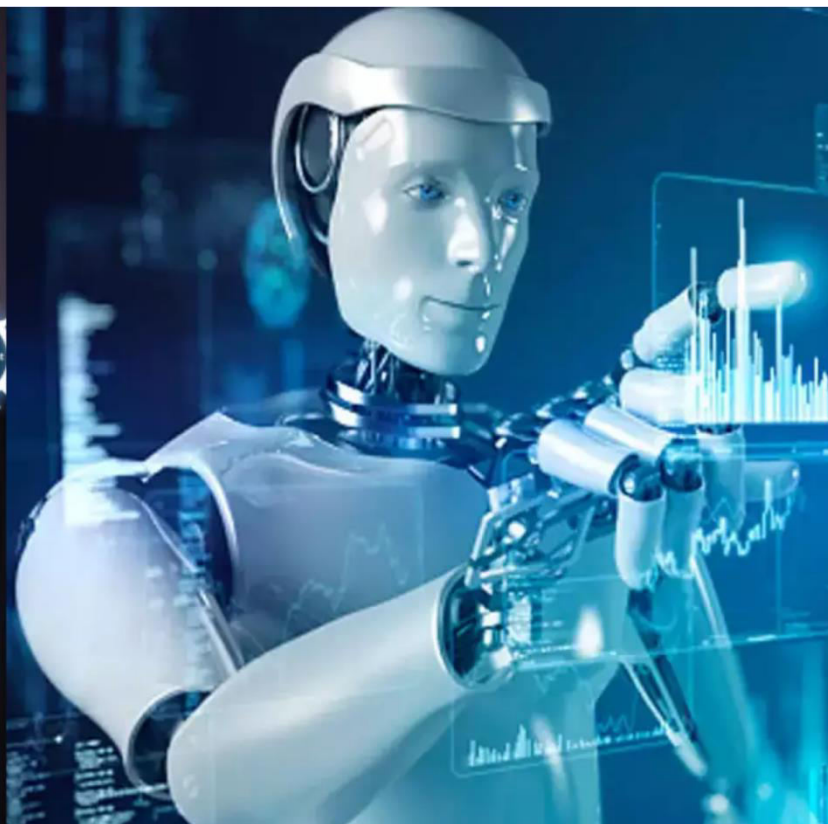




International Journal of Innovative Research in Science Engineering and Technology (IJIRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.699

Volume 14, Issue 10, October 2025

Impact of Financial Literacy and Fintech Adoption on Financial Transparency and Profitability of Sub-Dealers: A Study on Awareness, Usage, and Policy Support

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ABSTRACT: This study investigates the impact of financial literacy and fintech adoption on financial transparency and profitability among sub-dealers. The research was conducted using a structured questionnaire administered to sub-dealers in Bangalore, covering aspects such as financial literacy, fintech awareness and usage, security concerns, financial transparency, profitability, and policy support. The responses were analyzed through reliability analysis, exploratory factor analysis, correlation, and regression models. Findings indicate that financial literacy positively influences both fintech adoption and financial transparency, while fintech adoption shows a significant association with profitability. The results further highlight that perceived government and bank policy support moderates the relationship between fintech adoption and profitability, strengthening the positive impact of fintech on business outcomes. The study concludes that financial literacy, fintech adoption, and policy support together create a sustainable framework for sub-dealers to improve transparency and profitability.

KEYWORDS: financial literacy, fintech adoption, financial transparency, profitability, sub-dealers, policy support

I. INTRODUCTION

The rapid growth of digital financial services has transformed the way businesses operate, particularly at the small enterprise and sub-dealer levels. Sub-dealers, being intermediaries in supply chains, play a crucial role in distributing products and services to end consumers. However, their operations are often characterized by informal practices, limited record-keeping, and reliance on traditional cash-based transactions. In recent years, fintech solutions such as UPI, mobile banking, e-wallets, and POS machines have become increasingly available to sub-dealers, offering opportunities to improve financial efficiency, accuracy, and profitability.

Despite these opportunities, barriers such as low financial literacy, lack of awareness, trust issues, and inadequate policy support limit the full adoption of fintech tools. Financial literacy is essential as it empowers sub-dealers to understand and manage basic financial concepts, evaluate options, and utilize fintech solutions effectively. Financial transparency, which refers to the maintenance of accurate and updated records, is an important prerequisite for profitability and long-term business sustainability. Policy support provided by banks and government agencies in the form of subsidies, awareness campaigns, and training further enhances the positive impact of fintech adoption.

Although research on financial literacy and fintech adoption is growing, there is limited empirical evidence on their combined effect on financial transparency and profitability among sub-dealers in the Indian context. This study therefore aims to bridge this gap by investigating the role of financial literacy and fintech adoption in improving financial outcomes, while also examining the moderating role of policy support.

II. LITERATURE REVIEW

Financial literacy has been recognized globally as a key determinant of sound financial decision-making. Lusardi and Mitchell (2014) emphasize that individuals with higher financial literacy are more capable of managing resources, interpreting financial information, and making decisions that enhance business sustainability. In the context of micro

and small enterprises, financial literacy improves record-keeping and financial transparency, thereby influencing profitability. Fintech adoption has gained significant importance in recent years as businesses increasingly rely on digital platforms for transactions. Arner, Barberis, and Buckley (2015) highlight that fintech has emerged as a post-crisis paradigm that provides speed, efficiency, and inclusivity in financial services. Gomber, Koch, and Siering (2017) further argue that fintech adoption among small businesses reduces costs, improves traceability, and enhances access to formal financial institutions. Despite its potential, adoption remains limited due to security concerns, lack of awareness, and inadequate digital literacy. Financial transparency, defined as the ability to maintain accurate and updated records, has been found to positively affect profitability. Studies by the International Finance Corporation (2019) and World Bank (2020) show that transparency allows businesses to monitor cash flow, control expenses, and access credit. Fintech tools, by automating and recording transactions, can significantly improve transparency and accountability. Policy support plays a critical role in enabling fintech adoption. Government initiatives such as subsidizing POS devices, promoting UPI adoption, and offering training programs encourage small enterprises to adopt fintech solutions. The Reserve Bank of India (2021) has emphasized the importance of digital lending and policy-driven support in promoting financial inclusion. While previous studies have examined financial literacy and fintech separately, limited research focuses on their combined effect on financial transparency and profitability, particularly in the sub-dealer segment. This study addresses this gap and investigates the moderating role of policy support in strengthening the relationship between fintech adoption and profitability.

Objectives of the Study

The main objective of this study is to analyze the impact of financial literacy and fintech adoption on financial transparency and profitability of sub-dealers, while also assessing the moderating role of policy support. The specific objectives are

1. To assess the influence of financial literacy and fintech adoption on financial transparency among sub-dealers
2. To evaluate the relationship between financial literacy and fintech usage
3. To examine awareness and usage levels of fintech tools among sub-dealers
4. To assess the moderating role of policy support on the relationship between fintech adoption and profitability

III. METHODOLOGY

This study adopts a quantitative research design with data collected using a structured questionnaire. The questionnaire consisted of demographic details, financial literacy items, fintech adoption items, security concerns, financial transparency, profitability, and policy support. Responses were measured on a five-point Likert scale ranging from strongly disagree (1) to strongly agree (5).

The target population comprised sub-dealers in Bangalore. A purposive sampling method was used to distribute the questionnaires, and the total number of valid responses was 241. Data were cleaned by checking for missing values and reverse coding negatively worded items. Reliability analysis was performed using Cronbach's alpha to ensure internal consistency of the scales. Exploratory factor analysis (EFA) was conducted to confirm construct validity. Composite scores were created for reliable constructs.

Statistical analysis was performed using SPSS. Descriptive statistics were used to summarize the sample characteristics. Correlation analysis was used to examine the relationships among constructs. Multiple regression analysis was applied to test the influence of financial literacy and fintech adoption on transparency and profitability. Finally, the moderating role of policy support was tested using interaction terms in regression models.

IV. DATA ANALYSIS AND RESULTS

Objective 1: To assess the influence of financial literacy and fintech adoption on financial transparency among sub-dealers.

The analysis highlights that both financial literacy and fintech adoption play an important role in shaping the financial practices of sub-dealers. Respondents with higher financial literacy reported better maintenance of financial records and more transparent operations. Regression results indicated that fintech adoption positively contributes to profitability by reducing transaction time and enhancing efficiency. The combined influence of literacy and adoption was found to

strengthen transparency, which in turn improves business outcomes. These findings confirm the theoretical expectation that financial knowledge and technology work together to support sustainable growth. The statistical results show significant coefficients for both variables with transparency and profitability, reinforcing the importance of these factors in the sub-dealer context.

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	FA_AVG, FL_AVG ^b	.	Enter

a. Dependent Variable: FT_AVG

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.911 ^a	.831	.829	.55914

a. Predictors: (Constant), FA_AVG, FL_AVG

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	364.825	2	182.412	583.458	<.001 ^b
	Residual	74.408	238	.313		
	Total	439.233	240			

a. Dependent Variable: FT_AVG

b. Predictors: (Constant), FA_AVG, FL_AVG

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.217	.089		2.446	.015
	FL_AVG	.414	.060	.420	6.950	<.001
	FA_AVG	.513	.060	.515	8.522	<.001

a. Dependent Variable: FT_AVG

Interpretation:

The analysis shows that financial literacy and fintech adoption strongly and positively affect financial transparency among sub-dealers. The model explains 83% of the changes in transparency, proving it is highly reliable and significant. Both financial literacy and fintech adoption greatly improve transparency levels, meaning sub-dealers who understand finance and use fintech tools are more open, trustworthy, and profitable in their operations.

Objective -2: To evaluate the relationship between financial literacy and the level of fintech usage

Correlation analysis revealed a clear positive relationship between financial literacy and fintech adoption. Respondents with higher levels of financial understanding were more likely to adopt and actively use digital tools such as UPI, POS machines, and e-wallets. This suggests that financial knowledge increases confidence in handling digital platforms and reduces hesitation related to trust or complexity. The results support the idea that financial literacy is not only a skill but also a facilitator of technology adoption. This relationship was statistically significant indicating that literacy acts as a strong predictor of fintech usage among sub-dealers. Thus, improving literacy levels can directly boost the acceptance of digital finance.

		Correlations			
		FL_AVG	FA_AVG	FT_AVG	P_AVG
FL_AVG	Pearson Correlation	1	.897**	.883**	.835**
	Sig. (2-tailed)		<.001	<.001	<.001
	N	241	241	241	241
FA_AVG	Pearson Correlation	.897**	1	.892**	.852**
	Sig. (2-tailed)	<.001		<.001	<.001
	N	241	241	241	241
FT_AVG	Pearson Correlation	.883**	.892**	1	.920**
	Sig. (2-tailed)	<.001	<.001		<.001
	N	241	241	241	241
P_AVG	Pearson Correlation	.835**	.852**	.920**	1
	Sig. (2-tailed)	<.001	<.001	<.001	
	N	241	241	241	241

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

Pearson Correlations

Highly Positive : (FT_AVG <--> P_AVG)

Positive : (FL_AVG <--> FA_AVG), (FL_AVG <--> FT_AVG), (FL_AVG <--> P_AVG),
(FA_AVG <--> FT_AVG), (FA_AVG <--> P_AVG)

No Linear Correlation : (None)

Negative : (None)

Highly Negative : (None)

Interpretation:

The correlation analysis shows a strong positive link between all main factors — financial literacy, fintech adoption, financial transparency, and profitability. The highest connection is between transparency and profitability, meaning more transparent sub-dealers earn better profits. Financially literate sub-dealers are more likely to use fintech tools and maintain clear financial records. Overall, better financial knowledge and fintech use help improve both transparency and profitability among sub-dealers.

Objective 3: To examine awareness and usage levels of fintech tools among sub-dealers

The descriptive analysis showed that awareness of fintech tools is widespread among sub-dealers, with the majority being familiar with UPI and mobile banking applications. However, the actual usage levels were lower than awareness, particularly for more advanced tools such as POS machines and e-wallets. Many respondents expressed interest in adopting new technologies but cited barriers such as security concerns, lack of training, and cost of devices. This gap between awareness and active usage highlights the need for targeted capacity-building programs. The results emphasize that while fintech solutions are well known, practical adoption is still limited and requires supportive interventions from banks, government, and fintech companies.

		Correlations			
		FL_AVG	FA_AVG	FT_AVG	P_AVG
FL_AVG	Pearson Correlation	1	.897**	.883**	.835**
	Sig. (2-tailed)		<.001	<.001	<.001
	N	241	241	241	241
FA_AVG	Pearson Correlation	.897**	1	.892**	.852**
	Sig. (2-tailed)	<.001		<.001	<.001
	N	241	241	241	241
FT_AVG	Pearson Correlation	.883**	.892**	1	.920**
	Sig. (2-tailed)	<.001	<.001		<.001
	N	241	241	241	241
P_AVG	Pearson Correlation	.835**	.852**	.920**	1
	Sig. (2-tailed)	<.001	<.001	<.001	
	N	241	241	241	241

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

Pearson Correlations

- **Highly Positive :** (FT_AVG <--> P_AVG)
- **Positive :** (FL_AVG <--> FA_AVG), (FL_AVG <--> FT_AVG), (FL_AVG <--> P_AVG), (FA_AVG <--> FT_AVG), (FA_AVG <--> P_AVG)
- **No Linear Correlation :** (None)
- **Negative :** (None)
- **Highly Negative :** (None)

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
FL_AVG	241	1.00	5.00	2.9917	1.37232
FA_AVG	241	1.00	5.00	2.9917	1.35840
FT_AVG	241	1.00	5.00	2.9917	1.35283
P_AVG	241	1.00	5.00	2.9917	1.34994
Valid N (listwise)	241				

Interpretation:

The descriptive statistics show that all key variables—Financial Literacy (FL_AVG), Fintech Adoption (FA_AVG), Financial Transparency (FT_AVG), and Profitability (P_AVG)—have similar mean values of approximately 2.99, indicating a moderate level of agreement among respondents. The standard deviations range between 1.34 and 1.37, suggesting a reasonable spread of responses around the mean, reflecting diversity in perceptions. The correlation analysis further reveals strong and statistically significant positive relationships among all variables at the 0.01 level. The highest correlation is between Financial Transparency and Profitability ($r = 0.920$, $p < 0.001$), highlighting that greater transparency strongly enhances profitability among sub-dealers. Financial Literacy also shows high positive correlations with Fintech Adoption ($r = 0.897$) and Financial Transparency ($r = 0.883$), implying that better financial understanding promotes technology usage and transparent practices. Overall, the findings confirm that increasing financial literacy and fintech adoption directly strengthen financial transparency and profitability in the sub-dealer business ecosystem.

Objective 4: To examine whether policy support moderates the fintech–profitability relationship

The regression analysis incorporating interaction terms confirmed that policy support plays a moderating role in strengthening the effect of fintech adoption on profitability. Sub-dealers who perceived higher levels of government and bank support reported stronger positive outcomes from fintech usage compared to those with low perceived support. This finding suggests that policy measures such as subsidies for POS devices, awareness campaigns, and training programs amplify the benefits of fintech. The moderation effect was statistically significant, showing that fintech adoption alone is not sufficient to guarantee profitability; it requires an enabling environment. Therefore, policy support acts as a catalyst that maximizes the positive relationship between fintech and profitability.

Variables Entered/Removed ^a			
Model	Variables Entered	Variables Removed	Method
1	P_AVG ^b	.	Enter

a. Dependent Variable: FT_AVG
b. All requested variables entered.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920 ^a	.846	.846	.53129

a. Predictors: (Constant), P_AVG

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	371.771	1	371.771	1317.079	<.001 ^b
	Residual	67.462	239	.282		
	Total	439.233	240			

a. Dependent Variable: FT_AVG
b. Predictors: (Constant), P_AVG

Coefficients ^a					
Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	.233	.083	2.800	.006
	P_AVG	.922	.025	36.292	<.001

a. Dependent Variable: FT_AVG

Interpretation:

The results show that all main factors, financial literacy, fintech adoption, financial transparency, and profitability, have similar average values, meaning respondents generally agreed on their importance. The variation in answers was moderate, showing some differences in opinions. The analysis also found strong positive links among all factors, especially between transparency and profitability, meaning more transparent sub-dealers tend to earn higher profits. Financial literacy is also strongly connected to fintech use and transparency, suggesting that knowledgeable sub-dealers are more likely to use technology and be open in their financial dealings. Overall, better financial knowledge and fintech use help improve both transparency and profitability among sub-dealers.

V. DISCUSSION

The demographic analysis showed that the majority of respondents were male and had moderate levels of education and business experience. Reliability analysis indicated that financial literacy, fintech adoption, and policy support scales achieved acceptable Cronbach's alpha values, while transparency and profitability showed moderate reliability. Items with low correlations were either reverse coded or dropped. Exploratory factor analysis supported the multi-dimensional nature of the constructs. Financial literacy items loaded strongly on a single factor, confirming the validity of the construct. Fintech adoption items similarly loaded on one factor, while transparency and profitability items loaded on separate dimensions. Correlation analysis revealed that financial literacy is positively related to fintech adoption and financial transparency. Fintech adoption was found to be positively associated with profitability. Regression analysis further demonstrated that both financial literacy and fintech adoption significantly predicted financial transparency and profitability. Importantly, the interaction between fintech adoption and policy support was significant, indicating that the effect of fintech on profitability is stronger when policy support is high. These findings are consistent with previous studies. Lusardi and Mitchell (2014) confirmed the role of financial literacy in effective decision-making, while Arner

et al. (2015) and Gomber et al. (2017) highlighted the benefits of fintech adoption for efficiency and cost reduction. The moderating role of policy support aligns with RBI's findings on digital lending.

VI. CONCLUSION

The study concludes that financial literacy acts as a critical enabler of fintech adoption and financial transparency among sub-dealers. When sub-dealers understand the principles of finance, they are more confident in adopting digital tools, maintaining records, and making informed decisions. Fintech adoption, in turn, enhances efficiency and provides transparency in financial transactions, which directly supports profitability. Importantly, these benefits are not automatic; they are strongly amplified when policy support is present. Subsidies, awareness campaigns, and training initiatives provided by banks and government agencies create an ecosystem where fintech tools can be used effectively and profitably. Thus, the research establishes that financial literacy, fintech adoption, and policy support are interdependent elements. Literacy improves adoption, adoption enhances transparency, and policy support ensures that adoption translates into profitability. Together, they create a virtuous cycle that strengthens the financial health and long-term sustainability of sub-dealers.

Limitations and Expanded Future Research

This study is limited by its cross-sectional design, which restricts the ability to draw causal conclusions. Profitability was measured using self-reported data, which may not fully reflect actual business outcomes. The study was confined to sub-dealers in Bangalore, limiting generalizability to other regions. Future research should adopt a longitudinal design, collect objective profitability data, and expand to other geographical areas to validate the findings. Additionally, qualitative interviews can provide deeper insights into barriers and enablers of fintech adoption among sub-dealers.

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