among the younger population in Malaysia is indicative of poor financial behaviour. Therefore, this study investigates a novel financial literacy concept known as digital financial literacy (DFL). The students' digital financial literacy was satisfactory on average. However, it is important to take into account the lack of knowledge and risk awareness regarding digital financial transactions. The DFL of a student is significantly predicted by financial literacy and social media usage. Policymakers should acknowledge the significance of DFL and employ social media to improve financial literacy among the younger generation. As evidenced by a substantial adverse effect, a high level of digital financial literacy may deter a good financial behaviour, contrary to expectations.

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