OPINION

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# Digital Financial Literacy in Korea

Digital financial services have become the primary channel for financial transactions, rendering the enhancement of digital financial literacy an essential task rather than a matter of choice. However, evidence from a 2025 survey shows that the average digital financial literacy score of Korean adults is 59.3—substantially below the OECD target benchmark of 70—with only 28.2% of respondents reaching the high-literacy threshold.

The analysis reveals that digital financial literacy varies significantly by age, experience with financial services, and income level. Literacy levels are relatively lower among younger individuals, older adults, and unpaid family workers, while individuals with experience using financial services exhibit higher levels of digital financial literacy. Moreover, a one-point increase in the digital financial literacy score is associated with an average reduction of approximately 0.1 percentage points in the probability of delinquency among BNPL (Buy Now, Pay Later) users, indicating that digital financial literacy has a tangible impact on financial well-being.

These findings underscore the need for a comprehensive approach to fostering a safe digital financial environment, encompassing the expansion of tailored financial education for vulnerable groups as well as industry-wide efforts to strengthen security systems, eliminate dark patterns, and enhance the protection of personal data.

Recent data breach incidents involving e-commerce platforms have once again drawn attention to the risks that underlie convenience in the digital environment. In pursuit of faster and more seamless transactions, consumers routinely register a wide range of personal

* All opinions expressed in this paper represent the author's personal views and thus should not be interpreted as Korea Capital Market Institute's official position.

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information—such as addresses, payment details, and contact information—on digital platforms. Yet many do so without a clear understanding of how this information is stored, managed, or ultimately used. Convenience thus becomes the primary criterion for choice, while the associated risks remain relatively invisible and insufficiently recognized.

This issue becomes even more salient in the context of digital finance. In Korea, a substantial share of financial transactions is already conducted online, reflecting not a temporary trend but a structural transformation of retail finance. According to the Bank of Korea, as of 2024, 81.3% of respondents reported having used mobile financial services at least once in the previous month. Usage rates exceeded 95% among individuals in their 20s to 40s and approached 90% even among those in their 50s.[1)] In terms of financial product sales, online sales accounted for 63.7% of savings accounts at the five major commercial banks, and since 2023, online fund sales have surpassed offline ones. In the retail brokerage market, as early as 2020, 97% of individual investors' securities transactions were already conducted through digital platforms such as mobile and home trading systems.[2)] Mobile financial services have thus expanded well beyond payments, transfers, and account inquiries to include financial product subscriptions, becoming an everyday financial channel across all age groups.

## Analysis of Digital Financial Literacy in Korea: Levels and Determinants

Digital finance has become a core infrastructure used by most financial consumers on a daily basis and is no longer a novel option. In such an environment, digital financial literacy is essential for consumers seeking to improve their financial well-being. According to the OECD, digital financial literacy refers to a combination of knowledge, skills, attitudes, and behaviors that enable individuals to be aware and safely use digital financial services and technologies in ways that contribute to their financial well-being.

According to the 2024 National Survey of Financial Literacy conducted by the Financial Supervisory Service and the Bank of Korea, the average financial literacy score of Korean adults (aged 18–79) stands at 65.7, slightly above the OECD average of 62.7 in 2023. However, digital financial literacy is substantially lower. However, digital financial literacy has not kept pace with this rapid expansion. Data from the 2025 Survey on Digital Financial Usage conducted by the

1) Bank of Korea, Payment and Settlement Report, 2025

2) Park(2024), Understanding Digital Financial Literacy in Korea, Korea Insurance Research Institute

Korea Financial Consumer Protection Foundation show that the average digital financial literacy score stands at 59.3, substantially below the OECD's target benchmark of 70. Only 28.2% of respondents fall into the high digital financial literacy group, while more than 70% are classified as having low levels of digital financial literacy.

To identify the factors influencing digital financial literacy and to assess vulnerable groups, this article analyzes data from the 2025 Survey on Digital Financial Usage conducted by the Korea Financial Consumer Protection Foundation. Digital financial literacy is measured across three domains—knowledge, attitudes, and behaviors—following OECD guidelines. The survey consists of five questions on behavior, three on attitudes, and seven on knowledge. The behavioral domain assesses security-related practices in the use of digital financial services, such as password management and verifying whether an online provider is a licensed financial institution before subscribing to its services. The attitudinal domain captures perceptions of financial transactions conducted over public Wi-Fi networks, the degree of caution exercised prior to financial transactions, and the extent to which users review terms and conditions when using online financial services. The knowledge domain includes questions on the legal validity of digital financial contracts, understanding the similarities between online and offline financial services, and basic knowledge of virtual assets.

The determinants of digital financial literacy are examined using multiple linear regression analysis. The results reveal an inverted U-shaped relationship between age and digital financial literacy: literacy scores increase up to approximately age 55 and decline thereafter. This pattern is observed consistently in both general financial literacy and digital financial literacy, underscoring the hybrid nature of digital finance, which requires not only traditional financial knowledge but also the ability to understand and navigate digital environments.

Experience with financial services—widely recognized as a key factor in enhancing financial literacy—also plays a significant role in digital financial literacy. The use of services such as payment cards, financial investment products, and insurance is associated with increases of approximately 2.2 to 3.5 points in digital financial literacy scores. By contrast, the use of basic banking services or loans shows no statistically significant relationship with digital financial literacy. Given that banking services are nearly universal among respondents, service usage per se does not effectively differentiate literacy levels. While a substantial body of literature finds that individuals with lower financial literacy tend to borrow more frequently or rely on

higher-interest loans, the present analysis does not identify a statistically significant association between loan usage and digital financial literacy.

Income is found to have a statistically significant effect on digital financial literacy. Households with monthly income of KRW 4 million or more score approximately 5 to 6 points higher than those earning less than KRW 2 million, with these differences primarily observed in the knowledge and behavioral domains. In contrast, asset ownership does not have a statistically significant impact. Occupational status is analyzed across six categories, including regular employees, temporary or daily workers, self-employed individuals, and unpaid family workers. While most occupational groups do not exhibit significant differences, unpaid family workers score approximately seven points lower than regular employees.

Finally, variables such as educational attainment, gender, marital status, and household decision-making role do not show statistically significant effects on digital financial literacy. In particular, the lack of a significant relationship between education level and digital financial literacy suggests that digital financial literacy does not necessarily scale with formal education or years of schooling, but rather constitutes a distinct domain requiring specialized knowledge and competencies.

**Table 1. Analysis of Determinants of Digital Financial Literacy Scores**

| Variables | Estimates | Variable | Estimates |
|---|---|---|---|
| Age | 1.000*** | **Digital Financial Service Usage** | |
| Age squared | -0.916*** | Bank | 4.301 |
| **Income(KRW)** | | Card | 3.538** |
| 2 mil. – 3 mil. | 2.747 | Investment | 3.056*** |
| 3 mil. – 4 mil. | 2.908 | Insurance | 2.220*** |
| 4 mil. – 5 mil. | 5.225*** | Loans | 0.095 |
| 5 mil. – 7 mil. | 5.614*** | Others(asset management, financial info inquiry) | 2.231*** |
| 7 mil. – 10 mil. | 5.231*** | | |
| Over 10 mil. | 6.309*** | **Education** | |
| | | High school | 2.904 |
| **Occupation** | | Associate degree | 4.677 |
| Temporary/daily worker | -0.150 | College graduate | 8.465 |
| self-employed with employees | -0.357 | Graduate school | 9.469 |
| self-employed without employees | -0.193 | | |
| unpaid family worker | -7.703*** | | |
| others | -0.266 | | |
| $R^2$ | 0.0939 | | |

Note: 1) The data used for the analysis are drawn from a survey of 2,500 individuals aged 19–69 residing in Seoul, six major metropolitan cities, and the metropolitan area. The survey was conducted by the Korea Financial Consumer Protection Foundation between July 31 and August 17, 2025. Calculations and analysis are by the author.

2) *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

3) Age squared is calculated as Age × Age / 100.

4) Income below KRW 2 million and regular workers in the occupation category are used as reference groups. In addition to the variables reported in the table, gender, marital status, primary household decision-maker status, assets, and consumption are included as control variables.

To examine how digital financial literacy affects financial well-being in practice, we analyze its impact on the likelihood of delinquency among users of BNPL (Buy Now, Pay Later) services.[3] BNPL is a deferred payment arrangement designed to enable small-scale credit transactions for consumers with limited access to credit cards, and is offered through platforms such as Naver Pay and Toss Pay. When digital financial literacy is low, users may fail to fully recognize that BNPL delinquency entails consequences similar to those of conventional loan delinquency—such as credit score deterioration and higher borrowing costs—thereby increasing the risk of

3) Analysis using the same data as Table 1, by author

delinquency. After controlling for key factors that may influence delinquency, including age, income, gender, asset levels, and experience with financial services, a one-point increase in the digital financial literacy score is associated with an average reduction of approximately 0.1 percentage points in the probability of BNPL delinquency.[4] This finding indicates that digital financial literacy is closely linked to actual financial decision-making outcomes, extending beyond mere awareness or perceptions. Moreover, individuals with lower levels of digital financial literacy exhibit relatively higher incidences of financial harm during digital transactions, such as duplicate payments and refusal of refunds. Taken together, these results suggest that disparities in digital financial literacy translate into meaningful differences in financial behavior and outcomes, with lower literacy levels being associated with a higher likelihood of deteriorating financial well-being.

## Implications

As digital financial services have already become the primary channel for financial transactions, digital financial education is no longer optional but an essential policy task. For the expansion of digital finance to translate into genuine improvements in convenience and welfare, users' understanding of new services and their capacity to use them safely must be adequately supported. From this perspective, digital financial education should be approached along two complementary dimensions.

First, efforts are needed to expand financial inclusion for groups with relatively low access to digital financial services. Supporting individuals who are less familiar with digital environments or face technical constraints is essential to ensure that they can acquire basic usage capabilities and are not excluded from financial services. Second, digital financial education must place greater emphasis on safety, equipping users with the ability to recognize and respond to risks that may arise in the course of using digital financial services. This goes beyond instruction on service functionality to encompass practical risk-management competencies, including security awareness, personal data protection, and financial fraud prevention.

The growing social consensus on the importance of financial literacy is reflected in the recent introduction of mandatory financial education in high school curricula. In particular, the

4) This figure was calculated by computing the average marginal effect after conducting Probit estimation with BNPL delinquency as the dependent variable.

inclusion of content related to digital financial services represents a meaningful step forward. Nevertheless, because digital financial literacy is not confined to any specific age group, school-based education alone is insufficient. As demonstrated above, tailored educational approaches are required for groups with relatively low levels of digital financial literacy, including younger individuals, older adults, and unpaid family workers. Digital financial education for older adults is especially critical, not only to promote financial inclusion but also to prevent financial harm that disproportionately targets this population.

At the same time, the safety of the digital financial environment cannot be secured solely through strengthening individual consumer capabilities, nor should responsibility be placed exclusively on consumers. For digital financial services to be used safely, service providers must fulfill their fundamental duty of care as a basic precondition. Robust security systems are not discretionary investments or competitive differentiators, but minimum requirements that any provider of digital financial services should inherently possess. Moreover, dark patterns[5)] that distort or undermine users' rational decision-making must be eliminated. Practices that compromise consumer financial well-being cannot be justified as marketing strategies and constitute behaviors that must be excluded.

The repeated personal data breaches observed throughout 2025 across telecommunications firms, financial institutions, and e-commerce platforms have significantly eroded consumer trust in digital financial services and are likely to deter future usage. To sustain the continued growth of digital financial services and ensure healthy market development, industry-wide efforts to establish a digital financial environment grounded in safety and trust must take precedence over convenience-driven expansion or service proliferation.

5) Dark patterns refer to screen designs in online environments where companies exploit bounded rationality to deceive consumers and induce choices that reduce utility (Jung, 2025, Dark Pattern Regulations: Global Treads and Financial Sector Needs, KCMI Opinion 2025-13)