

Online finances in a pandemic

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The COVID-19 pandemic has wrought tragedy, social and economic decline. However, humanity is finding ways to adapt to the so-called "new normal" in terms of health care, society, business, and finance. Writing in the *International Journal of Electronic Finance*, a team from India discusses how the pressure to move various aspects of our lives into the online world because of the pandemic has led to the mainstreaming of online financial transactions to an unprecedented degree.

Kamakhya Narain Singh of the Indian Institute of Corporate Affairs within the Ministry of Corporate Affairs in the Indian government in Haryana and Shruti Malik of the Department of Management Studies at the JCBOSE University of Science and Technology also in Haryana, point out the obvious efficiency and efficacy of online financial transactions when compared to cash transactions. The team has looked at the impact of the COVID-19 pandemic and the various restrictions and lockdowns that were put in place in an attempt to slow the spread of the disease, particularly on [financial transactions](#). They have also considered how financial literacy affected the adoption of online finances, especially among low-income groups.

The team used a logistic regression model to analyze 2019 data from the National Center for Financial Education 2019 survey of around 36,600 households in the low-income bracket. Low income is defined as below 50,000 Indian Rupees (just over US\$600) annually for a given household.

The fundamental result from the analysis was that financial literacy was instrumental in the adoption of online banking by those in this group. Thus improved education and guidance in this area could improve the outlook for those people who might benefit from online finances in ways that were previously not possible. The researchers suggest that policymakers should look to improve financial literacy. They add that there needs to be better investor protection and a system for addressing customer complaints. They even have the radical idea of there being incentives put in place to encourage financial literacy among low-income households, a [financial reward](#) given at random on a regular basis to a household that uses online financial services.

The ultimate aim would be to nudge people in such a way that online [financial services](#) become the norm rather than cash transactions, such a nudge would improve processes in the [financial sector](#) but also protect

people in a future crisis when we come to rely on the [online world](#) for the next new normal.

More information: Kamakhya Narain Singh et al, COVID-19 crisis—an opportunity for mainstreaming digital financial transactions, *International Journal of Electronic Finance* (2022). [DOI: 10.1504/IJEF.2022.124479](#)

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