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## DIGITAL FINANCIAL LITERACY AND PERSONAL FINANCIAL HEALTH DURING THE COVID-19 PANDEMIC

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### ABSTRACT

This study aims to analyze the impact of digital financial literacy on personal financial health during the widespread Covid-19 in Indonesia. Data collection was done through an online survey by questionnaires distribution which received 463 responses in return. SPSS was used to analyze the data. The result depicts digital financial literacy affects personal financial health significantly. That is to say, the more literate someone is in digital finance, the better their financial well-being. Therefore, it is essential to have the digital financial knowledge to improve personal financial health during the pandemic, especially during the digitalization and technology era that can disrupt a person's financial situation.

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### INTRODUCTION

The sudden Covid-19 pandemic happened in various parts of the world. This pandemic initially occurred in Wuhan, China, in 2019 and began to spread all over the world, including Indonesia. Covid-19 is capable of causing long-term economic loss through short-term financial shock and causing a significant disruption in both political and socioeconomic, which impedes all global development-related activities and processes, as well as financial issues for individual communities.

On the other hand, the Covid-19 pandemic made people realize of critical literacy and financial management are. McKinsey, in May 2020, found that many Indonesians were worried about not being able to meet their expense needs during the pandemic. These concerns are more significant compared to the people in India and China. Based on the survey results, it was revealed that around 50% of people who are worried about their jobs only have savings for less than four months of their living costs. If the concern intensifies along with the decline of people's ability to consume, save, and invest, the individuals' financial health will be affected.

Personal financial health is a person's monetary condition related to savings, expenses, loans, and financial planning. An individual's financial health can be influenced by intrinsic and extrinsic factors (Anand et al., 2021). Some traits included in intrinsic factors are personal demeanor, awareness, the ability to work with numbers, knowledge, risk-taking abilities, foresight, and innate behavior. Those factors are personalized and different between individuals. Extrinsic factors comprise socio-economic, political, geographic, and natural disasters, recessions, and pandemics. Extrinsic factors cannot be controlled and can cause financial shock. Thus, a healthy personal financial condition should also be able to prepare and protect oneself from financial shock rather than only meet the current needs and immediate financial goals.

This study attempts to analyze the differences between personal economic health during the widespread of Covid-19 in men and women. People are increasingly aware and mindful of the coronavirus, thus maintaining health protocols. This outbreak, especially with its uncertain extremity, also makes people more careful in their consumption and investment. Failure in money management triggers problems in personal financial health.

Preparation and protection against personal financial shock during a pandemic might be facilitated by digital financial literacy. The positive growth of internet users and the increasing number of Financial Technology (FinTech) makes the public is required to have a good literacy in digital finance. This is affirmed by the numerousness of internet users in Indonesia, which stood at 202.6 million or 73.7 percent out of 274.9 million of the total population in January 2021. As many as 96.4 percent of it (195.3 million people) access the internet via smartphone (kompas.com, 2021). Unfortunately, this does not happen along with financial literacy, which is relatively low. The National Financial Literacy Survey held by the Financial Services Authority (OJK) in 2019 revealed that the index of financial literacy in Indonesia was still at 38.03% (ojk.go.id., 2021).

The lack of financial literacy risks individuals in monetary transactions for consumption and investment using digital platforms. This confirms the importance of learning digital finance literacy, notably since digital financial technology contributes significantly to people's spending and saving behavior. Likewise, digital financial literacy is a pluridimensional concept (oecd.org., 2018). Digital financial literacy can consist of apprehensions about digital financial products and services, risk awareness, digital financial risk control knowledge, and understanding consumer rights and remedy procedures (oecd.org., 2018).

Lacking financial literacy can lead to short of savings and overspending onward (Lusardi, 2008). Frail saving and spending decisions perhaps are less concerning in the current days but will have severe implications for an individual's long-term financial security or health (Hung et al., 2009). Likewise, the lack of literacy in digital financial can affect critical decision-making, such as using digital platforms for saving and spending. Thus, it affects their financial health. Even the OECD recommends improving digital financial literacy as FinTech has unique characteristics, advantages, and risks (oecd.org., 2018).

There is a possibility that the awareness and concerns built during the Covid-19 pandemic allow people to have more interest in learning about personal financial management. Personal financial shock during a pandemic is possibly different between

men and women. Okpara (2011) claimed that most women are not competent in financial management, including bookkeeping, managing inventory and human capital, and essential marketing. This leads to a muddle in daily transactions and unable to calculate their spending and earnings by the end of the month. On the other hand, Sabri et al. (2020) explained that women in Malaysia were more skillful in financial management. For instance, 86.1% of expense records can be kept.

This study aims to analyze the impact of digital finance literacy on personal financial health in Indonesia. Furthermore, this research is expected to contribute knowledge and spread awareness about financial management by enhancing digital financial literacy. This research also gives policy implications to strengthen and improve digital financial literacy during the pandemic.

## **LITERATURE REVIEW**

### **Digital Financial Literacy**

Digital Financial Literacy (DFL) covers knowledge related to online shopping and savings systems through online payments and banking [28]. [29] stated that DFL consists of two concepts: financial literacy and digital platform. Overall, DFL is described as financial literacy in digital financial technology, which is the way someone can understand, experience, and have awareness about digital products and services. Similar to financial literacy, DFL is divided into four aspects consisting of basic financial knowledge, savings and borrowing, protection (insurance), and investment (Chen and Volpe, 1998).

### **Personal Financial Health**

Personal financial health is specified by financial satisfaction and behavior, the individual's point of view on financial health, and their objective financial status (Joo and Bagwell, 2003). Joo (2009) stated that financial health is a "multidimensional concept" combining objective and subjective components of prosperity. The research by Joo (2009) related personal financial health definition and measurement by surveying 216 financial planning and counseling professionals. Results justified that financial health was reflected objectively by showing an insignificant amount of debt, actively planning savings, and following the plan. Meanwhile, significant satisfaction levels and less financial stress represent the objective (Joo, 2009). This definition describes what we call financial health.

### **Hypothesis Development**

As the cure for Covid-19 has not been successfully discovered, many countries, including Indonesia, strive to stop the spread by implementing lockdowns and social distancing. This situation affects one's health both physically and mentally, yet financial health aspects are not quite studied. Therefore hypotheses suggested in this study include:

H1: Digital financial literacy significantly affects personal financial health during the widespread Covid-19

## **RESEARCH METHOD**

Quantitative research aimed to explain the influence of digital financial literacy on an individual's financial health. A simple regression analysis was used to test the

hypothesis. This is survey-based research that uses questionnaire instruments to collect data.

The research population is all Indonesian people of productive age. Slovin formula was used to determine the sample size due to the large size of the population (Cochran, 1997). Sampling was done by using the purposive sampling technique based on specific considerations such as population characteristics or identified characteristics (Sekaran and Bougie, 2013). The sample criteria in this study are as follows: 1) Have been employed; 2) Have experience in using Fintech (can be in the form of mobile payment, mobile remittance, crowdfunding, and P2P lending) for at least one year.

## RESULTS AND DISCUSSION

Data was collected through questionnaire distribution. The information about respondents' characteristics is gathered and shown in Table 1 as follows:

Table 1. The Characteristics of Respondents

Group	Amount	Percentage (%)
<b>Gender</b>		
Male	94	20.30
Female	369	79.70
<b>Income</b>		
< Rp. 3,500,000	86	18.57
> Rp. 3,500,000 - Rp. 7,000,000	141	30.45
> Rp. 7,000,000 - Rp. 10,500,000	157	33.91
> Rp. 10,500,000	79	17.06

The data of this research was collected by distributing questionnaires to respondents and received 463 responses in return consisting of 94 data from male respondents and 369 data from female respondents. As much as 33.91% of respondents have income > Rp. 7,000,000 - Rp. 10,500,000.

The research questionnaire has been tested for validity and reliability before being distributed to respondents. The validity and reliability test results reveal that all items in the digital financial literacy and personal financial health variables are reliable and valid. The results can be seen in Table 2.

Table 2. Validity and Reliability Test

Variable	Total of Questionnaire items	Information
Digital financial literacy	11 items	Valid and reliable
Personal Financial health	4 items	Valid and reliable

### Classic Assumption Test Result

Before being processed using simple linear regression, the data were tested using the classic assumption test. Results show that the data have a normal distribution and no heteroscedasticity. The results of the classical assumption test can be seen in Table 3.

Table 3. Classic Assumption Test Result

Classic Assumption Test	Result
Normality Test	Data is normally distributed
Heteroscedasticity Test	No Heteroscedasticity

### Regression Analysis

Simple linear regression analysis results show a significant impact of digital financial literacy on personal financial health during the widespread of Covid-19 (sig < 0.01), which means that hypothesis 1 is accepted. The regression equation shows that the higher digital financial literacy a person has, the better personal financial health can get during the pandemic.

Table 4. Regression Analysis

Model 1	Unstandardized Coefficients		Sig.
	B	Std. Error	
Constant	2.092	.145	0.000
DFL	.430	.050	0.000

### Discussion

Results in this study explain that digital financial literacy significantly affects a person's financial health during the current Covid-19 pandemic. The more knowledge, experience, and awareness regarding digital financial literacy a person has, the healthier one's financial condition will be. Moreover, more Financial Technology and digital financial transactions makes it easier for someone to be influenced by conducting financial transactions both for consumption and investment. Hence, by having literacy related to digital finance, an individual can be more careful in spending their income. In addition, in an uncertain situation due to the pandemic, someone with good digital financial literacy can establish a saving habit for their future. The results of this study have good agreement with the research by Mien and Thao (2015) and Tamimi and Kali (2009).

### CONCLUSION

This research is aimed to analyze the impact of digital finance literacy on personal financial health during the widespread Covid-19. Results show the significant effect of digital finance literacy on personal financial health during the Covid-19 widespread. In other words, the more literate someone is in digital finance, the better their financial well-being. Therefore, it is essential to have digital financial knowledge to improve personal financial health during the pandemic. Moreover, the development of digitalization and technology will create financial risks and transactions that can disrupt a person's financial situation.

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