Financial Literacy Management and Its Influence on Corporate Investment Decision Making in the Era of Digitalization

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Abstract

This research analyzes financial literacy management and its influence on investment decision-making in the era of digitalization, with a case study on OVO company. Using a qualitative approach, the study explores how effective financial literacy, supported by digital technology, can enhance the efficiency, accuracy, and quality of investment decisions. In-depth interviews with key informants at OVO revealed that strong financial literacy, combined with the adoption of technologies such as big data analytics and machine learning, plays a crucial role in identifying profitable investment opportunities and managing risks. Additionally, ongoing training and skills development in financial technology are essential in addressing challenges posed by technological changes and regulations. The findings indicate that integrating financial literacy and digital technology not only improves operational performance and transparency but also builds stakeholder trust. Challenges identified include cybersecurity risks, adaptation to new technologies, and complex data management. Recommendations include enhancing security strategies, providing continuous training, and developing integrated data management systems. This research provides valuable insights for other companies in managing financial literacy and investment decision-making in the digital era.

Keywords: Digital Technology, Digitalization, Financial Literacy, Investment Decision Making, OVO.

1. Introduction

The era of digitalization has brought significant changes across various sectors, including finance. Advances in digital technology have facilitated faster and easier access to financial information, directly impacting corporate financial literacy. This research is crucial for understanding how digitalization influences financial literacy management and investment decision-making. Studies indicate that digital financial inclusion can enhance residents' income, reduce poverty levels, lower income inequality, and narrow the urban-rural gap [1]. Furthermore, digital finance allows banks and financial institutions to expand their client base and diversify financial products and services without proportional investments in branches and staff [2].

The evolution of digital finance has also fostered innovation in the financial sector by integrating digital technology with financial services, thereby driving corporate innovation and digital transformation [3][4]. Financial literacy entails the ability to comprehend and utilize financial information for effective decision-making. Within corporate contexts, strong financial literacy can enhance managerial capabilities in investment management and mitigate financial risks. This study aims to explore the level of financial literacy among corporate management. Sound investment decisions are pivotal drivers of corporate success. With adequate financial literacy, managers can make smarter and more strategic investment decisions. This study will examine the relationship between financial literacy and the quality of investment decisions made by corporations.

In corporate settings, digital finance has also proven instrumental in boosting the performance of high-tech companies through its role in debt and equity financing [5]. Online investment platforms have enabled easier and quicker access for investors to engage in digital investment transactions, eliminating the need to physically visit investment company offices [6]. Moreover, the use of algorithms in investment has enabled faster and more efficient investment decision-making based on deep data analysis, thereby enhancing prediction accuracy and reducing investment risks [7].

Digitalization has transformed the investment landscape with the emergence of online investment platforms, algorithmic usage, and big data analytics. This research will assess how these changes affect investment decision-making processes and whether financial literacy can assist managers in leveraging these digital opportunities. Despite offering numerous opportunities, digitalization also presents challenges such as

cybersecurity risks and market uncertainties. This study will evaluate how financial literacy helps companies identify and manage these challenges while capitalizing on existing opportunities.

Research indicates that insufficient financial literacy can hinder entrepreneurial development, whereas improved financial literacy can help address issues like unfavorable investment climates, lack of entrepreneurial training programs, and non-conducive investment business environments [8]. Financial literacy can also moderate the relationship between digital financial services and financial behavior, playing a critical role in minimizing investment risks [9]. Financial managers play a crucial role in corporate financial management. With strong financial literacy, they can make more informed decisions. This research will examine the role of financial literacy in financial manager performance and its impact on corporate investment decisions. Studies show that executive financial literacy levels can influence company performance, especially in small and medium-sized enterprises in China [10].

Research also indicates that financial literacy can influence investment behavior, where individuals with higher financial literacy tend to make better-informed investment decisions [11]. In the context of corporate investment decisions, financial literacy enables financial managers to conduct more in-depth analyses of available investment options, manage risks more effectively, and maximize profit potential. Financial literacy plays a critical role in financial manager performance and corporate investment decision-making. With a solid understanding of finance, financial managers can efficiently manage corporate finances, make more informed investment decisions, and identify profitable investment opportunities.

Effective and appropriate financial regulations are essential to address the challenges and opportunities arising from digitalization and globalization. Studies suggest that suitable regulations, adequate supervision, increased financial literacy, investment CFO in digital infrastructure, and enhanced consumer protection are necessary steps to enhance digital financial inclusion in developing countries [12]. Therefore, financial regulations must continuously evolve and adapt to changes in the digital and global economy to ensure consumer protection, financial stability, and sustainable economic growth. The development of fintech and regtech has transformed the financial landscape, prompting regulators to consider the implications of these new technologies in designing relevant and effective regulations [13]. Digitalization and globalization have expanded the scope of financial regulations through international cooperation, increased financial literacy, and regulatory adjustments to technological advancements and global market integration. Proper and effective financial regulations are crucial in addressing challenges and leveraging opportunities arising from changes in the digital and global economy.

Financial literacy not only influences investment decisions but also overall company performance. Digitalization and globalization have broadened the scope of financial regulations. Companies must understand and comply with applicable regulations to avoid sanctions. Research presents novel insights into how financial literacy helps companies comply with regulations and manage external impacts. Examining successful case studies of companies managing financial literacy and investment decision-making in the digital age can provide practical insights. This research aims to identify best practices and strategies implemented by these companies. This study is expected to make a significant contribution to academic and practical literature, providing guidance for companies in managing financial literacy and making effective investment decisions in the digital era.

2. Research Methods

This research aims to understand how financial literacy is managed at OVO and how it influences investment decision-making in the era of digitalization. OVO, as a significant digital payment platform in Indonesia, offers a rich context to be explored in this study. The study employs an in-depth case study approach to analyze how companies manage financial literacy and its impact on investment decision-making in the era of digitalization. The analytical process will encompass policies, strategies, and financial management practices, as well as a review of investment decisions implemented by OVO.

Data collection involves semi-structured interviews with individuals holding strategic roles in financial management and investment decision-making at OVO. Key informants include employees such as financial managers, CFO, and other stakeholders. Purposive sampling will be used to select the most relevant respondents, such as CFOs, Financial Managers, Investment Managers, and Financial Analysts. Data gathered through interviews will provide insights into their understanding of financial literacy, the investment decision-making processes they employ, and how digitalization influences their practices. The interviews will be conducted in a semi-structured manner, with questions designed to provide flexibility in exploring deep insights and unexpected aspects.

3. Results and Discussion

Financial literacy at OVO is defined as the ability to understand financial statements, conduct financial analysis, and apply investment concepts. This also includes understanding risk management, budgeting, and strategic financial planning. The CFO of OVO emphasizes that financial literacy encompasses the ability to use financial data to make evidence-based strategic decisions. Financial literacy encompasses several key components that are

crucial. A strong understanding of accounting and finance, including knowledge of balance sheets, income statements, and cash flow, forms an essential foundation. In-depth financial analysis, such as ratio analysis and interpreting financial data, provides critical insights into overall financial conditions. Effective risk management is also a focus in managing financial uncertainties, using tools and techniques to identify and manage potential risks. Lastly, leveraging digital technology such as accounting software and analytical platforms helps enhance efficiency and effectiveness in financial management.

The investment decision-making process at OVO involves several structured stages. Firstly, the team utilizes data analytics to identify potential investment opportunities, such as investments in new technologies or market expansions. Subsequently, a thorough evaluation and analysis are conducted using various analytical tools to assess the potential returns and risks associated with each identified investment. The SWOT analysis method (Strengths, Weaknesses, Opportunities, Threats) is often employed in this process.

Final investment decisions are made through collaboration among senior management teams, based on the analyses presented during strategy meetings. Following the decision-making phase, the next steps include implementation and monitoring of the investment performance. The finance team plays a crucial role in providing accurate financial data, conducting in-depth analysis, and offering recommendations to senior management throughout this process. Utilization of digital financial dashboards enables real-time monitoring of investment performance, which is key to ensuring the success and optimization of investments at OVO.

OVO has adopted various digital technologies such as big data analytics, machine learning, and blockchain to support its investment decision-making process. These technologies enable the analysis of large datasets and provide deeper and more accurate insights. Additionally, the use of financial software and analytical tools allows the finance team to access real-time data and make faster, more informed decisions. Digitalization at OVO offers several benefits. It improves operational efficiency and reduces human errors, allowing the finance team to focus more on strategic analysis rather than routine administrative tasks. Digital platforms also promote better collaboration among the finance team, other departments within the company, and external partners. Additionally, real-time data access empowers faster and more responsive decision-making in adapting to market changes. However, informants also acknowledge challenges such as cybersecurity risks and the ongoing need for training to keep pace with rapid technological advancements.

Incorporation of Financial Literacy with Digital Technology

The findings indicate that financial literacy is not just about understanding basic financial concepts but also involves the ability to leverage digital technology. This integration is crucial in the digital era, where the speed and accuracy of information are key to successful investment decision-making. OVO has demonstrated that adopting digital technology can strengthen financial literacy and, consequently, enhance the quality of investment decisions. Various studies suggest that digitalization has enabled the development of innovative financial education applications and platforms, aiding individuals in improving their understanding of financial concepts [14][15]. With digital technology, financial information and training can be accessed more easily and quickly, thereby enhancing overall financial literacy among the public.

Integrating financial literacy with digital technology at OVO has significantly improved efficiency and accuracy in investment decision-making. As a data-driven digital payment platform, OVO utilizes analytics and big data technology to collect, process, and analyze large volumes of financial data. Furthermore, digital technology enables interactive financial education simulations and games, allowing individuals to practice their financial knowledge in real-world scenarios without actual financial risk [16]. This approach enhances individuals' overall financial understanding and skills. It empowers OVO's finance team with access to accurate, real-time data, enabling swift decision-making based on the most relevant information. Advanced analytical tools such as machine learning and predictive algorithms enable OVO to better identify market trends and potential investment opportunities, thereby reducing uncertainty and risks associated with investment decisions.

This integration also enhances the capacity and competency of OVO's finance team. With a strong foundation in financial literacy, the finance team undergoes training and skill development in utilizing digital technology. This includes using complex financial software, understanding data analysis, and applying blockchain technology for secure and transparent transactions. Strong financial literacy enables individuals to comprehend the risks and potential returns of various investment instruments and assists them in planning investment portfolios aligned with their financial goals [17]. The combination of financial literacy and digital skills enables the finance team to conduct deeper analysis and make more precise strategic recommendations. Moreover, collaboration between the finance team and the IT department ensures that adopted technological solutions align with business needs and strengthen decision-making processes.

In the digital age, transparency and data security are crucial issues. With high financial literacy and advanced digital technology, OVO enhances transparency in investment decision-making processes. The digital platform used allows detailed and real-time tracking and recording of every financial decision and transaction. This not only facilitates audits and regulatory compliance but also builds trust among stakeholders. On the other hand, the

use of advanced blockchain technology and data encryption ensures that financial information is protected from cybersecurity threats. Therefore, integrating financial literacy and digital technology not only improves decision-making efficiency and effectiveness but also strengthens operational transparency and security at OVO.

The Importance of Training and Development

Informants emphasize the importance of continuous training and development to enhance financial literacy in the digital era. Companies need to invest resources in training employees to ensure they have the necessary skills to effectively utilize digital technology. This includes training in financial software usage, data analytics, and understanding cybersecurity risks. Research by He et al. explains that to prevent data breaches and leaks of confidential information, organizations should regularly provide cybersecurity awareness training to all personnel [18]. This underscores the importance of training in understanding cybersecurity risks so that employees can identify potential threats and take necessary preventive measures.

In the digital age, financial literacy extends beyond basic understanding of financial statements and ratio analysis. With the adoption of advanced technologies such as big data, machine learning, and blockchain, employees at OVO require more complex skills to effectively manage financial data and make informed investment decisions. Informants stress that without continuous training and development, the finance team may lag behind in understanding and leveraging these new technologies, ultimately hindering efficiency and accuracy in investment decision-making. Sun et al. demonstrate that data analytics combines IT operations and business, highlighting that a strong understanding of data analytics can help companies optimize financial performance and identify profitable investment opportunities [19].

Digital technology evolves rapidly, and to remain competitive, OVO needs to ensure its employees are always up-to-date with the latest developments. Informants note that continuous training is key to ensuring that employees not only understand how to use new tools and technologies but also how these technologies can be strategically applied in their work contexts.

Continuous training programs help employees continually develop their skills, enhance their adaptability to technological changes, and ensure they can make maximum contributions to company objectives. In addition to improving technical skills, continuous training is crucial to ensuring employees have a deep understanding of risks and security in digital environments. Informants emphasize that training on cybersecurity and best practices in data management is essential to protect financial information from external threats. By enhancing financial and technological literacy simultaneously, OVO can optimize its investment decision-making processes while safeguarding the integrity and security of financial data. Therefore, investing in continuous training and development not only enhances individual competence but also strengthens the foundation of security and operational efficiency across the company as a whole. Jalali et al. highlight that many managers have limited understanding of cyber risks, underscoring how training in cybersecurity risk understanding can help companies protect their sensitive data and information from potentially harmful cyber attacks [20].

Positive Impact on Company Performance

With strong financial literacy and robust digital technology support, OVO is capable of making better and more strategic investment decisions. This capability is evident in the company's agility to swiftly adapt to market changes and identify profitable investment opportunities [21]. The integration of financial literacy with digital technology at OVO has led to significant improvements in operational efficiency. By adopting technologies such as big data analytics and machine learning, the process of collecting and analyzing financial data has become faster and more accurate. This allows the finance team to allocate time and resources more efficiently, focusing on strategic analysis rather than time-consuming administrative tasks.

Training in data analytics enables the company to identify market trends, consumer behavior patterns, and investment opportunities that may be overlooked without proper data analysis. Research indicates that financial literacy and financial behavior can influence investment decisions [22][23]. This improved operational efficiency not only accelerates decision-making but also reduces operational costs, positively contributing to the company's profit margins.

With high financial literacy and strong digital technology support, OVO is able to make more precise and strategic investment decisions. Real-time access to accurate financial data enables management teams to better identify investment opportunities and assess risks comprehensively. The use of predictive analytics aids in projecting investment outcomes and evaluating their long-term impact on company performance. As a result, OVO can make more profitable investments aligned with long-term business strategies, enhancing company value and stakeholder satisfaction.

Challenges and Recommendations

While there are numerous benefits, challenges such as cybersecurity risks remain a primary concern. Therefore, companies need to develop strong security strategies and continually update their systems to protect financial

data. Another recommendation is to enhance collaboration between the finance and IT teams to ensure that adopted technological solutions are business-aligned and securely implemented. With financial literacy supported by digital technology, employees and stakeholders can have better access to company financial information, thereby improving their understanding of the company's financial conditions [24]. The use of digital technology can also expedite financial reporting processes, ensuring financial information is presented more quickly and timely to stakeholders [25].

Thus, the integration of digital technology in financial literacy can not only enhance understanding and access to financial information but also improve transparency in company operations and financial reporting. This, in turn, can enhance stakeholders' trust in the company. The research findings present an elaboration of the challenges and recommendations that can provide additional information for this study as presented in the following table:

Table 1. Matrix of Challenges and Recommendations

Challenges	Recommendations
Cybersecurity Risks	1. Develop a strong security strategy 2. Implement data encryption and firewalls 3. Conduct regular cybersecurity training
Adaptation to New and Complex Technologies	1. Provide ongoing training on new technologies for employees 2. Foster close collaboration between the finance and IT teams 3. Ensure access to the latest technology resources and tools
Human Resource Constraints	1. Allocate specific budget for training and skill development 2. Recruit talent with expertise in financial technology 3. Establish clear career development programs
Complexity of Advanced Technologies	1. Implement user-friendly technology solutions 2. Provide adequate technical guidance and support 3. Conduct regular evaluations to ensure effective use of technology
Complex Data Management	1. Utilize integrated data management systems 2. Implement best practices in data management 3. Conduct regular data audits to ensure accuracy and security
Regulatory Changes	1. Stay updated with regulatory changes 2. Have a dedicated team or consultant for regulatory affairs 3. Implement flexible systems to facilitate adaptation to new regulations

4. Conclusion

This research provides profound insights into how OVO manages financial literacy and its influence on investment decision-making in the digital age. The integration of financial literacy with digital technology has proven to deliver significant benefits in enhancing efficiency, accuracy, and the quality of investment decisions. However, it is crucial to address challenges related to security and ensure continuous training for employees. These findings can serve as a guide for other companies in managing financial literacy and investment decision-making in the digital era. The research is expected to provide deep insights into how OVO manages financial literacy and how this literacy impacts investment decisions in the era of digitalization. Through case studies and in-depth interviews, this study will explore various factors influencing financial literacy and investment decision-making at OVO, as well as identify best practices that can be adopted by other companies.

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