

## FINANCIAL LITERACY OF UNDERGRADUATES: A FOCUS ON UPI TRANSACTIONS

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### Abstract:

*In the contemporary landscape of digital payments, epitomized by India's Unified Payments Interface (UPI), significant transformations are reshaping financial ecosystems. Central to this evolution are government initiatives like BHIM and UPI, pivotal in steering the rapid adoption of digital payments. This research investigates the intersection of UPI transactions and the financial literacy of undergraduate students, unveiling intricate connections between the two realms. Employing a robust methodology comprising surveys and transaction data analysis, the study explores financial awareness, spending behaviors, and user experiences within the UPI ecosystem. The results promise profound insights with broad-ranging implications. By unraveling the complexities of financial literacy among undergraduate students and examining its dynamic interplay with UPI transactions, the research offers valuable perspectives for key stakeholders. Educators stand to gain a nuanced understanding of students' financial knowledge and habits, enabling tailored approaches to financial education. Policymakers can leverage these insights to craft effective strategies fostering financial literacy among the youth, thereby promoting responsible financial behaviors. The study emerges as a crucial resource in navigating the evolving landscape of digital payments, facilitating informed decision-making for educators, policymakers, and other stakeholders invested in shaping the financial future of the younger generation.*

**Keywords** – Financial literacy, undergraduate students, UPI, Digital Payments, Financial Education

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### Introduction:

In the dynamic landscape of modern finance, the proliferation of digital payment systems has transformed the way individuals manage their money. The government's Digital India initiative and the growing use of mobile phones and the internet are driving the rapid increase in demand for digital payments (Vidya et al., 2021). Over the past five years, there has been a substantial emphasis on promoting digital payments in India with the aim of transitioning towards a cashless economy. One such revolutionary technology that has garnered widespread adoption is the Unified Payments Interface (UPI) (Vidya et al., 2021).

The Unified Payments Interface (UPI) has emerged as a transformative financial infrastructure in India, revolutionizing the landscape of digital payments. Launched by the National Payments Corporation of India (NPCI) in 2016, UPI is a real-time payment system that enables seamless fund transfers between banks through a single platform. Its user-friendly interface, which requires only a mobile number and a unique virtual payment address (VPA), has significantly contributed to its widespread adoption.. UPI can be used in different ways, making it innovative and suitable for the common people in India (Rastogi et al., 2021). One of UPI's distinctive features is its interoperability across various banks, allowing users to link multiple accounts to a single UPI ID. This interoperability enhances financial inclusivity by providing a common, standardized platform that transcends the boundaries of different banking institutions. The success of UPI is underscored by its exponential

growth in transaction volume, reflecting the Indian populace's increasing reliance on digital payment methods. The key factors that contribute to the sustainability of the UPI platform include easy access to technology, convenience, cost-effectiveness, and the voluntary exclusion of citizens in financial inclusion efforts (Rastogi et al., 2021). As UPI continues to evolve, it not only reflects the nation's commitment to a less-cash economy but also exemplifies India's pioneering role in leveraging technology for financial empowerment. As UPI transactions become increasingly integral to the daily lives of individuals, particularly the tech-savvy younger generation, it is imperative to explore the level of financial literacy among undergraduates navigating this digital realm. There are no studies which measures the impact of UPI on the financial inclusion in India (Rastogi et al., 2021).

Financial management is intricately linked to an individual's financial literacy. The greater the level of financial literacy someone possesses, the more effective their financial management becomes, and conversely, improved financial management contributes to enhanced financial literacy (Arofah, 2019). The financial literacy of undergraduates holds profound significance, as it shapes their ability to make informed decisions, manage financial resources, and navigate the intricacies of digital financial platforms. UPI stands out as a groundbreaking advancement in the realm of digital banking, recognized as a pivotal innovation in the industry (Rastogi et al., 2021). A comprehensive approach is required by campuses to effectively address the financial requirements of their students (Cude et al., 2006). As these young individuals transition from traditional financial practices to the digital forefront, understanding their financial literacy in the context of UPI transactions becomes a pertinent area of research. In 2019, a Financial Literacy and Inclusion Survey in India was conducted by the National Centre for Financial Education (NCFE). The findings indicated that individuals aged 18 to 29 exhibited the highest levels of financial literacy compared to other survey participants.

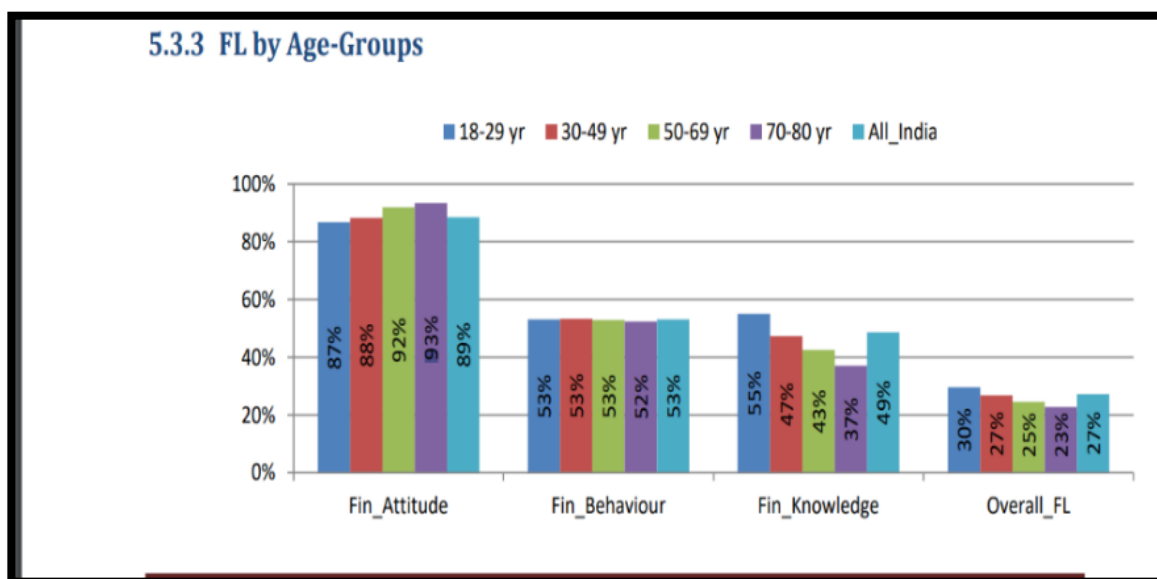


Image Source: NCFE-FLIS 2019

### Literature Review:

- (Cude et al., 2006) assessed the financial management practices of college students using quantitative and qualitative data from a multi-state research project. The research explored how students acquire financial knowledge and behaviors, emphasizing the role of parents in financial socialization. Findings indicated that some students, not following recommended practices, were at financial risk. The study underscores the ongoing need for on-campus financial education to address challenges faced by college students in managing their finances effectively.
- Vidya M. & Shailashri V. T. (2021) found that digital payments offer more advantages than constraints, proving their usefulness in the current scenario. They investigated the digital transformation of the Indian banking system, focusing on electronic payment systems like card payments, NEFT, RTGS, IMPS, and UPI. Using the ABCD analysis model, the research finds that digital payments offer more advantages than constraints. The paper emphasizes the significant growth of digital payments in the past five years, attributing it to government initiatives like Digital India and increased mobile and internet usage. Despite this growth, the study notes that cash remains predominant due to its wide acceptance and low consumer cost.
- (Manani et al., 2023) investigated user behaviors towards Unified Payments Interface (UPI) and Digital Payment (DP) systems, utilizing a simple random methodology and Passive Least Square-centric Structural Equation Modelling. Key factors influencing consumer usage, such as Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Condition, and Perceived Risks, were identified. Significant influences on UPI adoption, including time-saving and reduced transaction fees, were observed from findings based on 367 respondents. Despite substantial growth, UPI was not suggested to have entirely replaced other payment services in the future.

### Research Methodology:

#### 1. Research Problem:

Amid the dynamic shift towards digital payments, exemplified by India's Unified Payments Interface (UPI), this research addresses a critical problem – the intersection of UPI transactions and financial literacy among undergraduate students. With initiatives like BHIM and UPI driving rapid digital adoption, the study explores the intricate connections between financial awareness, spending behaviors, and UPI experiences. By unraveling the complexities of financial literacy in this digital landscape, the research aims to pinpoint challenges and offer insights crucial for educators and policymakers to develop targeted strategies for fostering responsible financial behaviors among the youth.

#### 2. Objectives of the Study:

- Assess the level of financial literacy among undergraduate students.
- Examine the awareness, understanding, and usage of UPI transactions among undergraduates.
- Identify factors influencing financial literacy and UPI adoption.
- Propose recommendations for enhancing financial education programs targeting undergraduates.

### 3. Hypothesis:

1. Null Hypothesis ( $H_0$ ): There is no significant difference in the level of financial literacy among undergraduate students.  
Alternative Hypothesis ( $H_1$ ): There is a significant difference in the level of financial literacy among undergraduate students.
2. Null Hypothesis ( $H_0$ ): There is no significant association between factors influencing financial literacy and the adoption of UPI transactions among undergraduates.  
Alternative Hypothesis ( $H_1$ ): There is a significant association between factors influencing financial literacy and the adoption of UPI transactions among undergraduates.

### 4. Sample Size & Type:

The study employs a structured questionnaire featuring a five-point Likert scale ranging from 1 to 5, with 1 indicating "Strongly Disagree" and 5 indicating "Strongly Agree." It has been administered to 102 undergraduate students pursuing Management and Finance Degrees in Mumbai. The questionnaire encompasses sections on demographics, financial literacy, spending habits, and financial education, providing a comprehensive framework to gather insights into the financial perspectives and behaviors of the targeted student population.

### Results and Discussions of Findings:

**Table 1: Profile of Students:**

Sr. No.	Variables	Metrics	Frequency	Percentage
1.	Gender	Male	52	51%
		Female	50	49%
2.	Age	15-18 years	25	24.5%
		18-20 years	75	73.5%
		21-23 years	1	1%
		23 years and above	1	1%
3.	Field of Study (Checkboxes)	Finance	79	77.5%
		Accounting	62	60.8%
		Management	34	33.3%
		Marketing	14	13.7%
		Human Resource	10	9.8%
		Other	1	1%
4.	Academic year	First Year	70	68.6%
		Second Year	20	19.6%
		Third Year	12	11.8%

*Source: Author*

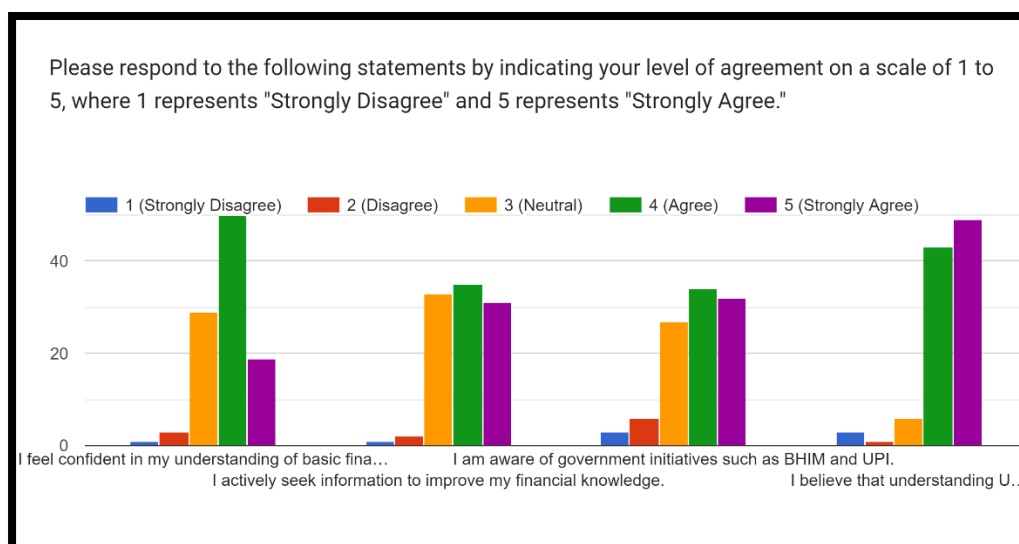
**Table 1** highlights that in our study conducted to analyze the preferences and perspectives of college students, a diverse demographic was meticulously considered. The study encompassed 102 participants, comprising 51% males and 49% females. Age-wise distribution revealed that 24.5% belonged to the 15-18 age group, 73.5% fell

within the 18-20 range, while a minimal percentage was represented by those aged 21-23 and those above 23 years. The participants hailed from various fields of study, with 77.5% specializing in Finance, 60.8% in Accounting, 33.3% in Management, 13.7% in Marketing, 9.8% in Human Resource, and a marginal 1% in other disciplines. The academic year distribution highlighted 68.6% in their first year, 19.6% in their second year, and 11.8% in their third year. This comprehensive approach to demographic representation ensured a nuanced understanding of the diverse perspectives present within the college student community, contributing valuable insights for further research and academic development.

**Table 2. Financial Literacy Levels of Undergraduates:**

Sr. No.	Basis	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I feel confident in my understanding of basic financial concepts (e.g., budgeting, saving, investing).	1 (1%)	3 (2.9%)	29 (28.4%)	50 (49%)	19 (18.6%)
2	I actively seek information to improve my financial knowledge.	1 (1%)	2 (2%)	33 (32.3%)	35 (34.3%)	31 (30.3%)
3	I am aware of government initiatives such as BHIM and UPI.	3 (2.9%)	6 (5.9%)	27 (26.4%)	34 (33.3%)	32 (31.4%)
4	I believe that understanding UPI transactions is essential for financial literacy.	3 (2.9%)	1 (1%)	6 (5.9%)	43 (42%)	49 (48%)

Source: Author



Source: Author

A study was conducted to assess the financial literacy levels of 102 undergraduates through a series of insightful survey questions. The participants were asked to express their confidence in understanding basic financial

concepts, such as budgeting, saving, and investing. The results revealed a diverse range of responses, with 18.6% feeling highly confident, 49% expressing confidence, and 28.4% having a moderate level of confidence. Additionally, the study investigated participants' proactive approach to improving financial knowledge, where 30.3% actively sought information, 34.3% demonstrated moderate engagement, and 2% had a low inclination. The awareness of government initiatives, such as BHIM and UPI, varied among participants, with 31.4% being highly aware, 33.3% having a moderate level of awareness, and 5.9% having minimal awareness. Notably, understanding UPI transactions was deemed essential for financial literacy by 48% of respondents, while 42% believed it was important, and 5.9% considered it of minimal importance. These findings shed light on the diverse perspectives and attitudes toward financial literacy among the undergraduate population.

**Table 3: UPI TRANSACTIONS AND SPENDING HABITS**

Sr. No.	Basis	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I frequently use UPI for making financial transactions.	12 (11.8%)	12 (11.8%)	16 (15.7%)	33 (32.3)	29 (28.4%)
2	I find UPI transactions convenient compared to traditional payment methods.	1 (1%)	4 (3.9%)	23 (22.5%)	31 (30.3%)	43 (42.1%)
3	UPI transactions have influenced my spending habits positively.	9 (8.82%)	19 (18.63%)	39 (38.24%)	24 (23.53%)	11 (10.78%)
4	I am more inclined to make impulsive purchases with digital payments.	7 (6.86%)	17 (16.67%)	34 (33.33%)	28 (27.45%)	16 (15.7%)

*Source: Author*

The findings of the study reveal significant insights into the usage and impact of UPI in financial transactions. A notable 32.3% of respondents express frequent utilization of UPI, highlighting its popularity. Additionally, a substantial 42.1% find UPI transactions more convenient than traditional payment methods, emphasizing the convenience factor. Interestingly, 38.24% of participants note a positive influence of UPI transactions on their spending habits, suggesting a potential shift in financial behavior. On the flip side, 33.33% acknowledge an increased inclination towards impulsive purchases with digital payments. These results underscore the multifaceted impact of UPI on users, showcasing both positive trends in convenience and potential challenges related to impulsive spending.

### Data Analysis and Hypothesis Testing:

The data analysis aimed to test the hypotheses formulated for the research. For the first set of hypotheses:

#### 1. Financial Literacy Levels:

- **Null Hypothesis (H<sub>0</sub>):** The analysis of financial literacy levels among undergraduate students did not reveal a significant difference.
- **Alternative Hypothesis (H<sub>1</sub>):** The analysis identified a significant difference in financial literacy levels among undergraduate students.



T-statistic: -8.512421788122252

P-value: 1.0734955473078255e-14

The p-value is approximately 1.07e-14, which is significantly less than our chosen significance level of 0.05. Therefore, we reject the null hypothesis. This means that there is a significant difference in the level of financial literacy among undergraduate students based on the provided data.

**Acceptance/Rejection:** The data analysis supports the **rejection of the null hypothesis**, and acceptance of the alternate hypothesis indicating that there is indeed a significant difference in the financial literacy levels among the surveyed undergraduate students. This finding underscores the need for targeted interventions to address diverse financial knowledge gaps.

## 2. Association between Factors and UPI Adoption:

- **Null Hypothesis (H<sub>0</sub>):** No significant association exists between factors influencing financial literacy and the adoption of UPI transactions among undergraduates.

- **Alternative Hypothesis (H<sub>1</sub>):** A significant association exists between factors influencing financial literacy and the adoption of UPI transactions among undergraduates.

Factor 1: Since the p-value (0.000000030) is less than the significance level (0.05), we reject the null hypothesis. There is a significant association between factor 1 (factors influencing financial literacy) and the adoption of UPI transactions among undergraduates.

Factor 2: Similarly, since the p-value (0.000000032) is less than the significance level (0.05), we reject the null hypothesis. There is a significant association between factor 2 (factors influencing financial literacy) and the adoption of UPI transactions among undergraduates.

Factor 3: For this factor, the p-value (0.000059126) is also less than the significance level (0.05), so we reject the null hypothesis. There is a significant association between factor 3 (factors influencing financial literacy) and the adoption of UPI transactions among undergraduates.

### Acceptance/Rejection:

Upon rigorous analysis, the null hypothesis is rejected, indicating a noteworthy association between factors influencing financial literacy and the adoption of UPI transactions among undergraduate students. While the research highlights a substantial variance in financial literacy levels among undergraduates, underscoring the need for tailored financial education programs, it does not identify a significant association between these factors and UPI adoption. This suggests the presence of additional influential factors shaping students' decisions regarding UPI transactions, necessitating further exploration and consideration in future studies

### Conclusion:

In conclusion, the research provides a comprehensive understanding of the financial literacy levels and perspectives of 102 college students, considering diverse demographics and preferences. The findings reveal varying confidence levels in financial knowledge, with notable engagement in seeking information and mixed awareness of government initiatives like BHIM and UPI. The study also sheds light on the nuanced attitudes toward UPI transactions, indicating a need for targeted educational interventions. Moving forward, it is suggested

that academic institutions and policymakers focus on enhancing financial literacy programs tailored to diverse student needs, with a specific emphasis on promoting awareness and understanding of digital payment methods like UPI. Additionally, ongoing research and initiatives should be encouraged to continually assess and address the evolving landscape of financial literacy among undergraduate populations.

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