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Role of FinTech in Promoting Financial Literacy: A Study of Digital Financial Education among GenZ and Millennials

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Abstract

The rapid growth of Financial Technology (FinTech) in India has transformed the way individuals access and use financial services. Digital platforms now allow users to invest, save, borrow, and manage money easily through smartphones. However, easy access to financial products does not always ensure proper understanding of financial concepts. This study examines the role of FinTech in promoting financial literacy through digital education tools. The research is based on primary data collected from 100 urban respondents aged 18–35 years using a structured questionnaire. The study analyzes how educational features such as in-app learning modules, financial blogs, and visual tools improve understanding of concepts like compounding, inflation, and diversification. The findings indicate that users who actively engage with educational content demonstrate better financial awareness and disciplined investment behavior. However, most respondents are hesitant to trust AI-based robo-advisors for portfolio management. Major concerns include overspending due to ease of transactions, hidden charges, and technical glitches. The study concludes that FinTech has strong potential to improve financial literacy, but greater transparency and digital trust are essential.

Keywords: Digital Finance, Financial Awareness, Online Investment Platforms, Youth Investors, Behavioral Finance, Consumer Trust.

1. Introduction

Financial literacy is the ability to understand and effectively use financial skills such as budgeting, investing, and saving. In India, financial inclusion has improved significantly due to digital initiatives and the expansion of FinTech platforms. Applications like Zerodha, Groww, Paytm Money, and others have simplified access to stock markets, mutual funds, and digital payments.

FinTech combines finance and technology to provide faster, more convenient financial services. While these platforms reduce entry barriers, there is concern that users may invest without adequate knowledge. Therefore, understanding the role of FinTech in promoting financial literacy is important, especially among young investors.

2. Review of Literature

Previous studies suggest that digital platforms increase financial participation. Research indicates that mobile-based investment platforms encourage first-time investors. Studies on digital financial literacy show that educational tools within apps improve awareness of risk and return concepts.

However, some researchers argue that simplified interfaces may create overconfidence among new investors. There are also concerns regarding trust in automated advisory services and transparency in fee structures.

Recent studies highlight the growing importance of FinTech in promoting financial literacy and inclusion. With the rapid expansion of digital payment systems, investment applications, and roboadvisory platforms, financial services have become more accessible to individuals. However, researchers emphasize that access alone does not guarantee informed financial decision-making.

A recent report by the OECD (2023) stresses that digital financial literacy is essential for safe and effective use of FinTech services. The report explains that users must understand digital risks, data privacy issues, and cost structures while using financial applications. Without adequate knowledge, individuals may face problems such as hidden charges and poor financial planning.

Similarly, the World Bank (2023) highlights that while digital financial services improve inclusion, financial capability remains uneven across users. The study notes that younger users actively adopt FinTech tools but often lack awareness regarding long-term investment risks and automated advisory systems.

In the Indian context, the Reserve Bank of India (2023) reports significant growth in digital transactions. However, it also emphasizes the need for continuous financial education to ensure responsible usage of digital platforms. Concerns such as overspending due to ease of transactions and lack of transparency in service charges are identified as emerging challenges.

Recent academic research (2023–2024) further suggests that while FinTech applications provide budgeting tools and personalized insights, trust remains a major factor influencing adoption. Studies indicate that users are cautious about AI-based robo-advisors and prefer human guidance for investment decisions. Transparency, user awareness, and digital literacy are therefore considered critical for maximizing the positive impact of FinTech.

Overall, recent literature confirms that FinTech has strong potential to enhance financial literacy and inclusion. However, behavioural concerns such as overspending, trust issues, and hidden costs continue to limit its effectiveness. This study contributes to the ongoing discussion by examining user perceptions and awareness levels regarding FinTech applications.

3. Objectives of the Study

To examine the adoption of FinTech platforms among young investors.

To assess the level of financial literacy among users.

To analyze the effectiveness of digital educational tools in improving financial knowledge.

To identify concerns and challenges faced by users of FinTech applications.

4. Research Methodology

Research Design: Descriptive and analytical research

Data Source: Primary data and secondary data

Sample Size: 30 respondents

Sampling Method: Convenience sampling

Data Collection Tool: Structured online questionnaire

Target Group: Urban investors aged 18–35 years

The collected data were analyzed using percentage analysis and simple interpretation methods.

Secondary data: Research papers, RBI reports, OECD

5. Findings and Analysis

Most respondents actively use FinTech applications for investments and digital payments.

A majority understand basic financial concepts such as compounding and diversification.

Respondents who frequently use in-app educational content show better investment discipline.

Most participants prefer managing their own investments rather than relying on AI-based roboadvisors.

According to the Reserve Bank of India (RBI) Annual Report (2023), digital payment transactions in India have grown significantly in the past five years. This indicates increased adoption of FinTech platforms.

The biggest concerns include:

Overspending due to ease of transactions

Hidden charges

Technical glitches and app failures

These findings indicate that while FinTech improves access, trust and transparency remain important issues.

6. Discussion

FinTech platforms play a dual role: they act as financial service providers and educational tools. Micro-learning modules, blogs, tutorials, and visual dashboards help users understand financial products better. However, digital convenience may also lead to impulsive financial decisions.

The hesitation to trust robo-advisors suggests that human judgment and control remain important to young investors. Therefore, financial education must focus not only on knowledge but also on responsible financial behavior.

7. Conclusion

The study concludes that FinTech has significantly contributed to promoting financial literacy among young urban investors. Digital education features enhance understanding and encourage systematic investing. However, concerns related to trust, hidden charges, overspending, and technical issues need attention.

To strengthen the positive impact of FinTech, platforms should improve transparency, simplify disclosures, and ensure reliable system performance. With proper regulation and user awareness, FinTech can become a strong tool for financial empowerment.

8. Suggestions

Improve clarity of fee structures and risk disclosures.

Introduce mandatory short educational modules before high-risk investments.

Enhance cybersecurity and technical stability.

Promote awareness campaigns on responsible digital spending.

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