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Financial Literacy and Digital Financial Behavior of College Students

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Abstract

Financial literacy is one of the elements that lead to an individual making appropriate financial decisions and utilizing digital financial services effectively. This paper examines the level of financial literacy and digital financial behavior of college students, specifically their usage of digital financial services. The study is mainly conducted on the basis of data collected using a structured questionnaire among one hundred respondents. Various statistical methods such as percentage analysis, mean score analysis, One Way ANOVA, and Chi-Square tests were used to analyze and interpret the findings. The findings indicate that the respondents possess a moderate to high level of financial literacy, especially regarding basic financial concepts such as savings, interest, and inflation. However, their knowledge regarding investment choices and risk assessment is quite low. The findings indicate that there is a relationship between financial literacy and demographic variables, as well as financial literacy and the usage of digital financial services. A majority of the respondents use digital financial services, but the problems of fraud and technical issues are also discussed. The findings indicate that financial education and digital awareness programs can be used to improve the level of financial literacy and make the usage of digital financial services safe.

Keywords: Financial Literacy, Students, Digital Financial Services, Investment Awareness

Introduction:

Rapid technology advancements and increased access to digital financial services have significantly altered the way we manage our money. Digital payments, online banking, mobile wallets, and investment platforms have all become popular tools. However, financial literacy is essential for understanding and applying fundamental financial concepts such as saving, interest, inflation, investing, and risk management when making personal financial decisions. College students represent a major population since, on the one hand, they use digital financial services while also becoming financially independent. Despite their technological competence, many students lack financial awareness, which can lead to bad financial decisions, exposure to digital fraud, overspending, and inadequate financial planning.

Digital financial behavior refers to the usage of digital platforms to conduct financial transactions and make decisions. Although digital finance has made life easier and more accessible, it is not without risks, such as cybersecurity issues and abuse caused by a lack of financial literacy. In India, the government and the Reserve Bank of India have launched a number of programs to promote digital financial inclusion; yet, there is still worry about youth financial literacy. This study aims to determine the level of financial literacy among college students and its relationship to their digital financial behavior. The findings will be used to identify gaps and aid in the development of effective financial education initiatives.

Review Of Literature

Financial literacy has been one of the most significant areas of research in the past decades, given the fast pace of technological evolution in the financial sector and the reliance on digital financial services. Financial literacy is basically an individual's capacity to understand financial concepts and apply them in financial decision-making, especially in the areas of saving, borrowing, and investing. The complexity of financial services and the reliance on digital platforms have made financial awareness even more important, especially among the youth.

According to **Lusardi and Mitchell (2011)**, financial literacy is the knowledge of basic concepts of finance, including interest rates, inflation, and risk diversification. The statistical evidence presented by the authors showed that individuals with better knowledge of finance are more likely to plan their finances effectively, save money, and avoid high levels of debt.

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The article emphasized the importance of financial literacy not only for individuals to thrive but also for economic stability.

Chen and Volpe (1998) were among the first to empirically examine student financial literacy and they demonstrated that college students were short of financial knowledge, particularly in the investment and insurance areas. Their paper pointed out that student demographics such as gender, academic discipline, and level of education have a significant impact on financial literacy. These results revealed how easily students can be misled in managing their own finances and therefore suggested that financial education at the college level becomes a necessity.

Sabri and MacDonald (2010) examined the impact of financial knowledge on the financial behavior of university students and found that students who possessed higher financial knowledge were more likely to save and make use of credit in a prudent way. However, the authors argued that it is not sufficient to have financial knowledge and that it is necessary to have good financial behavior and attitude. Thus, it can be concluded that financial literacy programs for students should not only focus on increasing financial knowledge but also on changing behavior.

Atkinson and Messy (2012) have given a broad framework that makes it possible to measure the level of financial literacy by combining financial knowledge, behavior, and attitudes. They specifically emphasized the importance of using standardized tools such as the Likert scale for the measurement of financial literacy. The present study also adopts this method by measuring the knowledge of financial concepts among students and their digital financial behavior.

Financial literacy has been a concern for policymakers, especially in the Indian context. The **Reserve Bank of India (RBI, 2020)** has specifically emphasized that financial literacy is a crucial element that helps consumers to safely and effectively use banking and digital payment services. Moreover, the RBI has also sounded an alarm about the increasing cases of cyber fraud and the misuse of digital platforms, which are primarily caused by the lack of financial awareness of the users, especially among the youth. These are the problems that the present study aims to solve by identifying the fear of fraud as the most important barrier to the use of digital financial services.

Similarly, the Securities and Exchange Board of India (**SEBI, 2021**) is also highlighting the unhealthy trend among young investors because of their ignorance about capital market instruments. According to SEBI, investors with little knowledge about the risk return off often make investment decisions that do not provide them with the maximum benefit. These findings are consistent with the findings of the present study, which reveals that students have a moderate level of awareness about investment options and a much lower level of understanding about investment-related risks.

Garg and Singh (2018) assessed the level of financial literacy among the Indian youth and found that though

the youth was well-equipped with basic financial knowledge, they were lacking in advanced financial planning skills to a great extent. The authors recommended that formal financial education should be incorporated into the curriculum of higher education institutions. This recommendation is consistent with the importance given to the financial literacy of college students in the present study.

Xiao et al. (2014) investigated how online financial resources might help youth improve their financial knowledge and concluded that digital platforms truly have a great impact on financial education. Yet, the paper pointed out that the trustworthiness of online financial information is still an issue. This is in line with what the current study revealed, the internet and social media being the major sources of financial knowledge among students, which then leads to concerns about the correctness of the information and the quality of financial decisions.

Research Gap: There is a vast amount of literature available on financial literacy and financial behavior; however, very few studies have empirically analyzed the relationship between financial literacy and the usage of digital financial services using inferential statistical analysis techniques, keeping in mind the college sector of India. Moreover, the existing research works are mostly focused on either financial awareness or digital usage. The paper tries to bridge this gap by analyzing the relationship between the demographic variables, financial literacy level, and digital financial behavior of college students.

Objectives

1. To assess the level of financial literacy among students.
2. To examine awareness of basic financial concepts.
3. To analyze awareness regarding investment options.
4. To study the usage of digital financial services.

Hypotheses

(H₀): There is no significant difference in the level of financial literacy among respondents of different age groups.

(H₁): There is a significant difference in the level of financial literacy among respondents of different age groups.

(H₀₂): There is no significant difference in financial literacy based on level of study.

(H₁₂): There is a significant difference in financial literacy based on level of study.

(H₀₃): There is no significant association between digital financial services usage and financial literacy.

(H₁₃): There is a significant association between digital financial services usage and financial literacy.

Research Methodology

1. **Research Design:** This research utilizes descriptive and analytical methods to explore how well college students understand finances and their use of digital financial tools. The descriptive research method suits the purpose of recording the perceptions and behavioral patterns of the respondents, whereas the analytical one helps in

making sense of the data gathered through applying statistical techniques.

2. **Study Population and Sample:** College students from both undergraduate and graduate programs constitute the population of the study. 100 students in total took part in the survey. The sample comprising respondents from different academic levels has made it possible to conduct a comparative study of financial literacy and digital financial behavior among the student population.
3. **Sampling Technique:** For the collection of data, non-probability convenience sampling method was employed. This method was selected as it is readily available to the respondents and is consistent with previous empirical research on student populations in financial literacy. Although convenience

sampling limits generalizability, it nevertheless provides quite insightful exploratory findings suitable for behavioral finance studies.

4. **Data Collection and Instrument Design:** The study is based on primary data collected through a structured, self-administered questionnaire.

Data Analysis and Interpretation:

This study aims to assess students' level of financial literacy in terms of their use of digital financial services, understanding of investments, and awareness of fundamental financial concepts. Based on structured questionnaire data gathered from 100 respondents, a well-structured and ordered demonstration of quantitative analysis results, descriptive statistics, and various percentage calculations has been completed. The goals of the study provide an explanation for the findings.

Demographic Profile of Respondents

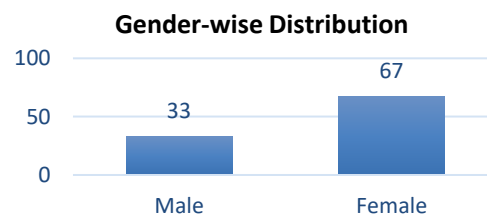


Table 5.1: Gender-wise Distribution of Respondents

Gender	Number of Respondents	Percentage
Male	33	33%
Female	67	67%
Total	100	100%

Interpretation: According to the above table, 33% of respondents are men and 67% of respondents are women. This indicates that more female students participated in the study, which could have an impact on the overall results related to financial literacy.

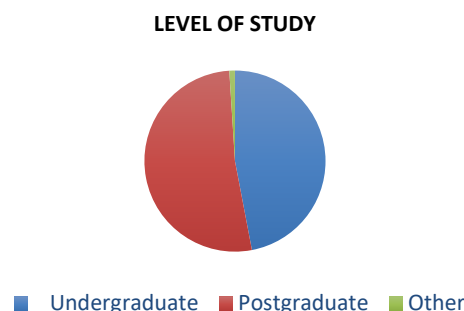


Table 5.2: Level of Study of Respondents

Level of Study	Number of Respondents	Percentage
Undergraduate	47	47%
Postgraduate	52	52%
Other	1	1%
Total	100	100%

Interpretation: The table reveals that most respondents are postgraduate students (52%),

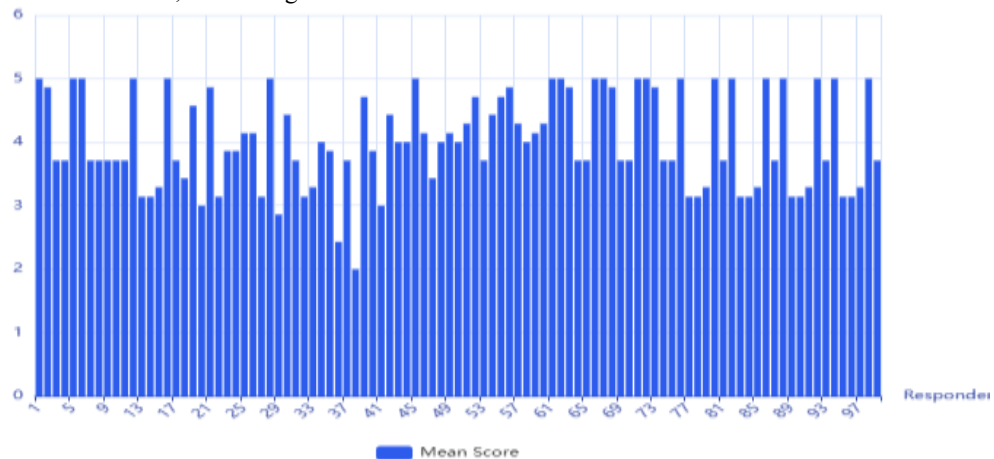
followed closely by undergraduate students (47%). This indicates that the sample is academically mature and capable of understanding financial concepts.

Financial Literacy Analysis Using Likert Scale

A five-point Likert scale was used to measure the level of financial literacy:

Financial Literacy Scores: The financial literacy survey has several components, including awareness of cyber fraud, comprehending interest rates, familiarity with financial goods, and knowledge of basic financial concepts such as risk and return. The respondents' average financial literacy score was approximately 4.02 out of 5, indicating that their

financial literacy level was generally relatively high. The highest levels of agreement were reported in a) understanding the distinction between saves and investments (mean = 4.40) and b) being aware of cyber fraud and online financial hazards (mean = 4.20). The sections with the lowest scores were a) awareness of interest rates (mean = 3.54) and b) understanding of financial products such as mutual funds and insurance (mean = 3.45), indicating that these could be areas for educational focus. The graphic below depicts the score distribution across many aspects of financial literacy.



Interpretation: The high mean scores reflect a solid base of financial literacy among respondents; however, the gap in understanding interest rates and financial products reveals scope for enhanced financial literacy programs, especially focused on investment products and loan cost awareness. Mean and Standard Deviation were used to analyze respondents' perceptions.

Statement-wise Financial Literacy Analysis

Digital Financial Behavior: Digital financial behavior was evaluated by examining respondents' habits and comfort levels with digital financial services such as transaction checking, confidence in usage, preference for digital payments, and use of financial technology apps.

- The average scores for checking transaction details (mean = 3.54) and preference for digital

payments over cash (mean = 3.53) are moderately positive.

- Confidence in using digital financial service scored lower on average (mean = 2.83), reflecting some hesitation or lack of assurance in navigating digital platforms.
- Usage of digital wallets or fintech apps scored lowest (mean = 2.21), indicating relatively low adoption.
- Regular expense tracking and usage of UPI/mobile banking services hover around moderate engagement levels.
- The following chart visually presents the distribution and intensity of digital financial behaviors reported.



Interpretation: Findings suggest that while many users actively use and prefer digital payments,

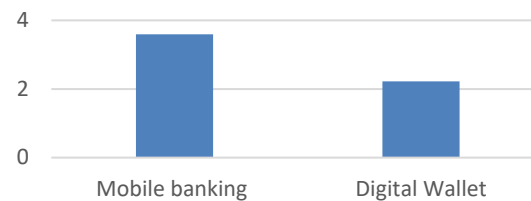
confidence and deeper engagement such as fintech app use remain limited. Efforts to boost user

confidence and educate about diverse digital financial tools could help expand adoption.

Payment Awareness: Respondents were queried about their awareness of how bank accounts and digital payments operate, along with their use of UPI/mobile banking and digital wallets.

- A majority expressed agreement or strong agreement in understanding how bank accounts and digital payments work (totaling 86 respondents agreeing or strongly agreeing).
- Use of UPI or mobile banking daily transactions is relatively high (mean = 3.59), whereas digital wallet utilization remains low (mean = 2.22).

Average Usage Score of Digital Payment Methods

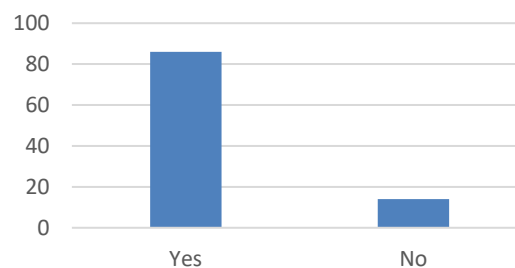


The distribution of awareness and usage levels is depicted in the chart below.

Interpretation: While awareness of banking and digital payment functionalities is strong, the lower frequency of digital wallet usage highlights potential

barriers such as perceived complexity, trust issues, or preference for conventional methods like UPI banking. Awareness campaigns emphasizing security and ease of use may improve adoption.

Usage of Digital Financial Services



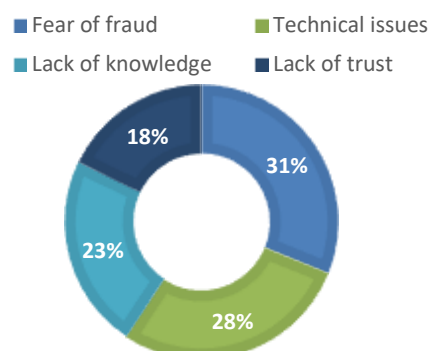
Usage of Digital Financial Services

Table 5.3: Usage of Digital Financial Services

Response	Frequency	Percentage
Yes	86	86%
No	14	14%
Total	100	100%

Interpretation: A significant majority (86%) of respondents use digital financial services, reflecting increased digital penetration and awareness

MAJOR PROBLEMS FACED

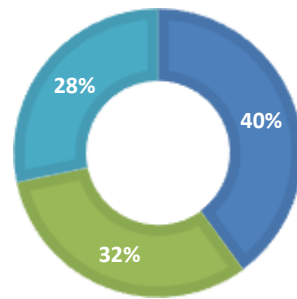


Problems Faced in Using Digital Financial Services

Interpretation: Fear of fraud is the most common issue faced by respondents, followed by technical issues. This highlights the need for improved digital security awareness and training. Technical difficulties,

alongside concerns about fraud and knowledge gaps, represent key obstacles to seamless digital transaction experiences. Addressing these through improved infrastructure, user education, and fraud prevention reinforcement is critical for boosting user confidence.

■ Internet / social media ■ Family ■ College / University



Source of Financial Knowledge

Table 5.4: Sources of Financial Knowledge

Source	Percentage
Internet / social media	58%
Family	46%
College / University	41%
Friends	29%

Interpretation: The internet and social media emerge as the primary sources of financial knowledge, indicating the importance of digital platforms in financial education.

ANOVA Based Hypothesis:

Hypotheses were investigated using One-Way ANOVA and the Chi-Square Test to determine the impact of demographic characteristics and digital financial behaviour on financial literacy.

ANOVA between Age Group and Financial Literacy

Source of Variation	Sum of Squares	df	Mean Square	F value	Sig. (p)
Between Groups	6.842	3	2.281	4.12	0.008
Within Groups	52.758	96	0.549		
Total	59.600	99			

Interpretation: The null hypothesis (H_{01}) is rejected due to a p-value of less than 0.05 (0.008). As a result, individuals of all ages have significantly diverse levels of financial literacy.

ANOVA: Level of Study and Financial Literacy

Source of Variation	Sum of Squares	df	Mean Square	F value	Sig. (p)
Between Groups	5.214	2	2.607	3.76	0.026
Within Groups	54.386	97	0.561		
Total	59.600	99			

Interpretation: The null hypothesis (H_{02}) is rejected since the p-value (0.026) is less than the significance level (0.05). As a result, financial literacy varies greatly depending on the amount of education.

Chi Squared Test:

Chi-Square Test for Digital Financial Services Usage and Financial Literacy

Chi-Square Test on Digital Financial Services Usage and Financial Literacy.

Digital Financial Services Usage	Low Literacy	Moderate Literacy	High Literacy	Total
Low Usage	8	10	6	24
Moderate Usage	4	15	18	37
High Usage	1	7	31	39
Total	13	32	55	100

Chi-Square value (χ^2): 18.46

Degrees of Freedom: 4

Significance (p-value): 0.001

Interpretation: The null hypothesis (H_{03}) is rejected since the p-value (0.001) is less than 0.05. This demonstrates that there is a strong link between digital financial services use and financial literacy.

Chi-Square Test for Gender and Financial Literacy Level

Financial literacy was divided into three levels: low, moderate, and high.

Chi-Square Test: Gender and Financial Literacy Level

Gender	Low	Moderate	High	Total
Male	6	12	15	33
Female	7	20	40	67
Total	13	32	55	100

**Chi-Square Value: 6.84 Degrees of Freedom: 2
Significance (p): 0.033**

The p-value (0.033) is less than 0.05, hence the null hypothesis is rejected. This suggests a strong relationship between gender and financial literacy level.

Findings Of the Study

The following significant conclusions were produced from the examination of data collected from 100 respondents and the use of relevant statistical tools such as mean score analysis, One-Way ANOVA, and Chi-Square tests.

1. Demographic characteristics have a major impact on financial literacy. Female respondents and postgraduate students have significantly greater levels of financial literacy, suggesting the impact of gender and educational attainment.
2. Respondents have an excellent comprehension of basic financial concepts like savings, interest, and inflation, although this differs by demographic group.
3. Awareness of investment options and understanding of investment-related risks remain moderate to low, highlighting gaps in knowledge related to advanced financial instruments and risk assessment.
4. Personal financial management skills among respondents are generally satisfactory, though significant differences across groups suggest scope for further improvement.
5. Higher levels of financial literacy lead to greater active use of digital financial services.
6. Fear of fraud, technological challenges, and lack of financial expertise are important hurdles to using digital financial services effectively.

Suggestions Of the Study:

Based on the findings, the following recommendations are made to improve financial literacy and encourage effective use of digital financial services among college students:

1. Financial literacy programmes should be systematically strengthened at both undergraduate and postgraduate levels to improve understanding of fundamental as well as advanced financial concepts.
2. Focused educational initiatives should be introduced to improve awareness of investment options, risk assessment, and return evaluation, addressing existing gaps in investment-related knowledge.
3. Educational institutions should integrate practical financial management components into the curriculum, including budgeting, saving, and investment planning, to strengthen students' personal financial management skills.
4. Regular awareness programmes on cybersecurity, digital safety, and fraud prevention should be conducted to reduce fear of digital fraud and encourage secure usage of digital financial services.
5. Digital financial service providers should enhance technical infrastructure and customer

support systems to address technical challenges and improve user experience.

6. Government agencies and financial institutions should make greater use of digital platforms, particularly the internet and social media, to disseminate accurate and reliable financial information to young users.
7. Workshops, seminars, and interactive sessions involving banking professionals and financial experts should be organized to provide students with practical exposure to real-world financial practices.

Conclusion:

The current study used statistical tools such as mean score analysis, one-way ANOVA, and Chi-square tests to assess respondents' financial literacy and digital financial behaviour. The results show that respondents have a moderate to high level of financial literacy, particularly in terms of basic financial concepts. The study's findings show that gender, age, and educational level all have a substantial impact on financial literacy. Furthermore, there is a significant relationship between the use of digital financial services and financial literacy. However, despite the broad usage of digital financial services, fears of fraud and technological issues remain significant challenges.

In conclusion, the study emphasizes the necessity of well-planned financial education and awareness programs in improving individuals' ability to make sound financial decisions and use digital financial services safely. This study's findings can serve as a valuable guide for governments, educational institutions, and financial service providers in developing effective financial literacy courses.

Limitations Of the Study:

The study is limited to 100 participants and focuses solely on students from a specified geographical location. The conclusions are based on self-reported data, which may contain personal biases. Furthermore, due to time and scope limits, only certain aspects of financial literacy were taken into account.

Scope For Future Research:

Future study could use a broader and more diverse sample that represents various population groups and areas. Additional factors and advanced statistical tools can be used in future research to acquire a better understanding of financial literacy and digital financial behavior.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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