Original Research Article

A STUDY ON DIGITILIZATION AND ITS IMPACT ON INVESTMENT HABITS OF LOWER INCOME GROUPS

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Abstract:

Digitalization is one of the driving forces that transforms the Indian economy over the past few years. This study is conducted to find the effects of Digitalization on investment habits of lower income groups. The findings of this research aim to contribute valuable insights for policymakers and financial institutions seeking to enhance financial inclusion and create targeted interventions that cater to the unique needs of the lower income groups in the digital age. As the global financial ecosystem continues to undergo digital transformation, understanding the dynamics of investment behavior among diverse socioeconomic groups becomes increasingly crucial for fostering inclusive economic growth.

Keywords: *Digitalization, Lower Income Groups, Investments*

Introduction:

In recent times, the financial landscape has undergone a significant transformation due to the unstoppable progress of digitalization. The emergence of digital technologies has not only revolutionized the delivery of financial services but has also created new avenues for individuals to engage in investment activities. While the advantages of digitalization in the financial sector are widely recognized, its impact on the investment behaviors of the lower income groups remains an area that has not been thoroughly explored. The lower income groups, consisting of individuals with low incomes and limited financial means, play a crucial role in the economic structure of societies.

This research aims to throw light on the dynamics of digitalization and its influence on the investment habits of the lower income groups. The digitalization of financial services has introduced a wide range of options for individuals to access and manage their finances, offering streamlined processes, real-time data, and enhanced convenience. Mobile applications, online investment platforms, and robo-advisors have emerged as prominent features of this digital revolution, presenting both opportunities and challenges for individuals in the lower income brackets. This study seeks to investigate how these digital tools are utilized by the lower income groups in making investment decisions, considering factors such as accessibility, ease of use, and perceived barriers to entry.

In addition, it is important to recognize the significant role that financial literacy plays in empowering

individuals to make well-informed investment decisions. This study aims to investigate how digital financial education initiatives can impact the financial literacy levels of the lower income groups. We can provide valuable insights for policymakers, financial institutions, and fintech developers who are striving to create inclusive financial ecosystems by examining the relationship between digital platforms, financial literacy, and investment behaviors. As we delve into the realm of digitalization and its effects on the investment practices of the lower income groups, our objective is not only to document the current situation but also to identify areas for improvement. This will ensure that the advantages of the digital era are accessible to individuals from all walks of life.

Objectives of the Study:

1. To understand the growth of digitalization in the Indian economy.
2. To analyze the impact of digitalization on investment habits of the lower income groups.
3. To analyze the significant factors considered for investment decisions.
4. To understand various methods of digital payment systems.
5. To understand the knowledge of lower income groups regarding different online transaction methods.

Hypothesis:

H_0: There is no change in investment habits of lower income groups due to digitalization of financial services.

H_1: There is significant change in investment habits of lower income groups due to digitalization of financial services.

Research Methodology:

The study is conducted using a mixed-methods approach, combining quantitative data analysis and qualitative interviews to provide a comprehensive view of the evolving investment patterns of the lower income groups. Survey is conducted from a diverse sample of individuals across various lower income levels, focusing on their utilization of digital financial services, awareness of investment opportunities, and perceived barriers to entry.

Digitalization and Investment Habits:

From 920 crore transactions with a value of 595 lakh crore handled during FY 2015-16, digital payments in the country have increased to 1623 crore transactions with a value of 3435 lakh crore in FY 2019-20. This increase in digital transactions has created a demand for services. The lifestyle of all individuals is changing, and they are getting too busy. The emergence of digital payment systems has provided them a payment mechanism that works anytime, anywhere and at even lower values. The government has not only introduced different methods of digital payments but also come up with financial incentives and training to motivate people to adopt digital payment systems.

The technological advancements continue to reshape the financial landscape, this study aims to understand how the adoption of digital tools and platforms influences the investment behaviors and choices of individuals within the lower income groups. The global financial ecosystem is continuously undergoing digital transformation,

understanding the dynamics of investment behavior among diverse socioeconomic groups becomes increasingly crucial for fostering inclusive economic growth.

Findings of the Study:

This research is being conducted to throw light on the dynamics of digitalization and its influence on the investment habits of the lower income groups. The digitalization of financial services has introduced a wide range of options for individuals to access and manage their finances. The study is being conducted amongst people belonging to lower income group. It has been observed from the study that more than 75% of the people who have participated in the survey have educational qualifications below 12th standard and are using digital payment systems. The study also checked the investment frequency of lower income groups and found that people prefer to invest quarterly plans.
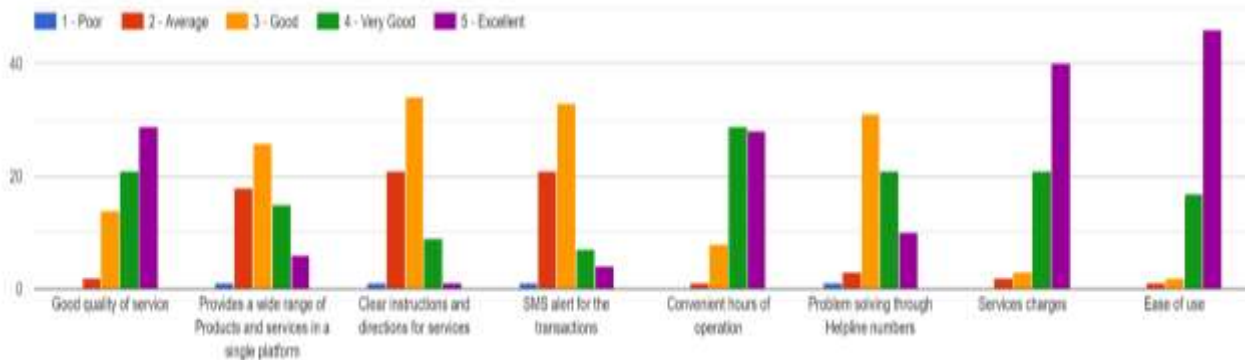
It has been observed from the study that the people started using digital transactions recently, that is after COVID 19. Many are doing the digital payments by themselves followed with the help of their own children. Majority of people invest in multiple investment options, but the priority of investment options is banks followed by gold. Lower income people have less awareness about National Pension Scheme and Public Provident funds even though they prefer banks as the secured and most preferred investment options.
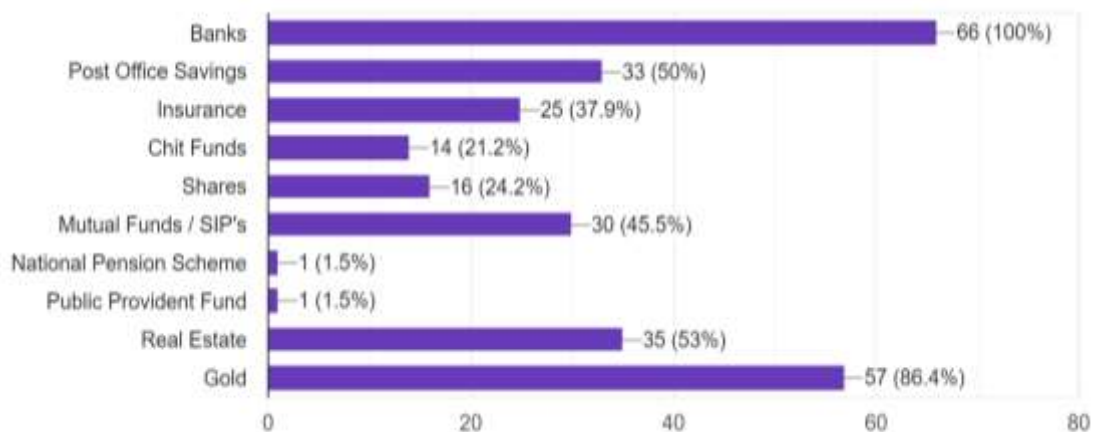
According to the study, it was found that lower income peoples investment habits changed slightly only after technological advancements. Investors from lower income groups prefers Mobile wallets(G-Pay, PhonePe, Paytm etc.) and Mobile banking as a means of digital payments even though there are any other alternatives available. Lower income groups are of the opinion that the income level affects their digital methods for investment preferences.

Majority of the people's investment preferences is for their retirement and to meet large household expenses.

Lower income groups prefer to invest using digital means so as to reduce transaction time. The major concerns in digital methods are security and privacy concerns. Majority of people learn about new digital investment methods from their friends or relatives. They are also of the opinion that the investment habits increase with an

increase in their income. People prefer to use digital payment methods because of cashbacks and offers provided by the service providers.

When we analyzed the satisfaction level of people, it has been observed that they are highly satisfied with its ease of use and service charges levied for the same.

Limitations of the Study:

1. The sample size consists of people who are educated and uneducated are living in various parts of urban India. A study focusing mainly on the illiterate population from rural areas may bring other results.

2. The awareness among people regarding various online transactions methods have not been studied in detail.

Scope of Further Research:

The same study can be extended to a larger area by dividing the categories of respondents as urban and rural population, literate and illiterate.

Conclusion:

The study is being conducted to throw light on the dynamics of digitalization and its influence on the investment habits of the lower income groups. The digitalization of financial services brought a wide range of options for individuals to access and manage their finances. This study showed that the majority of people utilizing digital transactions are young which gives us an indication of our path towards the goal of digitalization. It also showed that people prefer Mobile wallets and M-banking applications for making payments online due to its ease of use and valued added services provided by them. Other payment methods such as AEPS, Internet banking, NEFT / RTGS etc. have to be made user friendly in a secure way. It also revealed the fact that lower income groups prefer to make investments quarterly or half yearly. Most of the lower income groups are of the view that the digital payment system is meeting their expectations. But still, a few are finding difficulty in making digital payments because of risk, security and privacy concerns. So necessary steps should be made for solving these issues so that the goal of complete digitalization in financial services across all income groups can be achieved.

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