



Financial Literacy and Its Impact on The Adoption of Fintech Solutions: A Study of Fractional Shares and Retail Investor Behaviour

CA Pranav D. Mandke, CFA¹ & Dr. Eknath B. Khedkar²

1 Research Scholar, Dr. D.Y. Patil School of Management, Charholi Bk.,
Savitribai Phule Pune University, Pune, India.

2 Research Guide, Dr. D.Y. Patil School of Management, Charholi Bk.,
Savitribai Phule Pune University, Pune, India.

Corresponding Author – CA Pranav D. Mandke

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Abstract:

Fintech advancements like fractional shares have opened doors that were up until now, incomprehensible to ordinary Investors and has democratized the capital markets. However, the success of these fintech products will be determined by customers' financial literacy. The adoption of fractional shares by retail investors and their financial literacy are the subjects of this study. We had the option to get both subjective and quantitative information from our experiences by utilizing blended strategies. Our examination shows that increased financial literacy works on financial comprehension; investors might better understand and utilize fractional shares, prompting enhanced risk-taking appetite and more educated investment choices. In addition, the differences in financial literacy and the ways in which these differences affect investing practices are the primary focus of the study. To bridge these gaps, the need of implementing specialized financial education programs is emphasized in this research. Fintech platforms also play a fundamental role in advancing financial literacy by integrating educational tools and resources into their services. By encouraging financial literacy and creating a more inclusive financial environment, these platforms have the potential to empower a larger group of ordinary investors.

Keywords: Financial Literacy, Fintech, Fractional Shares, Retail Investors, Financial Education.

Introduction:

Investing has been transformed by financial technology, or FinTech, which has made the financial markets more accessible to everyday people. The introduction of fractional shares, which enable investors to purchase a portion of a company's share rather than the entire share, is one of the most significant developments in this field. This broadens participation in the stock market and encourages financial inclusion by allowing investors with less money to invest in high-value stocks. However, the investors' level of financial awareness is a

significant factor in the recognition and effective use of fractional shares.

Financial Literacy is the ability to understand and utilize different financial assets, like financial planning and individual money administration. It essentially influences individuals' way of behaving and financial decisions. Financial acumen plays a crucial role in assisting financial investors in comprehending the advantages and disadvantages of holding fractional shares, such as voting rights, dividend payments, and growth. Investors can evaluate the benefits of fractional shares and incorporate them into their plans for money management

if they have a better understanding of finance.

There are many factors that influence the adoption of fintech solutions, including financial literacy. From one point of view, the goal of the fintech platforms, is to make it easier and more accessible for the general public to invest in financial assets. In an effort to attract similar financial investors, these platforms frequently emphasize user-friendly interfaces, educational materials, and lower exchange costs. Nevertheless, a certain level of financial education is required to successfully comprehend and utilize these platforms. Investors must have a fundamental understanding of finance in addition to knowing how fintech platforms operate and the potential risks and rewards of investing in them.

Financial Literacy and Investment Decisions:

A strong comprehension of money is fundamental for pursuing very well-educated financial choices. According to a few studies, people with higher levels of financial proficiency are more likely to practice insightful financial strategies like reliable saving, proficient planning, and other investments. Financial dependability and long-haul prosperity are supported by these activities. By assisting Investors with understanding the subtleties of holding fractional shares, Financial Literacy with regards to Fractional Shares empowers Investors to settle on very much educated choices that are compatible with their financial objectives.

Investors with more financial mindfulness are better ready to gauge the advantages and risks of Fractional Shares. To maximize their returns, they can carefully select the fractional shares that best complement their investment portfolios. Financial literacy also helps investors avoid common mistakes like overtrading, copying

past performance, and falling prey to behavioural biases like herd mentality and excessive confidence. A very much educated determination process permits financially proficient Investors to increase their fortune and investment execution.

Adoption of Fintech Solutions:

Drawn out advancements and changing client demands have added to the rapid improvement of fintech game plans. Mobile payment systems, peer-to-peer lending, robo-advisors, online brokerage accounts, and a lot more are available on FinTech platforms. Receptiveness, convenience, and sensibility are the primary characteristics of these platforms. They offer normal Investors, as opposed to conventional financial organizations, the assets, and devices they expect to make money in the financial market at a lower cost.

The acceptance of fractional shares is greatly aided by fintech platforms. Retail investors can invest in high-value stocks that would otherwise be too expensive thanks to these platforms' provision of fractional shares, which lowers their entry barriers. This democratization of access may be beneficial to financial inclusion and the reduction of wealth inequality. The investment interaction is streamlined by fintech platforms' user-friendly interfaces, making it easier for individuals to buy and sell Fractional Shares, examine their portfolios, and monitor their investments in real time.

Regardless, capable use of fintech platforms requires a specific degree of financial literacy. Investors must be able to use these platforms, understand financial data, and make well-informed investments. Fintech organizations know about this, and frequently give online classes, instructional exercises, and articles as instructive assets to assist clients with being financially educated. Fintech platforms have the

potential to increase investors' capacity to make well-informed decisions and maximize the benefits of fractional shares by promoting financial literacy.

Retail Investor Behaviour:

The activities of retail Investors are impacted by a vast number of elements, like the condition of the market, impression of hazard, and Financial Literacy. As it influences how financial patrons see open doors, put forth financial objectives, and seek after adventure choices, money related training assumes a major part in profoundly shaping the way they behave as investors.

A greater likelihood of employing sound investing strategies, such as portfolio diversification, in-depth research, and long-term investment plans, is correlated with a higher level of financial literacy. Financially educated Investors are bound to grasp the meaning and the upsides of Fractional Shares in building a portfolio. Additionally, they are better equipped to assess the risks associated with investing in specific stocks and to make educated choices regarding their speculations. Additionally, financially educated customers will undoubtedly remain informed about market developments, allowing them to adapt their work strategies to shifting financial circumstances.

Risk perception is yet another crucial aspect of retail investor behaviour. Investors' view of and ways to deal with risk are impacted by Financial Literacy. Investors with a higher level of financial education will typically have a better understanding of the risks associated with various investment options and be better prepared to evaluate their risk resistance. Because of this understanding, they are able to make investment decisions that are in line with their preferences for risk and financial goals.

Literature Review:

Consumer behaviour, personal financial management, and financial services

are being reshaped by digital innovations. By offering types of assistance like robo-counsels and online investment funds with easy-to-use points of interaction and lower exchange costs, FinTech platforms have made financial markets more open. These platforms have the potential to empower positive and negative financial behaviours such as increased savings, effective money management, hasty spending, and unreasonable trading, respectively. It is essential to have areas of strength for any of these social developments preceding the reasoning of procedures to chip away at one's ability and money related capability. People can profit from customized financial counsel and social mediations like pushes under advanced conditions. By integrating these intercessions into fintech platforms to empower a more judicious financial way of behaving, clients' general financial prosperity can be moved along. Digital learning tools and updated financial literacy curricula are absolutely necessary to address the shifting personal finance landscape. A collaborative effort between the general public and private sectors is essential to establishing a financial climate that is more impartial and comprehensive. A structure for computerized Financial Literacy and financial capacity is created and framed in this study [1].

Monetary and computerized Financial Literacy levels across the European Association (EU) were assessed through a hypothetical and exact examination in this review, featuring likely contrasts between EU part states. It also looked at how people generally felt about cryptocurrencies, digital currency, and new fintech solutions. Desk research was used to analyse data on financial behaviour, adoption of digital technology, financial literacy, and Internet banking solutions. ING, the OECD, Eurostat, and other organizations provided the data. The outcomes showed that monetary and

computerized Financial Literacy fluctuate fundamentally across EU countries. Various populaces are impacted by these variations by the way they collaborate with and benefit from fintech advancements. Fintech solutions and advanced financial standards will generally be received with greater enthusiasm in nations with higher proficiency levels. Then again, incredulity and more slow reception rates are connected to bring down proficiency levels. The study also looked at how people generally felt about crypto currencies and digital money. It found that people had a wide range of views and levels of knowledge about these topics. Certain individuals are excited and sure about these new financial instruments; however, others are careful and do not have the foggiest idea what they are doing. The findings, in general, emphasize the significance of specialized educational programs for reducing the literacy gap and expanding equitable access to digital financial services. For the EU to foster a financial system that is more comprehensive and productive, financial and computerized proficiency should be improved [2].

The deficiency of conventional financial proficiency in engaging people to successfully access and utilize these administrations has been featured by the fast extension of computerized financial administrations (DFS), which was filled by headways in fintech and advanced quickly by the Coronavirus pandemic. Computerized Financial Literacy (DFL) incorporates a mix of financial proficiency (FL) and advanced education (DL) as well as unambiguous information, mindfulness, and abilities pertinent to DFS, arising as a significant empowering influence. Figuring out computerized devices, online security, and the remarkable dangers related with advanced exchanges recognize DFL from customary financial proficiency. To completely address these viewpoints, a complex system for DFL should be created.

The observational techniques in this structure are utilized to evaluate the heartiness, legitimacy, and unwavering quality of the measurements used to quantify DFL. It has been demonstrated that DFL enhancement significantly boosts financial inclusion, especially among traditionally underserved populations. Best practices for promoting DFL include individualized educational initiatives and the development of digital tools that are user-friendly and suitable for a wide range of user groups. The pieces of information from this study go about as a foundation for extra wise assessment, highlighted by concocting strong DFL techniques. These strategies are essential if the digital financial ecosystem is to be made available to everyone, regardless of their background. Policymakers and instructors can assist with overcoming any barrier between innovative headway and financial incorporation by zeroing in on DFL [3]. This will ultimately improve livelihoods and economic stability.

The purpose of one study was to investigate how consumer credit use and overall financial fitness are affected by increased access to financial information provided by modern technology. The introduction of a personal finance management app for smartphones is used as an exogenous variable in the analysis of the effects of fintech adoption. The discoveries uncover that fintech reception essentially decreases financial charges and punishments, albeit these advantages change across various segment gatherings. The modern technology has significant financial benefits for Millennials and Generation X members. After adoption, these groups pay fewer financial fees and penalties, primarily because they manage short-term liabilities with credit cards rather than overdrafts. It is interesting that Generation X's financial behaviour is more conservative, whereas Millennials tend to spend some of their savings on entertainment. In contrast, Baby

Boomers do not appear to benefit as much from the adoption of fintech, indicating a generational gap in financial technology use. This disparity features the significance of customized financial training and support to guarantee all age gatherings can profit from mechanical headways in financial administration. Men are also found to be more likely to use modern technology and access financial information, according to the study. Notwithstanding, ladies who really do embrace these advances experience a huger financial effect, demonstrating the potential for designated mediations to connect orientation differences in fintech reception and usage. Generally speaking, this examination highlights the extraordinary capability of fintech in upgrading financial wellness and diminishing pointless financial expenses. It likewise stresses the requirement for comprehensive systems that address the extraordinary necessities and ways of behaving of various segment gatherings to boost the advantages of financial innovation [4].

Methodology:

The reason for these blended techniques for examination is to explore the association that exists between the retail financial investor's way of behaving, the reception of fintech, and financial proficiency, with a specific accentuation on Fractional Shares. By combining quantitative and qualitative data collection and analysis, the method enables a nuanced examination of the relationship between financial literacy and the adoption of fintech solutions (fractional shares) by retail investors.

Data Collection:

Quantitative Data:

Through an internet-based survey focused on retail Investors utilizing FinTech platforms, quantitative information was accumulated. The survey was meticulously designed to collect a variety of data relevant

to the study's main topic. It had questions about measurements.

- **Financial Proficiency:** Inquiries in this part included essential financial ideas including financing costs, expansion, diversifying, and balance among hazard and return. Evaluating the respondents' understanding and utilization of these thoughts in their money management decisions was the point of the review.
- **Utilization of Fractional Shares:** This segment's inquiries fixated on how frequently and how much cash was put into Fractional Shares. All of the respondents' satisfaction with this investment choice, as well as the average investment size, were questioned.
- **Investment Behaviour:** This section asked about risk tolerance, decision-making procedures, and diversification strategies. The questions were designed to learn about investors' asset allocation, risk management strategy, and the factors that influence their investment choices.

A sample of three hundred retail Investors were given the overview, and 250 of them had the option to give legitimate answers. A solid dataset was available for quantitative analysis due to the high response rate.

Qualitative Data:

Through in-depth interviews with twenty financial advisors and experts in the fintech sector, qualitative data were gathered. The selection of these specialists was based on their extensive expertise and understanding of Fintech and financial literacy. Three primary areas were the focus of the interviews:

- **The Role of FinTech Platforms in Facilitating Fractional Share Investments:** Experts discussed the technological advancements involved, the user experience, and how fintech platforms enable and support fractional share trading.

- **Challenges of Investors with Various Levels of Financial Literacy:** Discussions focused on the challenges of investors with varying levels of financial literacy, particularly when it comes to effectively understanding and utilizing fractional shares.
- **Strategies Employed by Fintech Companies to Enhance Financial Literacy Among Users:** Experts discussed the methods and initiatives that fintech companies employ to educate their customers, including educational content, tools, and support services.

Video conferencing was used to conduct the interviews, and they were recorded and transcribed for further study.

Data Analysis:

Quantitative Analysis:

Structural Equation Modelling (SEM) was utilized to research the quantitative information. SEM was decided because of its ability to, at the same time, assess various speculations and complex connections. This statistical approach made it possible to conduct a thorough investigation of the connection that exists between financial literacy, adoption of fintech, and investment behaviours. The assessment being referred to:

- **Model Specification:** constructing a theoretical model with reference to the literature and survey information.
- **Estimation:** This involves estimating the model's parameters using software.
- **Evaluation:** Examining how well the model fits the data and adjusting as needed to guarantee the conclusions' consistency.

SEM provided useful insights into the ways in which retail investors' behaviour and the adoption of fintech solutions are influenced by financial literacy.

Qualitative Analysis:

Thematic analysis was used to analyse the qualitative data. This elaborated a precise course of coding the meeting records to recognize repeating subjects and examples. These were the steps:

- **Familiarization:** Reading and re-reading the transcripts to become thoroughly acquainted with the data.
- **Coding:** Generating initial codes to capture key features of the data related to the research questions.
- **Theme Development:** Collating codes into potential themes and reviewing these themes to ensure they accurately represent the data.
- **Integration:** Integrating the identified themes with the quantitative findings to provide a richer and more comprehensive understanding of the research questions.

The thematic analysis provided important insights into the function that fintech platforms play, the difficulties that investors of varying levels of financial literacy.

The blended strategies approach of this study guarantees an exhaustive examination of what Financial Literacy means for the reception of fintech arrangements and retail financial investor ways of behaving, especially with regards to Fractional Shares. By consolidating quantitative and subjective information, the review gives a comprehensive view that illuminates the improvement regarding designated financial training drives and creative fintech arrangements. This exhaustive strategy empowers a more profound comprehension of the basic variables impacting retail Investors and supports the formation of additional viable

methodologies to upgrade Financial Literacy and advance financial consideration.

Results and Discussion:

Financial Literacy and Understanding of Fractional Shares: Understanding fractional shares and financial literacy were found to have a significant positive correlation, according to the analysis. The benefits and dangers of fractional shares were better understood by retail investors with higher financial literacy scores. The capacity to comprehend and evaluate fractional shares as an investment choice was found to be strongly correlated with financial literacy.

Table 1: Correlation between Financial Literacy and Understanding of Fractional Shares

Financial Literacy Score	Understanding of Fractional Shares (Mean)
Low (0-3)	2.3
Medium (4-7)	3.8
High (8-10)	4.5

Role of Fintech Platforms in Facilitating Investments: By providing user-friendly interfaces, educational resources, and low transaction costs, fintech platforms significantly increase the adoption of fractional shares. These platforms' accessibility and ease of use were cited as crucial factors in their adoption. Financial literacy is positively correlated with the use of fintech platforms ($\beta=0.38$, $p<0.01$), which suggests that investors who are financially literate are more likely to use fintech solutions for their investment requirements.

Table 2: Impact of Fintech Platforms on Investment Experience

Platform Feature	User Satisfaction Score (1-5)
Ease of Use	4.7
Educational Resources	4.2
Customer Support	4.0

Impact of Financial Literacy on Decision-Making and Risk Perception:

Financial proficiency essentially influences investment navigation and hazard discernment. Investors with better risk assessment and more strategic investment decisions were those with higher financial literacy. Additionally, the findings indicate that risk-averse investors are more likely to diversify their portfolios, including with fractional shares.

Table 3: Financial Literacy and Investment Decision-Making

Financial Literacy Level	Decision-Making Score (1-5)	Risk Perception Score (1-5)
Low	2.5	3.2
Medium	3.8	4.0
High	4.6	4.5

Discussion:

The role of financial proficiency in the reception of fintech arrangements and the retail financial investor's way of behaving is underscored by this study's discoveries. Financial literacy improves understanding and application of fractional shares, influences investment decisions, risk perception, and market participation.

Enhancing Financial Literacy:

The positive connection between financial literacy and the perception of Fractional Shares highlights the meaning of financial guidance. By integrating intelligent apparatuses and instructive assets into their administrations, fintech platforms can possibly altogether add to the improvement of Financial Literacy. These resources can help investors grasp the complexities of fractional shares and make informed decisions.

Role of Fintech Platforms:

Fintech platforms have greatly lowered entry barriers for regular investors by providing accessible and user-friendly

investing solutions. It is evident from the high client fulfilment scores for stage factors like ease and educational resources that fintech companies are truly meeting the needs of their customers. To further improve the investing experience, however, tailored financial advice and customer service may still be improved.

Implications for Retail Investor Behaviour:

The impact of financial literacy on investment decision-making and risk perception suggests that efforts to improve financial education may improve investment outcomes. Investors with a strong comprehension of funds are better prepared to overcome gambles and are bound to utilize judicious speculation techniques like enhancement and long haul arranging. Policymakers and finfluencers should zero in on drives that advance financial training, particularly with respect to arising fintech plans.

Conclusion:

This study demonstrates that retail Investors' behaviour and the reception of fintech arrangements are significantly influenced by financial literacy. More raised degrees of financial capability are shown to redesign the appreciation and use of Fractional Shares, provoking more thought-out decisions, and further creating risk managers. These revelations highlight the meaning of Financial Literacy in engaging financial sponsors to investigate the complexities of current financial business areas. In fact, FinTech platforms significantly enhance financial literacy. These platforms can support retail Investors in developing the necessary knowledge and skills to make sound financial decisions by coordinating instructional resources and intuitive devices within their services. Demystifying complex financial products and making them more accessible to a wider audience can be made easier with constant

improvement in educational materials. Investors benefit individually and society as a whole from increasing financial literacy. Financial inclusion can be enhanced by promoting financial literacy, allowing more people to participate in and profit from financial markets. This approach can assist with lessening wealth disparity by opening the door to wealth creation across classes. Additionally, by enabling individuals to better manage their finances, plan for the future, and achieve financial stability, improved financial literacy contributes to overall financial well-being. FinTech platforms' ongoing efforts to support and educate retail investors, as well as targeted financial education initiatives, are essential. It is possible to create a financial ecosystem that is more inclusive, equitable, and resilient for the benefit of everyone by encouraging a population that is more financially literate.

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