Adoption of digital finance among youth: A study

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Technology, Financial Assets, Financial Inclusion, Digital Platform

Abstract

Financial products and services have been an essential component of an individual's life for decades. Earlier people use to save money in the form of gold, silver, property, etc. The growth within those assets was huge then. Individuals were heavily invested in these assets and have witnessed wealth creation within their lifespan. With time the asset allocation for wealth creation took a jump from such assets to other financial assets. These assets still reap good returns, but other financial products and services can provide better returns and can help an individual in generating wealth. Internet and other digital platforms have entered the market and have established an example of enriching the market with a flood of new customers. It has helped in focusing on the target customers and makes them aware of the best opportunities that they could grab within the available financial products and services. Currently, very few individuals and youth are involved in financial products and services, they need more awareness regarding financial literacy that can help them to understand better products and services for themselves. Currently, the youth has been growing in the field of the internet and digital platforms which has even enlarged the market for financial products and services. This states that such products have high potential within the market and there is a huge gap between the target market and the products and services that can be fulfilled with the help of the internet and digital platforms that tend to flourish all over the world. The future for the financial inclusion of the youth is bright as these products and services are penetrating the market at a very fast pace. The availability of the internet and digital technology makes their marketing and reach very large and fast which suggests its future to be bright with a growing number of youths getting involved with such products and services to generate wealth for their future.

Introduction

Financial incorporation is an essential component for an individual to sustain in this growing world. The youth population within the world cannot be ignored and has to be made a base for policy making. Around 1.2 billion population in the world holds the age 15 to 24. In major regions of the world, the youth population counts up to 25% of the total population (Manicavasagar, et al. 2014). With the data that includes gender, age, and economic and social background of the individuals, various policies are taken care of by nations all around the world. Further, these policies include training and education, starting earning, starting a family, etc. Every young individual comes up to a situation where he needs to take financial decisions that become the base for their future. These decisions further look for financial services and products that act as a base for the transition within their lives and a secure future (Berakon, et al. 2022). Digital tools and techniques are very helpful in the transformation within the range of financial products and services. This further helps in uplifting the economic and financial condition of a nation as well. It holds the capability of converting individuals into a more consistent and responsible individuals. Digital exposure becomes essential for every individual in today's growing financial and economic activities (Totenhagen, et al. 2015). Further, it must hold financial protection laws along with financial education and take care of the misleading activities that may take place with the individuals taking their financial decisions. This report focuses on such important financial decisions to be taken by young individuals through digital platforms.

Literature review

Discussion

Financial decisions have been an essential part of the G20 agendas, which also focus on making it easy for people to get financial products, which helps the economy grow and gives people peace of mind about their finances (Bughin & Van Zeebroeck, 2017). Financial empowerment within a nation or the youth is highly dependent on financial consumer protection, financial education, and financial inclusion within the financial policies. It has been witnessing high progress from the last 10 years as the financial products have been penetrating at a high pace within the last 10 years. Over 1.7 billion people were unaware of the financial products and services by the year 2017 which signifies that around half of the youth in the world were unbanked by that year (Gallup, 2019). This data showcases the scope of growth within this field. Digitalization is the key tool that could help in penetrating this gap. Bers (2012) found that, digital platforms are leading this field towards new opportunities and challenges within the field of financial services. Digital use of such services and products will lead to its comparison wherein data from different companies and prior year's results in growth and opportunity generation. Data from such activities generate new ideas for their expansion and reach enhancement. Youth is the new target customer for every company and industry nowadays as it holds a high population within the world and is ready to adapt to new products and services for the betterment of the nation and industry (Greer et al. 2019)

Global penetration of internet and digital technology

Development within a nation is supported by financial services and its penetration within its markets. Such products and services target youth who are between the age of 15 to 24 years. Many countries have different parameters for categorizing an individual as an adult or a youth. Variations within this category create loopholes within the data that become problematic while creating a report. The youth is interacting with digital technology from a very young age these days and hence hold a strong hold on to it. Most of the young generations haven't noticed their childhood without digital technology. The majority of the youth haven't witnessed a world without the Internet and digital technology. This has highly impacted the way youth interacts and learns about things (Hopkins and Farr, 2019). This signifies that the majority of Internet and digital platform users are young and are unaware of financial products and services and need to understand their implications. Access to information regarding financial products and other knowledge has become very easy for individuals which makes the path toward reaching them easier. Industries could now target customers all over the world with the help of digital technology and several digital platforms. The indulgence of the youth with the Internet and digital platforms makes this path more viable. The term digital natives have been coined to demarcate the young generation that is dependent on technology.

The exposure to the internet is unequal among the youth. Every youth is not equally exposed to digital spaces. The majority of youth in rural areas in different countries lack connectivity to the internet and digital spaces. Another aspect of inequality within the usage of the internet is the lack of a digital skill set that makes the usage unequal among the youth. The students were using the internet and digital technology have an advantage over the students who are not using them. Digital technology helps students to get an advantage and use online services to enhance their knowledge and productivity. With the help of online digital platforms, students can quickly learn about money, which could help them. Another factor that may affect the usage of digital platforms and the internet is the gender and social economic background of an individual. Gender please a very important role within digital spaces. Countries that need more connectivity get less digital access for young women and girls compared to countries with robust internet connectivity (Hatlevik et al., 2018). These factors create gender discrimination on digital platforms in various countries. It can be noticed that in India around 30% of internet users are female. The facilities for young individuals towards their access to affordable internet and mobile phones have ensured their inclusion within the financial spaces and have diminished the inequalities faced by them towards the use of digital technology and financial products and services.

Importance of financial knowledge and inclusion for the youth

Financial knowledge is essential to the education provided to young individuals, as they will have access to money. Many young individuals' even younger children, interact with money in terms of pocket money they receive or earnings. An example can be taken from the UK where 97% of children from the age of 7 to 17 receive money regularly which can be termed as paid work or pocket money. Children and other individuals also get money on various special occasions. During such occasions, children tend to get money from their relatives and parents. Financial services can empower youth and children and enhance their lives at every stage of their lives. Research suggests that financial habits within children start developing from the age of 7 which influences throughout their young age. Further various factors influence financial knowledge and decisions such as parental influence, peer influence, social environment, etc. Young people having saving accounts along with financial education indicate various factors or traits within them such as positive financial behavior, fostering compounding effect with their savings, and accumulating assets along with improving financial opportunities (Hopkins and Farr, 2019). Studies even suggest that the wealth accumulated by young people when they start working empowers them with their saving goals and retirement. Financial literacy within students and individuals is very essential which makes them responsible and competent for their future and current life. The Consumer Financial Protection Bureau (CFPB) suggests that children start learning such facts from the age of 5 till they grow as teenagers. While financial habits start generating from the age of seven till adolescence. Several experiences suggest that the three building blocks can be acquired by

Parental influence
Experiential learning
Direct instructions
Socializing with financial peers
Environment and experience

Current scenario of youth toward financial knowledge

The recent scenario suggests that half of the young population still needs to get a bank account with a recognized financial institution. Differences between the usage of bank accounts can be witnessed when it comes to high-income countries and low-income countries. Such inequalities can also be noticed within other factors such as gender, location, income, economy, and education. Another factor that affects the financial inclusion of an individual is the location of the individual which can be a developing country or a developed country. It is believed that a developed country provides much more opportunities to an individual (Griffiths and Buckley-Irvine, 2018). It can be fitted through an example as within high-income countries 84% of the individuals are financially included within the financial system and on the other hand, less than 40% of the people are included within the formal financial system in low-income countries. Education places a very important tool to include individuals within the financial service sector, it is believed that the toughest market for financial service providers is in the rural areas where people do not have bank accounts and education to go for these financial services and products. Trust has to be developed within them to make them understand the importance of such services in products for their life. Various traits that can be observed within the financially illiterate youth are

Unemployed or inactive within the working industry
Less educated
From rural areas
Located within the low-income countries

Such youth are also believed to have low internet connectivity and low digital presence along with limited access to mobile phones as well (Gasparri and Munoz, 2019). These are regions where policymakers have to spread awareness regarding financial products and services. The youth from such regions need the awareness and concentration of the policymakers as they need to ensure literacy towards the financial prospects of every individual regardless of gender, religion, ethnicity, education, ability, location, etc.

Reasons for financial illiteracy among the youth

Lower financial literacy

Financial literacy among the youth is the power that every country needs to achieve. Financial literate youth can grow the country at its highest pace. Financial inclusion of the youth is highly affected because of the low level of financial literacy. The financial exclusion of individuals within a country is harmful to the country as its growth gets highly affected (Gallup, 2019). Youth is not only financially exclusive but also lacks awareness regarding the financial products and services along with their skills of it. Policymakers within every Nation address this situation very intensely and take steps towards spreading awareness regarding providing financial education to the youth through various financial programs. Education regarding financial products and services also leads to a decrease in the default rate, improvement in credit scores, and individuals seeking debts for productive purposes.

Personal employment and financial status

Financial exclusion of youth highly depends on their employment and financial status. Financial inclusion will take place when the youth start saving and investing money, if they are unemployed, they won't even save money to invest. This becomes a huge barrier for the nations to provide more employment that further brings out money from the youth in the form of investments and savings that is further processed as financial inclusion (Financial Literacy and Education Commission, 2017). This becomes the reason for people not having retirement funds with them. Financial exclusion highly affects the youth, and it highly depends on their disposable income. The covid-19 pandemic has raised the unemployment rate of various nations. People working within the informal sector and on a contract, basis have faced a lot of financial instability after the pandemic. Youth all over the world earns majorly from seasonal work or from the pocket money they receive from their parents. Informal jobs, remittances, and unemployment are the reasons that have dug the youth into financial exclusion and instability in their life (FED, 2016). The higher rates of unemployability lead the youth towards working on an informal contract basis or starting their businesses.

The Need for Financial Services

Many young individuals feel that they do not need financial services until it's too late to get to the conclusion in the end that they might have taken those services. The reason behind this kind of perception is that they feel that these financial products and services are not useful for them. We take the example of Mexico, 37% of young individuals do not have a savings account or debit card as they feel they do not need one, and around 38% of the population do not have a Credit Card or loan as they are unwilling to take such services. Around 35% of young individuals over there believe that they do not need insurance.

Low digital Infrastructure

Digital technology has grabbed the industry and has become an easy option for the youth to go through such products and services. Instead of visiting offices to get products such as insurance, investments into shares, etc people now prefer to buy such products and services through online platforms and get such things conveniently (Elder and Kring 2016). Even companies now prefer providing such services through the internet and digital platforms. The places and people who are having low infrastructure regarding the internet and digital technology face problems to get such products and services.

Cultural, Social and Religious norms

Cultural, social, and religious factors affect appropriate financial services that need to be opted for by young individuals. Young women are dependent on men in rural areas and such factors make it very difficult for young women to go for such products and services for securing their future (Demirguc-Kunt et al., 2018). It was observed that due to cultural and religious norms that 70% of the loans were taken by the old borrowers, such perceptions and followings make it very tough for the agents to make it through with the deals. Young women took half as many financial loans as young men did, which indicates that women are significantly less exposed to financial products and services.

Conclusion

It can be concluded from the above assignment that with the data that includes gender, age, and economic and social background of the individuals, various policies are taken care of by nations all around the world to bring out policies for the youth. It focused on the financial inclusion of the youth for the betterment of their future actions and the nation. These policies include training and education, starting earning, starting a family, etc for the betterment of the youth and the country. Financial empowerment within a nation or the youth is highly dependent on financial consumer protection, financial education, and financial inclusion within the financial policies. This data showcases the scope of growth within this field. Digitalization is the key tool that could help in penetrating the gap that is faced by individuals between financial products and services and digital platforms. Internet connectivity has highly influenced the financial industry as it has made it very easy to make people aware of financial knowledge and buy such products and services online. Digital use of such services and products has to lead to its comparison wherein data from different companies and prior year's results in growth and opportunity generation.

Further, it explains the global penetration that emerged from the internet and digital platforms towards the financial inclusion of the youth. The majority of internet and digital platform users are young and are unaware of financial products and services and need to understand their implications. Access to information regarding financial products and other knowledge has become very easy for individuals which makes the path toward reaching them easier. Industries are now capable enough to target such customers from all over the world. Such financial knowledge is very important for the youth as it fosters positive financial behavior, compounding effect with their savings and accumulating assets along with improving financial opportunities. Studies even suggest that the wealth accumulated by young people when they start working empowers them with their saving goals and retirement. Currently, the situation of financial inclusion is very rough wherein the youth is less involved in financial activities but can be spread with the help of the internet and digital technology.

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