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Financial Literacy and Basic Concepts in the 21st Century

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Abstract: Today's rapidly changing world has opened a new chapter in human history. New innovations and innovations in finance and in all aspects of life have completely rewritten the scope and nature of the skills and competences needed to succeed in the economy. New players have emerged in the financial world, introducing new products. This new body of knowledge is difficult for each generation, especially the older ones, to adapt to. New products, new payment instruments and new forms of savings have emerged in recent years to which the older generation is finding it difficult to adapt. The aim of my study is to present, on the basis of the results of a questionnaire survey carried out in Hungary, the new solutions and concepts that are having a breakthrough effect in the field of finance. I would also like to discuss the new payment solutions, payment instruments and other general concepts from the point of view of their use, which will be decisive in the future financial world.

Keywords: Financial awareness, Bitcoin, Ethereum, Revolut, Paypal, Barion

Introduction

The financial environment of the 21st century has radically changed, presenting new challenges to all sectors of society. The combined impact of the digital revolution and globalisation has fundamentally reshaped the financial sector. New players, innovative products and services have emerged, challenging many to use and understand. In addition to traditional banking services, innovative solutions such as digital wallets, cryptocurrencies and peer-to-peer lending have become commonplace. These innovations have not only brought technological innovation, but have also transformed the way we approach finance. In particular, older generations face difficulties in mastering new concepts and tools, potentially increasing the risk of financial exclusion (Csiszárik-Kocsir, 2022; Csiszári-Kocsir & Lentner, 2023). Developing financial awareness and widespread knowledge of basic financial concepts is key to social well-being and economic stability.

Literature Review

The importance of financial literacy is becoming more and more prominent today, especially with the digitalisation of financial markets and the proliferation of complex financial products (Csiszárik-Varga, 2024). Financial literacy is essentially the ability to use one's financial data analysis skills to make informed decisions in the areas of financial management, planning, annuities, liabilities and asset accumulation. It involves understanding financial terminology and its application in informed decision-making (Abrantes-Braga & Veludo-de-Oliveira, 2020). The importance of financial literacy has also been highlighted by Garg and Singh (2018), stressing that this skill is essential for managing life events, planning household budgets, creating a home, saving for education and planning for retirement (Csiszárik-Kocsir, 2023; Garai-Fodor, 2023). This is particularly important given the liberalisation of financial markets and the evolution of financial products.

The spread of digital technologies is significantly transforming the financial sector and the management of personal finances (Pintér & Herczeg, 2023). Fintech innovations are revolutionising retail banking, investments and payments. This transformation is creating new opportunities for financial education and financial literacy, but also new risks (Gomber et al., 2018). With the proliferation of digital financial services, effective financial education, consumer protection and financial inclusion are becoming increasingly important (Bagó, 2023a; 2023b). The digital take-up of financial innovations has brought significant changes to financial services, including digital wallets, cryptocurrencies, peer-to-peer lending and robo advisors (Isaia & Oggero, 2022). These developments have resulted in an increasing number of financial services being available exclusively through digital channels (Balogh & Varga, 2024). The new fintech environment requires consumers to have the knowledge and skills to use digital financial services and to take greater responsibility for their own finances. This new fintech environment requires consumers to have the knowledge and skills to use digital financial services and to take greater responsibility for managing their own finances (Morgan et al., 2019). Fintech companies are introducing innovative technologies and new business models to the financial sector. This facilitates access to financial products and services, but also brings new risks, such as potential misuse and fraud of digital services (Elsinger et al., 2018). Traditional financial literacy needs to be complemented by elements of digital literacy. Digital financial literacy assessment includes elements such as online shopping, using online and mobile banking, initiating and completing digital financial services transactions (Lyons & Kass-Hanna, 2021a).

Digital financial literacy has been associated with increased use and awareness of mobile financial services (Long et al., 2023), positive financial behaviours (Rahayu et al., 2022), and ultimately financial well-being (Jhonson et al., 2023). While the digitisation of finance brings many benefits, such as more convenient and secure transactions, it also brings new risks that may threaten the financial well-being of individuals and society (OECD, 2018). Financial well-being is a key determinant of an individual's subjective well-being. According to Collins and Urban (2020), financial well-being is defined as an individual's ability to manage their everyday finances, withstand financial shocks, achieve their financial goals, and have the financial freedom to enjoy life. Financial literacy is an essential component of financial well-being. According to Warmath and Zimmerman (2019), it includes financial knowledge, skills, confidence and motivation.

Achieving financial well-being no longer depends only on traditional financial literacy, but also on digital skills and the ability to manage finances on digital platforms (Lyons & Kass-Hanna, 2021b). While financial literacy remains a key factor in consumers' participation in financial markets, the ongoing changes in the financial sector require redefining financial literacy in a digital context (Kass-Hanna et al, 2022). Financial well-being is a comprehensive construct that takes into account both objective and perceived financial circumstances. The concept was born out of the recognition that although objective indicators such as income and wealth predict subjective well-being, there remains a variation that cannot be attributed solely to economic resources (Diener & Biswas-Diener, 2002).

Research has shown that people with higher financial literacy have better economic outcomes (Lusardi et al., 2010; Lusardi & Mitchell, 2011a, 2014b). However, digitalisation poses new challenges for financial literacy. For example, online shopping and digital payment methods can make shopping easier, but they can also increase spending. In addition, maintaining multiple banking relationships and credit cards can make it more difficult for individuals to fully understand their financial situation (Huebner et al., 2020). This points to the need for a new type of financial literacy to navigate the digital world. Digital financial literacy not only enables people to take advantage of digital financial services, but also helps them to recognise the potential risks associated with them. Traditional financial literacy is no longer sufficient for effective financial management in the digital environment. Researchers use a variety of methods to measure financial literacy. The evolution of the digital economy is blurring physical, social and temporal boundaries, enabling the continuous flow of information and the creation of digital products and services (Carillo et al., 2017). This change is transforming consumer behaviour and business models (Bukht & Heeks, 2018).

Method

The research used a questionnaire survey method to seek answers to various questions, which was distributed online. The questionnaire contained only closed questions, so individual responses were not possible due to the homogeneity of the answers. In the part of the research presented in this paper, I examine the level of awareness of respondents about the different basic concepts related to payment habits and financial news. A total of 571 respondents completed the questionnaire, of whom more than half were members of Generation X and the remainder belonged to Generations Z and Y. To evaluate the results, I used SPSS software and mainly applied basic statistical methods and cross tabulation analysis. In this study, I examine the knowledge of the basic concept of financial culture based on the results of cross tabulation analysis. Cross tabulation analysis is also a statistical method used to explore relationships between categorised variables.

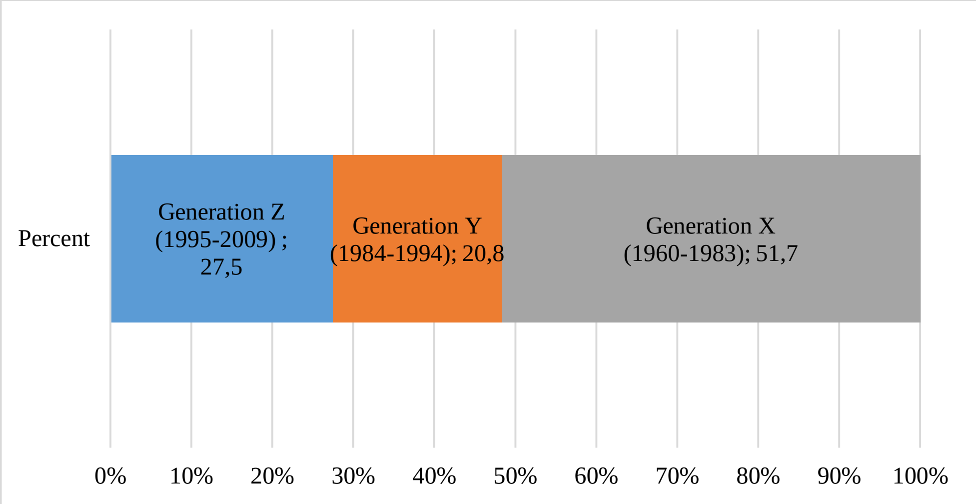

Figure 1. Composition of the sample (Source: Own research, 2023, N = 571)

Results

In this paper, I will make a generational comparison of three concepts such as Revolut, the payment systems Paypal and Barion, and the cryptocurrencies Bitcoin and Ethereum, which I will analyse in detail in this chapter of the paper. Revolut is a fintech service that allows users to switch between different currencies and pay with different currencies. Revolut's mobile application is easy to use and offers a wide range of financial services, including banking, money management and insurance, making it a worthy competitor to traditional banking services. It is particularly attractive to Generation Z, who prefer digital solutions, while Generations Y and X are also increasingly interested in the payment solution for its simplicity and low cost.

The chart showing awareness and usage of Revolut shows that a significant proportion of Generation Z and Y are aware of or use Revolut (46.5% and 47.9% respectively), which means that younger generations are more open to digital financial solutions, as evidenced by several research and studies. For these two generations, it is also clear that awareness of the tool is very high, with more than 45% of both groups being aware of it, even if not all of them are active users. By contrast, the proportions are different for Generation X: only 22.4% are aware of or use Revolut and 55.6% are aware but do not actively use it. This may suggest that, although some of them have encountered the service, they prefer traditional banking solutions or feel less at home in the digital financial world, which could clearly be a generational characteristic. In addition, it is noteworthy that 22% of Generation X members are not familiar with Revolut, which is much higher than Generation Z (7.6%) and Generation Y (10.1%). Overall, the graph shows that awareness of Revolut varies by generation, which is to be expected. Younger generations are more prevalent, while older generations are more traditional in their financial attitudes and less familiar with or use new digital solutions.

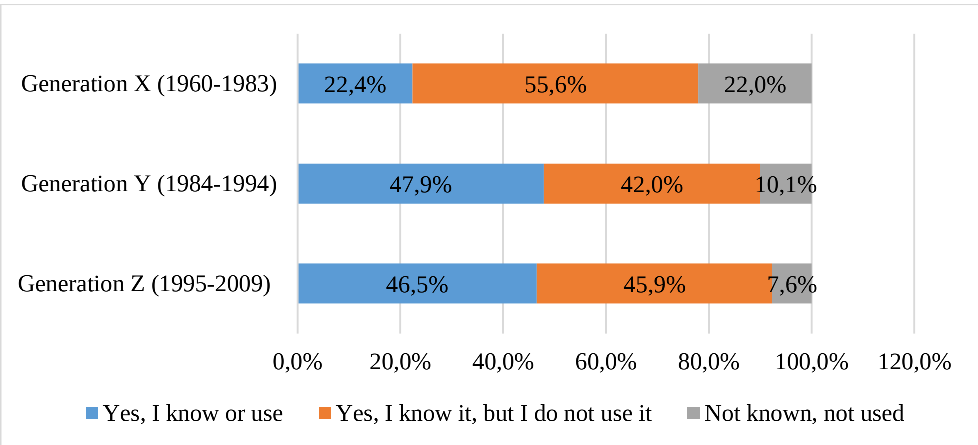

Figure 2. Knowledge and use of Revolut by different generations
(Source: Own research, 2023, N = 571)

Barion is a Hungary-based digital financial services provider, dedicated to providing fast, secure online payments. Barion allows users to make online purchases using the app instead of the traditional credit card payment, but also enables payment by credit card. Generation Z and Y are particularly attracted by the option as it offers a simple, fast way to carry out day-to-day financial transactions. Generation X prefers traditional banking solutions, but Barion is increasingly ubiquitous and is no longer a choice in many cases.

Data on awareness and use of Barion shows that awareness and use of Barion is highest among Generation Y, with 51.3% either aware of or using the service. This indicates that middle-aged adults have integrated this digital payment solution into their financial lives to a greater extent. Generation Z, which is the youngest age group, has a slightly lower awareness and usage rate (36.3%). This may be surprising as they are generally the most open to digital solutions, but they may prefer other, more popular digital payment tools such as Revolut or other apps more commonly used by young people. For Generation X, the awareness and usage rate is 43.4%, which is a middle ground between Generations Z and Y. The relatively high proportion of Generation X shows that they are open to digital financial tools, although they are likely to continue using traditional banking solutions. In addition, Generation X has the highest proportion (25.4%) of those who are neither familiar with nor use Barion, while the proportion is lower in Generations Z and Y (17.8% and 12.6% respectively), suggesting that awareness of Barion is also higher among younger generations, while a part of Generation X may be less familiar with modern fintech solutions. The reason for this lies in the large number of online purchases, which is clearly a characteristic of the younger generation.

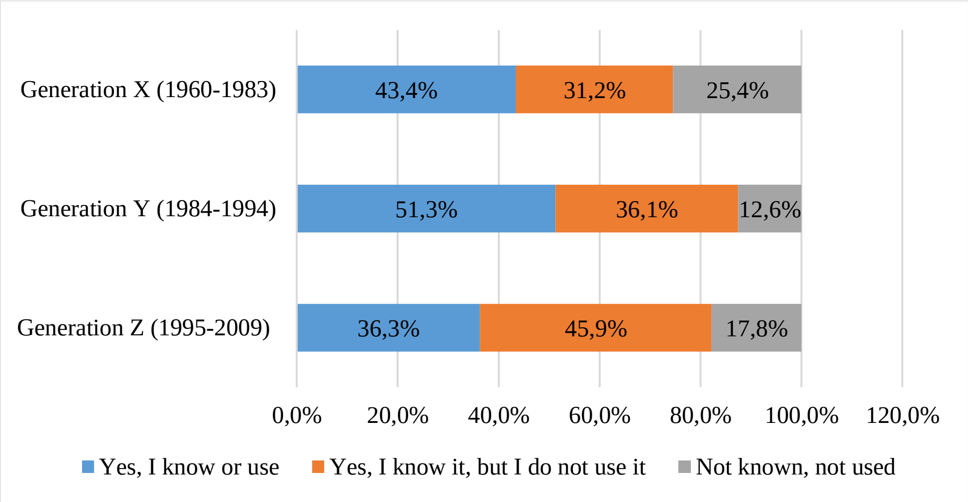

Figure 3. Knowledge and use of Barion for different generations
(Source: Own research, 2023, N = 571)

PayPal is an online financial solution that allows users to securely buy and send money worldwide. While Barion is more focused on the domestic market, PayPal is known and used worldwide. PayPal has long been a dominant player in the digital payments market. For Generation Z, PayPal is known as a fast and secure way to shop online, while Generation Y is already actively using the service not only to make purchases, but also to send and receive money. Generation X is also familiar with it, but often prefers more traditional methods of making transactions, such as bank transfers.

The graph on PayPal awareness and usage clearly shows that this digital payment tool is widely used by all generations. Generation Y has the highest level of awareness and use of PayPal, with 59.7% of them saying so, showing that this age group is the preferred users of the internationally recognised payment platform. Generation Y's digital awareness and receptiveness to global financial solutions may strongly contribute to this high rate. In Generation Z, the youngest generation, 52.9% are aware of and use PayPal, which is also a significant proportion. This suggests that the younger generation is also open to digital transactions, but may also be open to other, newer fintech solutions, as previous results have shown. The 56.9% usage and awareness rate of Generation X is also noteworthy. This means that the older generation also trusts the digital services provided by PayPal and uses it to make online purchases and send money. However, Generation X is a little more conservative about digital payment solutions, as shown by the 9.8% who are neither familiar with nor use PayPal. This is much higher than the rates found in Generation Z and Y (3.2% and 1.7% respectively), which is also in line with what was described earlier.

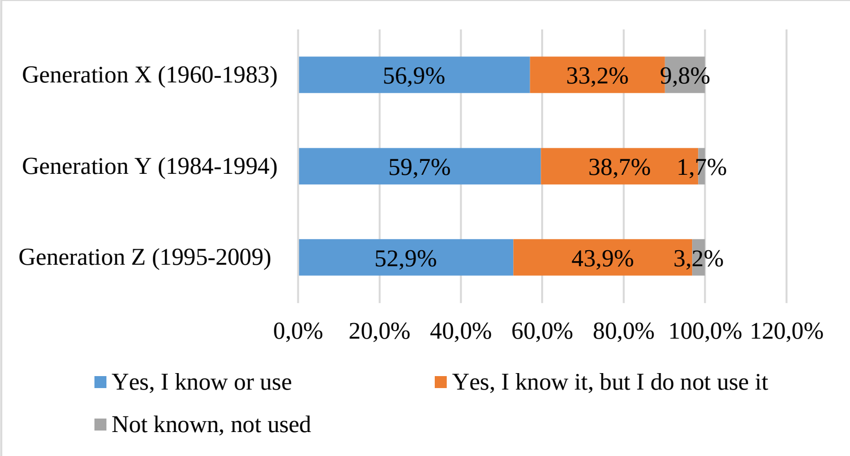

Figure 4. Knowledge and use of Paypal by different generations
(Source: Own research, 2023, N = 571)

Bitcoin is a world-renowned cryptocurrency that has been one of the best-known and leading players in the digital money market since its creation in 2009. Bitcoin aims to be independent of the traditional banking system and enable peer-to-peer transactions anywhere in the world. Generation Z is already widely familiar with and using Bitcoin, as they are very interested in digital currencies. For Generation Y, Bitcoin is more of an alternative investment option, while Generation X is less willing to use it, but more and more are interested in it because of its value and treasure-building function.

The distribution of Bitcoin across generations shows interesting differences, reflecting the technological engagement and financial literacy of different age groups. Among Generation Z, 14% are familiar with or use Bitcoin, which seems relatively low, but it should be noted that 79.6% are familiar with the cryptocurrency but do not use it. This indicates that younger generations are aware of the existence of Bitcoin, but do not yet consider it relevant to their daily lives. This could be because they do not have the capital to hold their money in this form, the savings function is not yet so dominant in their country and they are not interested in the opportunity. Generation Y has a higher usage rate of 21%, and 68.9% of the same group are aware of it but do not use it. This suggests that Gen Y is interested in Bitcoin but is more cautious about using it or prefers other types of financial instruments. This points to their better and stronger financial awareness. Generation X is the least engaged in using Bitcoin, with only 9.8% of them knowing or using it, and nearly 70% just knowing but not using it. Generation X has a higher rate of neither knowing nor using Bitcoin, which may be explained by the general generation gap and the gradual adaptation of older age groups.

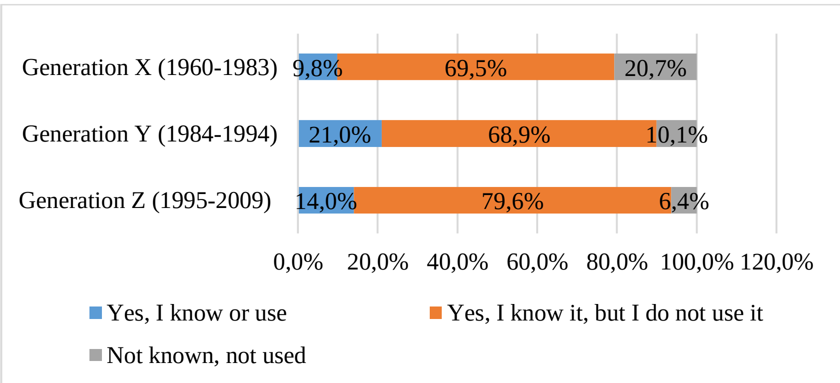

Figure 5. Knowledge and use of Bitcoin by different generations
(Source: Own research, 2023, N = 571)

Ethereum is a second-generation cryptocurrency that is not only a digital currency, but also a blockchain platform that allows smart contracts and decentralised applications to run. Ethereum therefore offers a much broader solution than Bitcoin. Generation Z may be attracted to it, as they are interested in blockchain-based technologies and have easy access to the Ethereum ecosystem. For Generation Y, Ethereum is seen as an investment opportunity and a technological innovation, while for Generation X, Ethereum is still less known, but gradually more and more users are becoming interested in the platform.

The intergenerational distribution of Ethereum shows similar trends to Bitcoin, but the proportions of usage and awareness are slightly different. Among Generation Z, 7.6% know or use Ethereum, while 38.2% know but do not use it. This indicates that young people are less interested in Ethereum than in Bitcoin. Generation Y has a 16.8% rate of using or knowing Ethereum, and 36.1% knowing but not using it. This age group is therefore slightly more interested in Ethereum than Generation Z, but still more aware of it. Generation X's use of Ethereum is even lower, with only 6.8% of them either knowing or using it, while 28.8% know but do not use it. The highest proportion of respondents who are neither familiar with nor use Ethereum (64.4%) is found here, reflecting a more general reticence to technological innovation.

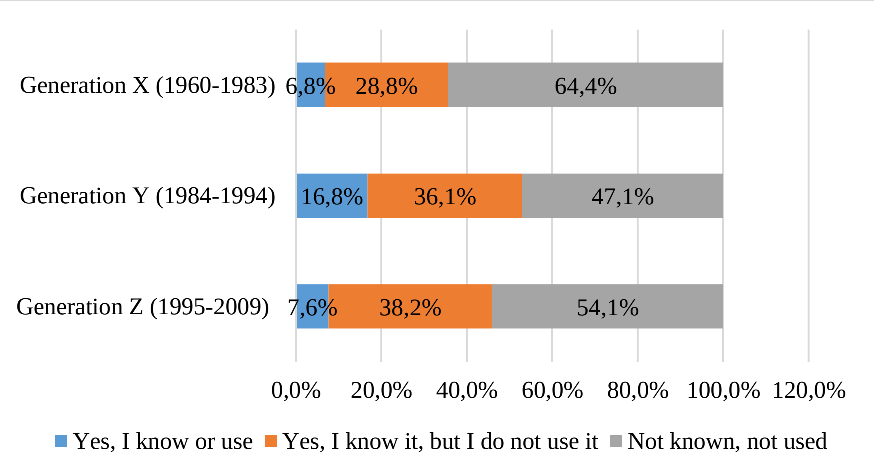

Figure 6. Knowledge and use of Ethereum for different generations
(Source: Own research, 2023, N = 571)

Conclusion

Overall, digitalisation is significantly transforming the financial sector and the way individuals manage their money. This creates new opportunities but also new challenges. In addition to traditional financial literacy, it is becoming increasingly important to develop digital financial literacy to help people navigate the world of digital financial services and manage the risks involved. Different generations use digital financial tools at different levels and in different ways. Generation Z is more open to fintech solutions and cryptocurrencies, while Generation Y is already actively using them, especially for online shopping and investing. For Generation X, digital financial instruments are slower to become part of daily life, but more and more are interested in advanced solutions. Revolut, PayPal and Barion are more for traditional financial transactions, while Bitcoin and Ethereum are more for the financial system of the future. All the solutions examined offer different digital financial solutions that will affect generations differently and may play different roles in the financial ecosystem in the future. Generation Z is the most open to digital financial tools and is already actively using these services. Generation Y is also increasingly relying on digital financial solutions, but Bitcoin and Ethereum are more of an investment tool, while the use of Revolut and PayPal is more commonplace. Generation X is slower to adapt to digital financial instruments. In the future, these tools could play an increasingly important role, especially among the younger generations, so it is important to prepare for this period, which can be greatly helped by education and various awareness platforms, in order to raise the financial awareness of all generations for future success.

Scientific Ethics Declaration

The authors declare that the scientific ethical and legal responsibility of this article published in EPESS Journal belongs to the authors.

Acknowledgements or Notes

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