

Examining the Effectiveness of Digital Consumer Education in mitigating Digital Risk & improving Financial Literacy among Young Consumers in India

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ABSTRACT

I. INTRODUCTION

With the rise of e-commerce and online shopping, consumers are increasingly exposed to various risks associated with online purchases. These risks include product quality, security of personal information, financial frauds, data privacy delivery issues etc... In this article, we will explore the role of consumer education in addressing these perceived risks.

Customer education (CE) and financial literacy (FL) are essential components in ensuring that individuals can make informed decisions when it comes to managing their finances. Lack of financial literacy has been associated with poor financial decision-making, debt accumulation, and financial stress. In this research article, we also examine the effectiveness of consumer education on mitigating risk and improving financial literacy.

Consumer education plays a crucial role in addressing perceived risks in online purchases. It empowers consumers with the knowledge and skills to identify and mitigate these risks, ultimately improving their overall shopping experience.

In this study we have used three variables: customer education (independent variable), perceived risk (dependent variable) and financial literacy (moderating variable).

Financial Literacy (FL) is the knowledge and understanding of financial concepts, tools, and practices that are necessary to make informed and effective decisions about personal finances. It involves having the ability to manage one's money, save for the future, invest wisely, and avoid financial pitfalls such as debt and fraud.

Customer Education (CE), on the other hand, is the process of educating individuals on their rights and responsibilities as consumers, as well as providing them with the knowledge and skills to make informed decisions when purchasing goods and services. This includes understanding product features, pricing, warranties, and contracts, as well as being aware of consumer protection laws and regulations.

Perceived Risks (PR) in Online Purchases: Perceived risks in online purchases refer to the potential negative outcomes that consumers associate with online shopping. These risks can be categorized into several types, including financial risk, performance risk, psychological risk, and social risk (Bauer, 1960).

II. EXPERIMENTAL

Financial Literacy and Digital Risks: The concept of financial literacy has been gaining importance in recent years as consumers are required to make more complex financial decisions. Digital payment gateways have also become more prevalent, leading to an increase in digital risks for consumers. In order to effectively use digital payment gateways, consumers need to be financially literate and aware of the risks associated with them. (Lusardi & Mitchell, 2011)

Digital Consumer Education: Digital consumer education has been identified as one way to improve financial literacy and mitigate digital risks among consumers. Digital consumer education includes providing information and training to consumers on digital payment gateways and their associated risks. Digital consumer education can be provided through various methods such as online courses, seminars, and workshops. (Chen & Zhang, 2019)

Young Consumers and Financial Literacy: Young consumers in India are particularly vulnerable to digital risks and may lack financial literacy. Digital consumer education can play a critical role in improving financial literacy and mitigating digital risks among young consumers. However, it is important to understand the specific needs and challenges faced by young consumers in order to develop effective digital consumer education programs. (Khatun & Islam, 2020)

Ahmad, M. (2020). A Study on Digital Payment Adoption and Its Impact on Financial Inclusion. *International Journal of Scientific Research and Management*, 8(06), 64-73.: Ahmad's study explores the adoption of digital payments in India and its impact on financial inclusion. The study highlights the need for digital consumer education to mitigate digital risks, improve financial literacy, and increase the adoption of digital

III. PAYMENT GATEWAYS

Reddy, S., & Wadera, J. (2021). Digital Payment Systems in India: Issues and Challenges. *Journal of Emerging Technologies and Innovative Research*, 8(2), 251- 257.: Reddy and Wadera's study focuses on the issues and challenges faced by digital payment systems in India. The study suggests that digital payment gateways can be made more secure by educating consumers on digital risks and promoting financial literacy.

Jeyanthi, R., & Deivasigamani, K. (2021). Consumer's perception and preferences towards digital payment system in India. *Journal of Business and Management Studies*, 3(2), 21-29. Jeyanthi and Deivasigamani's study investigates the perception and preferences of consumers towards digital payment systems in India. The study emphasizes the need for digital consumer education to increase consumer confidence in using digital payment gateways and mitigate digital risks.

Balaji, M. S., & Ramaraj, N. (2021). Digital Payment System in India: Trends, Challenges and Opportunities. *Journal of Management and Science*, 11(1), 15-25.: Balaji and Ramaraj's study examines the trends, challenges, and opportunities in the digital payment system in India. The study emphasizes the importance of digital consumer education to increase financial literacy and mitigate digital risks in the use of digital payment gateways.

Krishnamurthy, M., & Bala, K. (2019). Digital Financial Inclusion and Women Empowerment in India. *International Journal of Engineering and Advanced Technology*, 8(6), 2072-2079: Krishnamurthy and Bala's study explores the relationship between digital financial inclusion and women's empowerment in India. The study suggests that digital consumer education can play a crucial role in promoting financial literacy and empowering women to use digital payment gateways safely and effectively

IV. HYPOTHESIS

H1: As customer education increases, perceived risk decreases.

H2: Financial literacy moderates the relationship between customer education and perceived risk.

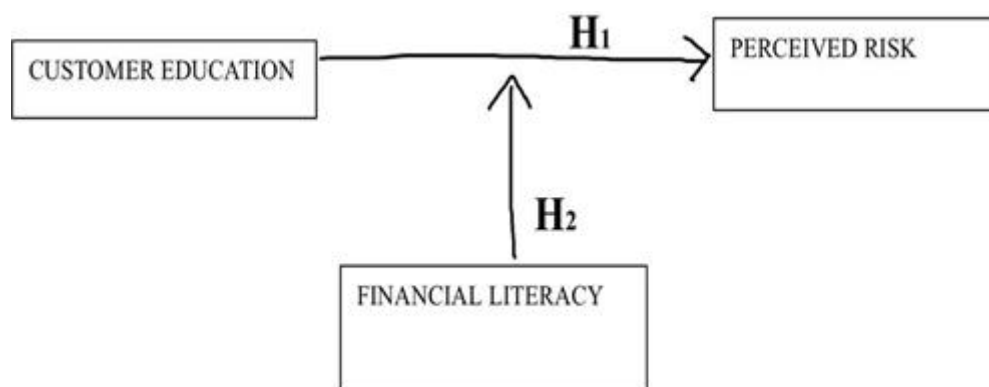
H1: As customer education increases, perceived risk decreases.

Customers actively perceive risk because they do not often get enough product information or rather, they do not understand this information. This hypothesis is based on the assumption that as we provide more information to customers, they can make informed decisions and thus reduce the risk factor. The more is the customer education regarding the product or service, less will be their perceived risk.

H2: Financial literacy moderates the relationship between customer education and perceived risk.

Many factors affect an individual's financial decisions. Financial literacy can be a moderating variable which strengthens the relationship between customer education and perceived risk. Financial literacy has positive effects on customer buying behavior and thus it gives a better awareness to the customer regarding associated risks.

V. CONCEPTUAL FRAMEWORK



Research Methodology: This research methodology will outline the research design, sampling strategy, data collection methods, and data analysis techniques to be used in the study.

Research Design: The research design for this study is a quantitative research design, which involves collecting numerical data through surveys. The survey was distributed online through social media platforms, email lists, and other online platforms.

Sampling Strategy: The target population for this research is consumers who have done some form of online purchase. The sampling strategy for this study will be convenience sampling. Participants will be recruited through social media platforms, email lists, and other online platforms. The sample size was based on the number of responses received during the data collection process is 151.

Data Collection: Data for this study was collected through an online survey. The survey consists of closed-ended questions, used to collect quantitative data. The survey includes questions on demographics, financial literacy, consumer education, and financial risk. The survey was administered using an online survey tool, and participants were able to complete it at their convenience.

Data Analysis: Data collected from the survey was analyzed using descriptive statistics such as frequencies, percentages, mean, and standard deviation. Inferential statistics such as t-tests and regression analysis were used to determine the relationship between consumer education, financial risk, and financial literacy. All statistical analyses will be performed using the statistical software SPSS

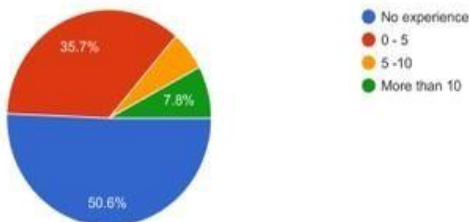
Measurement Instrument: Structured closed ended questionnaire was used to collect data from the respondents. The questionnaire on perceived risk was adopted from; Sourabh Arora, Sangeeta Sahney, (2019) "Examining consumers' webrooming behavior: an integrated approach", The questionnaire on financial literacy was adopted from: Evaluating the effects of sociodemographic characteristics and financial education on saving behavior Mouna Amari Department of Finance, University of Sfax, Sfax, Tunisia (2022). The questionnaire on perceived risk was adopted from: The more I know, the more I engage: consumer education's role know, the more in consumer engagement in the coffee shop context Sidney A. Ornelas S_x0019_anchez Arkansas State University Campus Queretaro (2020). Reliability analysis was done on the questionnaire and has achieved the required standards.

VI. RESULTS & DISCUSSION

Demographics

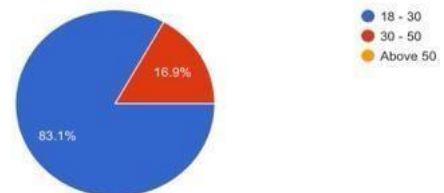
Work experience

154 responses



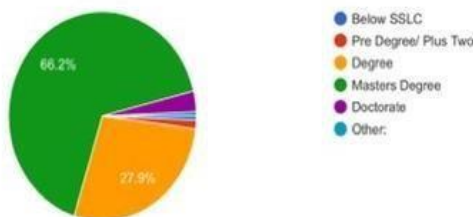
Age

154 responses



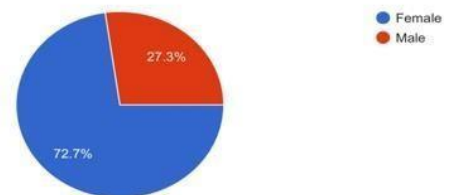
Educational Qualification

154 responses



Gender

154 responses



The survey sample consisted of 267 responses out of which only 154 was fit for analysis. Among the respondents 27.3% Were males and the rest 72.7% were females. 50% of the respondents were with no work 35.7% with 0-5 years' experience, 7.8% with 5-10 years' experience and the rest of them had above 10 years of experience. 83.1%of the respondents were 18- 30 years of age and the rest of them were between 30 -50 years of age. 66.2% of the respondents had a master's degree and 27.9% had degree.

VII. DATA ANALYSIS AND FINDINGS

		CE	RP
CE	Pearson Correlation	1	-.586**
	Sig. (2-tailed)		.000
	N	151	151
RP	Pearson Correlation	-.586**	1
	Sig. (2-tailed)	.000	
	N	151	151

** . Correlation is significant at the 0.01 level (2-tailed).

To find the relationship between Customer Education (CE) and Perceived Risk (RP), 2 tailed Pearson Correlation is used. The coefficient of correlation obtained is $r = -0.586$ and for this value $p < 0.001$. So, we can conclude that there is a significant linear relationship between Customer Education and Perceived Risk. The negative sign in the coefficient value indicates that CE and RP are negatively correlated. It means they have an inverse relationship which indicates that when CE increases RP decreases.

Thus, the hypothesis H1 of the study is accepted. Which indicates that as Customer education increases, Perceived Risk decreases.

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Run MATRIX procedure:

***** PROCESS Procedure for SPSS Version 4.2 beta *****

Written by Andrew F. Hayes, Ph.D.      www.afhayes.com
Documentation available in Hayes (2022). www.guilford.com/p/hayes3

*****

Model : 1
Y : RP
X : CE
W : FL

Sample
Size: 151

*****
OUTCOME VARIABLE:
RP

Model Summary
R          R-sq      MSE      F      df1      df2      p
.5879     .3456     .5267    25.8787  3.0000   147.0000  .0000

Model
      coeff      se      t      p      LLCI      ULCI
constant  3.1440    .0607  51.8222  .0000    3.0241    3.2639
CE        -.5175    .0616  -8.3962  .0000   -.6393   -.3957
FL        -.0268    .0399  -.6713   .5031   -1.056   .0520
Int_1     -.0143    .0405  -.3540   .7239   -.0944   .0657

Product terms key:
Int_1 :      CE      x      FL

Test(s) of highest order unconditional interaction(s):

      R2-chng      F      df1      df2      p
X*W      .0006      .1253    1.0000   147.0000   .7239
-----
      Focal predict: CE      (X)
      Mod var: FL      (W)

Conditional effects of the focal predictor at values of the moderator(s):

      FL      Effect      se      t      p      LLCI      ULCI
-1.5273    -.4956    .0846   -5.8575  .0000   -.6628   -.3284
.0000     -.5175    .0616   -8.3962  .0000   -.6393   -.3957
1.5273     -.5394    .0900   -5.9962  .0000   -.7172   -.3616

***** ANALYSIS NOTES AND ERRORS *****

Level of confidence for all confidence intervals in output:
95.0000

W values in conditional tables are the mean and +/- SD from the mean.

NOTE: The following variables were mean centered prior to analysis:
      FL      CE

----- END MATRIX -----
    
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To find the significance in the moderating effect of Financial Literacy (FL) over CE and PR, matrix procedure was used in SPSS 4.2 and found that all the P values for CE, FL and their interaction int_1 are significant with p value ≤ 0.05 . It is also found that the conditional effects of independent variable CE at different values of the moderator FL are significant at levels -1.5273 and 1.5273. The p values are observed to be $0.0000 \leq 0.05$.

Thus, we accept hypothesis H2. This means that, financial literacy moderates the relationship between Customer Education and Perceived Risk.

VIII. CONCLUSION AND SCOPE FOR FUTURE STUDY

In conclusion, perceived risks in online purchases can be significant barriers to consumers' online shopping experiences. Consumer education can play a critical role in addressing these risks and improving the overall online shopping experience. By providing information on product quality, security and privacy, delivery issues, and promoting trust and confidence, consumer education can empower consumers to make informed decisions and mitigate perceived risks in online purchases. As e-commerce continues to grow, it is essential that policymakers, industry stakeholders, and educators prioritize consumer education to promote safe and enjoyable online shopping experiences for all consumers.

Future studies can explore the impact of consumer education on mitigating financial risk in various domains. For example, a study can be conducted to understand the effect of consumer education on mitigating investment risk. The study can analyze the impact of consumer education on investment decision-making and the risk-adjusted returns of the investments made by individuals. Such a study can provide insights into the effectiveness of consumer education in mitigating investment risk and enhancing financial literacy.

Similarly, future studies can explore the impact of consumer education on mitigating credit risk. Credit risk is the risk of default on the credit obligations. It can have a significant impact on an individual's financial well-being. Consumer education can help individuals to understand the importance of creditworthiness and the factors that impact credit scores. A study can be conducted to understand the impact of consumer education on credit scores and the probability of default on credit obligations.

In addition to mitigating financial risks, consumer education can also improve financial literacy. Financial literacy is the ability to understand and manage one's finances effectively. Future studies can explore the impact of consumer education on financial literacy. For example, a study can be conducted to understand the impact of consumer education on financial decision-making and the ability of individuals to manage their finances effectively.

Moreover, future studies can explore the effectiveness of various consumer education programs in enhancing financial literacy and mitigating financial risk. Consumer education programs can be delivered through various channels, such as schools, colleges, workplaces, and online platforms. A study can be conducted to compare the effectiveness of these channels in enhancing financial literacy and mitigating financial risk.

IX. CONFLICTS OF INTEREST

The authors have no conflicts of interest to declare that are relevant to the content of this article.

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