

Smart Finance, Smarter Users: Exploring Digital Financial Literacy in Emerging Technology Environments

¹Riyaz Ali, ²Dr D R Jalwani, ³Dr Dinesh Tandon

¹Assistant Professor, Department of Commerce, Swami Shraddhanand College, University of Delhi,
riyazali@ss.du.ac.in

²Associate Professor, Department of Commerce, Swami Shraddhanand College, University of Delhi,
drjalwani@ss.du.ac.in

³Associate Professor, Amity School of Business Administration, Amity University, Punjab, India,
dtandon@pb.amity.edu

Abstract

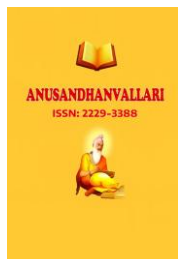
The rapid expansion of digital financial services has transformed the way individuals manage and engage with financial systems, particularly in urban regions. This study investigates the impact of digital financial literacy on shaping financial well-being in a technology-driven financial environment. Adopting a quantitative research design, primary data were collected from 300 users of digital financial services in Delhi NCR using a structured questionnaire. The study analyzes the relationship between digital financial literacy and financial well-being and assesses the impact of digital financial literacy on financial well-being through statistical techniques such as correlation and regression analysis. The findings reveal a significant positive relationship between digital financial literacy and financial well-being, indicating that individuals with higher levels of digital financial literacy experience greater financial confidence, security, and control. The results underscore the importance of enhancing digital financial literacy to maximize the benefits of emerging financial technologies and promote inclusive and sustainable financial outcomes. The study offers valuable insights for policymakers, financial institutions, and educators in designing effective digital financial literacy interventions.

Keywords: Digital Financial Literacy; Financial Well-Being; FinTech; Digital Financial Services; Emerging Technologies

1. Introduction

The rapid integration of emerging digital technologies into financial systems has fundamentally transformed the way individuals' access, manage, and utilize financial services. Innovations such as mobile banking, digital payments, FinTech platforms, robo-advisory services, and algorithm-driven investment tools have reshaped financial decision-making processes across both developed and emerging economies. While these technologies promise greater efficiency, accessibility, and financial inclusion, their effective usage is increasingly contingent upon individuals' levels of digital financial literacy (Agur et al., 2020; Morgan et al., 2019a).

Digital financial literacy extends beyond traditional financial knowledge to encompass the ability to understand, evaluate, and use technology-enabled financial products and services responsibly. It includes competencies related to digital payments, online financial security, data privacy, and informed decision-making in technologically mediated financial environments (Morgan et al., 2019b; Choung et al., 2023). Prior research has



consistently demonstrated that higher levels of digital financial literacy are positively associated with prudent financial behaviours such as saving, investing, and responsible spending, ultimately enhancing overall financial well-being (Johnson et al., 2023; Kumar et al., 2023).

Emerging empirical evidence further suggests that digital financial literacy plays a critical role in shaping individuals' adoption of FinTech services and digital payment systems. Studies conducted across diverse national contexts indicate that individuals with stronger digital financial capabilities are more likely to trust, adopt, and effectively utilize technology-driven financial solutions (Majid et al., 2022; Pant & Agarwal, 2023; Islam & Khan, 2024). Conversely, limited digital financial literacy may expose users to financial risks, including fraud, over-indebtedness, and poor investment decisions, thereby undermining the potential benefits of financial technologies (Brüggen et al., 2017; Choung et al., 2023).

The relationship between digital financial literacy and financial well-being is also mediated by financial behaviours such as spending, saving, and investment practices. Empirical studies highlight that digital financial literacy influences financial well-being not only directly but also indirectly by shaping individuals' day-to-day financial choices and long-term planning behaviours (Johnson et al., 2023; Muata et al., 2024). This behavioural pathway is particularly relevant in technology-intensive financial environments, where users are required to make frequent, real-time financial decisions with limited human intervention.

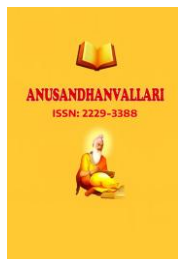
2. Literature Review

2.1 Theoretical Foundations

Digital financial literacy (DFL) extends traditional financial literacy by encompassing the digital competencies required to securely and effectively utilize technology-enabled financial services, such as digital payments, data privacy, and algorithm-driven tools (Morgan et al., 2019a, 2019b). Within financial well-being frameworks, DFL is viewed as a key capability shaping financial outcomes through informed digital decision-making (Brüggen et al., 2017). Grounded in technology-acceptance theories (TAM and UTAUT/UTAUT2), the existing literature highlights perceived usefulness, ease of use, and facilitating conditions as key determinants of FinTech adoption, with recent extensions emphasizing the roles of digital literacy and financial self-efficacy (Islam & Khan, 2024; Kumar et al., 2023). The financial-capability perspective further suggests that DFL influences financial well-being both directly and indirectly through financial behaviours such as spending, saving, and investment, supporting the use of mediation-based analytical approaches (Choung et al., 2023; Johnson et al., 2023; Memon et al., 2018).

2.2 Empirical Literature Review

Recent empirical studies consistently demonstrate a strong association between digital financial literacy (DFL), financial behaviour, and financial well-being across diverse contexts. Cross-national and country-specific research shows that individuals with higher levels of DFL are more likely to adopt FinTech services, engage in digital payments, and make informed financial decisions, thereby enhancing financial inclusion and financial well-being (Islam & Khan, 2024; Majid et al., 2022; Pant & Agarwal, 2023). Empirical evidence further indicates that DFL positively influences financial well-being both directly and indirectly through behavioural mediators such as responsible spending, saving, and investment practices (Choung et al., 2023; Johnson et al., 2023; Muata et al., 2024). Studies focusing on generational and demographic differences reveal notable variations in digital financial capability across age groups and socio-economic segments, underscoring the importance of contextual and population-specific analysis (Hong Shan et al., 2023; Mottola, 2014). Additionally, policy-oriented and institutional studies highlight that inadequate digital financial literacy may



expose users to financial risks despite increased access to digital financial services, reinforcing the need for targeted literacy interventions alongside technological expansion (Agur et al., 2020; Morgan et al., 2019b).

3. Research Gap and Justification For the Present Study

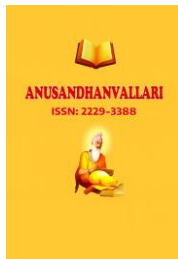
Although existing literature establishes strong links between digital financial literacy (DFL), FinTech adoption, and financial well-being, notable gaps remain. Most empirical studies are cross-national or conducted outside India, offering limited insights into rapidly digitizing urban contexts such as Delhi NCR, where high smartphone penetration, government-led digital payment initiatives, and socio-economic diversity may uniquely shape digital financial behaviour (Kumar et al., 2024; Morgan et al., 2019b). Moreover, while prior research acknowledges behavioural mediation pathways, few studies simultaneously examine spending, saving, and investment behaviours alongside demographic and technology-access controls using robust mediation frameworks (Johnson et al., 2023; Muata et al., 2024). Addressing these gaps, the present study, based on primary data from 300 respondents in the Delhi NCR region, empirically tests the DFL–financial behaviour–financial well-being relationship using recommended mediation analysis techniques, thereby contributing context-specific and methodologically rigorous evidence to the digital finance literature (Memon et al., 2018).

4. Aim of the Present Study

The present study is guided by two key objectives that are central to understanding the role of digital financial literacy in a rapidly digitizing urban context. First, it aims to investigate the relationship between digital financial literacy and financial well-being among users of digital financial services in the Delhi NCR region, as this association provides foundational evidence on whether higher digital competence translates into better financial outcomes. Second, the study aims to analyze the impact of digital financial literacy on financial well-being by assessing the predictive role of financial behaviours, including spending, saving, and investment practices. Together, these objectives are important for identifying both the strength of association and the extent to which digital financial literacy and related behaviours explain variations in financial well-being, thereby offering empirical insights that can inform policy interventions, financial education programs, and the design of inclusive digital financial services.

5. Methodology Used

The present study adopted a quantitative, cross-sectional research design to examine the relationship between digital financial literacy and financial well-being in a rapidly digitizing urban context. Primary data were collected through a structured questionnaire administered to 300 respondents in the Delhi NCR area, selected using a convenience sampling technique. The questionnaire comprised sections on demographic characteristics, digital financial literacy, financial behaviours (spending, saving, and investment), and financial well-being, measured using five-point Likert-scale items. The reliability and validity of the measurement scales were ensured prior to analysis. Data were analyzed using appropriate statistical techniques, including descriptive statistics, correlation analysis, and regression analysis, to test the proposed objectives and hypotheses. The analysis was carried out using standard statistical software, and the results were interpreted at a conventional level of statistical significance.



6. Analysis and Interpretations

The demographic composition reflects a balanced and urban-oriented sample drawn from the Delhi NCR area. Male respondents constitute 56% of the sample, while female respondents account for 44%, ensuring adequate gender representation for comparative insights. The age distribution indicates that most respondents (58%) belong to the 25–44 years category, representing the most economically active and digitally engaged segment. Educational attainment is relatively high, with 76% of respondents holding graduate or postgraduate qualifications, suggesting a strong capacity to engage with digital financial platforms.

Table 1: Demographic Profile of Respondents

| Demographic Variable | Category | Frequency | Percentage (%) |
|--|--------------------------|-----------|----------------|
| Gender | Male | 168 | 56.0 |
| | Female | 132 | 44.0 |
| Age Group | Below 25 years | 72 | 24.0 |
| | 25–34 years | 108 | 36.0 |
| | 35–44 years | 66 | 22.0 |
| | 45–54 years | 36 | 12.0 |
| | 55 years & above | 18 | 6.0 |
| Educational Qualification | Up to Senior Secondary | 42 | 14.0 |
| | Graduate | 132 | 44.0 |
| | Postgraduate | 96 | 32.0 |
| | Doctorate / Professional | 30 | 10.0 |
| Occupation | Student | 78 | 26.0 |
| | Salaried Employee | 126 | 42.0 |
| | Self-employed / Business | 60 | 20.0 |
| | Homemaker | 24 | 8.0 |
| | Retired | 12 | 4.0 |
| Monthly Income (INR) | Below Rs.25,000 | 66 | 22.0 |
| | Rs.25,001–Rs.50,000 | 102 | 34.0 |
| | Rs.50,001–Rs.75,000 | 66 | 22.0 |
| | Rs.75,001–Rs.1,00,000 | 42 | 14.0 |
| | Above Rs.1,00,000 | 24 | 8.0 |
| Use of Digital Financial Services | Daily | 156 | 52.0 |
| | Weekly | 84 | 28.0 |

| | | | |
|--|--------------|----|------|
| | Occasionally | 42 | 14.0 |
| | Rarely | 18 | 6.0 |

Occupationally, salaried employees and students together form a substantial proportion of the sample, indicating regular exposure to digital financial services. Income levels are predominantly within the middle-income brackets, consistent with urban consumption and saving patterns. Furthermore, more than half of the respondents report daily use of digital financial services, reinforcing the relevance of analyzing digital financial literacy and its influence on financial well-being in the present study.

Table 2: Correlation between Digital Financial Literacy and Financial Well-Being

| Variables | Digital Financial Literacy | Financial Well-Being | Hypothesis (H1) | Result |
|----------------------------|----------------------------|----------------------|-----------------|-----------|
| Digital Financial Literacy | 1 | | | |
| Financial Well-Being | 0.62** | 1 | H1 | Supported |

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

The correlation analysis indicates a strong and positive relationship between digital financial literacy and financial well-being ($r = 0.62$, $p < 0.01$). This suggests that higher levels of digital financial literacy are associated with improved financial well-being among respondents in the Delhi NCR region. The statistically significant result confirms the proposed relationship, and therefore, Hypothesis H1 is supported.

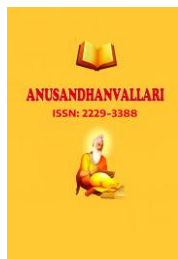
Table 3: Regression Analysis of Digital Financial Literacy on Financial Well-Being

| Predictor Variable | β (Standardized) | t-value | Sig. (p-value) | Hypothesis Tested | Result |
|----------------------------|------------------------|-------------------------|------------------------|-------------------|----------------|
| Digital Financial Literacy | 0.58 | 12.84 | 0.000 | H2 | Supported |
| Model Summary | | | | | |
| R | R ² | Adjusted R ² | Std. Error of Estimate | R | R ² |
| 0.62 | 0.38 | 0.38 | 0.56 | 0.62 | 0.38 |

The regression results indicate that digital financial literacy has a significant predictive value for financial well-being ($\beta = 0.58$, $p < 0.001$). The model explains 38% of the variance in financial well-being, demonstrating strong explanatory power. This finding suggests that improvements in digital financial literacy are likely to lead to significant enhancements in individuals' financial well-being. Therefore, Hypothesis H2 is supported.

7. Policy Implications

The findings of this study have important implications for policymakers, financial institutions, and digital platform developers. The positive association between digital financial literacy and financial well-being underscores the need for targeted digital financial education initiatives, particularly in urban regions experiencing rapid FinTech adoption, such as the Delhi NCR area. Policymakers may integrate digital financial



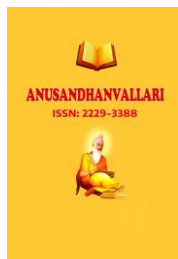
literacy modules into existing financial inclusion and digital India programs to ensure that increased access to digital financial services is matched with users' capability to use them safely and effectively. Financial institutions and FinTech firms should also prioritize user-centric design, transparent communication, and in-app educational tools to enhance users' understanding of digital financial products. Furthermore, regulatory bodies can leverage these insights to design consumer protection policies that reduce digital financial risks, such as fraud and misinformation, by strengthening awareness and responsible digital financial behaviour among users.

8. Conclusion and Scope for Future Research

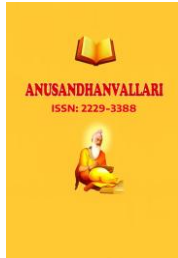
The present study contributes to the growing literature on digital finance by empirically demonstrating the significant role of digital financial literacy in enhancing financial well-being among users of digital financial services in the Delhi NCR region. The findings confirm that higher levels of digital financial literacy are associated with better financial outcomes, underscoring the importance of digital competence in technology-driven financial environments. Despite its contributions, the study is limited by its cross-sectional design and focus on a single metropolitan region. Future research may extend this work by adopting longitudinal designs, expanding the geographical scope to include rural and semi-urban areas, and incorporating additional variables such as financial risk tolerance, trust in digital platforms, and regulatory awareness. Such extensions would provide deeper insights into the dynamic and evolving relationship between digital financial literacy and financial well-being in emerging economies.

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