

A Study on Impact of Financial literacy on Digital Financial Decision making among Chennai Youth

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ABSTRACT:

Increasing numbers of youth are utilizing modern technology driven solutions for managing money through means like Mobile Banking, Online Payments, Digital Wallets, and Investment Platforms. As usage continues to increase, understanding basic financial principles helps determine how youth will use digital money management tools to make financial decisions digitally. The relationship between a person's understanding of Finance, Risk Perception and Responsibly behaving when it comes to Digital Financial Transactions will also be explored. The study identified that youth who have developed a solid foundation of the principles of finances (Financial Literacy) will make better financial decisions by Managing Expenses Effectively, evaluating different digital financial products, and protecting themselves from becoming victims of fraud while using Digital Financial Products. On the contrary, when developing a low level of Financial Literacy, youth are less likely to make informed decisions and are more prone to Impulsive Spending, Mismanaging Founded Credit, and having increased financial exposure from Digital Financial Products. Similarly, youth with a developed level of Financial Literacy will have greater Confidence when interacting with Electronic Financial Transactions and subsequently will make better decisions. The results of this research supports the need for a Structured Financial Education Program/Syllabus that contains Digital Financial Skills. Enhancement of Financial Literacy will allow youth to more rapidly and smoothly transition into the evolving financial technology world, improve the state of financial well-being, and support the long-term and secure use of digital financial products.

Keywords: Financial Literacy, Digital Finance, Youth, Financial Decision Making, Financial Awareness

1.1. Introduction

Understanding finance will be essential to succeed in today's digital economy, where you will need to make wise financial decisions about how to save, invest, and manage your money. Making wise financial decisions has become considerably more challenging as a result of the quick expansion of all financial services brought about by digital technology, including online investing, Digital wallets, and mobile banking.

A key component of assisting young people in effectively navigating the shifting digital financial landscape and their opportunities to build a bright future for themselves is financial literacy, or the capacity to comprehend and apply the many different concepts surrounding finance (such as budgets, interest rates, inflation, and risk).

1.2. Need for the Study

Even while young people have a high rate of digital engagement, there is a disconnect between technology use and financial literacy. This makes it necessary to investigate whether young people have sufficient financial literacy to make responsible use of digital financial services.

1.3. Influence

Youth's ability to assess financial possibilities, manage risks, and make digital financial decisions is greatly influenced by their level of financial literacy. In a digital setting, it influences financial planning, investment decisions, and spending patterns.

1.4. Statement of the Problem

Although young people in Chennai use digital financial platforms, they might not have enough financial literacy, which could result in bad financial decisions, excessive spending, and exposure to online fraud. This disparity between usage and knowledge is addressed in the study.

1.5. Theoretical Framework

The study examines how financial knowledge, awareness of financial products, and risk understanding affect young people's digital financial decision-making and conduct by integrating financial literacy theory, behavioural finance principles, and digital adoption models.

1.6. Significance of the Study

Because it aids in the development of focused financial education programs, encourages responsible financial behaviour, and strengthens financial security in a digital economy, the study is important for legislators, educators, and financial institutions.

1.7. Objectives

- To Assess financial literacy levels among Chennai youth
- To Examine digital financial usage patterns
- To Analyse the relationship between financial literacy and digital decisions

1.8. Scope

In the backdrop of growing digital financial usage, the study examines financial knowledge, digital financial activity, and risk awareness among young people in Chennai.

2. SCHOLARLY REVIEW

Digital financial decision-making is greatly influenced by financial literacy, especially among young people using DeFi and cryptocurrencies. The impact of investor mood on Bitcoin returns is moderated by financial literacy, according to Jahangir et al. (2025). The impacts are amplified in high-knowledge environments, although it is unclear if this reduces speculation or increases participation. In a similar vein, Wang and Bai (2025) found that bitcoin adoption among 18–34-year-olds is increased by greater investment knowledge and experience, with age mitigating this relationship as young people accept tech-driven risks.

According to Chikanal et al. (2024), young investors in India (18–24) are more aware of cryptocurrencies through social media, but they don't grasp risk and regulations, which emphasises the need for specialised literacy programs. Parvathagari and Katla (2025) reaffirmed this in Telangana, where young men make rash investments motivated by profits in the face of a lack of policy understanding, promoting education for well-informed decision-making. According to the OECD (2025), just 29% of individuals worldwide possess digital financial

literacy, making young cryptocurrency users susceptible to fraud and instability and calling for their inclusion in curriculum.

Young people's decisions frequently combine behavioural biases with literacy gaps; Almeida and Gonalves (2023) noted that inadequate awareness exacerbates herding and irrationality in cryptocurrency markets. Despite having minimal understanding, Amin (2025) found that Indonesian students prioritise FOMO over risk assessment. These disparities highlight the need for improved financial education to help young people in Chennai make logical digital decisions, connecting theory and practice in developing economies.

3. Research Methodology

3.1 Overview

The methodical process of gathering, evaluating, and interpreting data for research goals is known as research methodology. This study examines the degree of financial literacy among young people in Chennai and how it affects their digital financial activity.

3.2 Research Design

The design of the study is both analytical and descriptive. Analytical study looks at variable links such financial literacy and digital decision-making, while descriptive research profiles digital usage, behaviour, and financial literacy.

3.3 Sampling Design

- Population: Youth in Chennai
- Technique: Convenience sampling
- Sample size: e.g., 102 respondents

3.4 Tools and Techniques Used for Analysis

- Descriptive Analysis: Summarizes demographics and response patterns.
- Independent t-Test: Compares two groups (e.g., gender) on literacy/behaviour.
- ANOVA: Compares >2 groups (e.g., age, education, income).
- Correlation Analysis: Measures relationships (financial literacy, digital usage, risk perception).

- Correlation Matrix: Structures multiple correlations.
- Regression Analysis: Assesses financial literacy's impact (independent variable) on digital decision-making, risk perception, financial behaviour.

3.7 Methodology Components Table

Category	Component	Details
Design	Research Design	Descriptive (profiles) + Analytical (relationships)
Data	Nature	Primary via questionnaire
Collection	Method	30-question structured questionnaire
Sampling	Population/Technique/Size	Chennai youth/Convenience/e.g., 102
Analysis Tools	Descriptive/t-Test/ANOVA	Summarize/2 groups/>2 groups
Analysis Tools	Correlation/Matrix/Regression	Relationships/Multiple vars/Impact of literacy

Analysis for objective 1

	Basic financial concepts	Concept of budgeting
Mean	4.00990099	3.722772277
Variance	1.56990099	1.682376238
Observations	101	101
Pearson Correlation	0.457043979	
Hypothesized Mean Difference	0	
df	100	
t Stat	2.170960345	
P(T<=t) one-tail	0.016150086	
t Critical one-tail	1.660234326	
P(T<=t) two-tail	0.032300172	
t Critical two-tail	1.983971519	

Analysis for objective 2

	Financial decisions	Payment applications
Mean	3.57425	4.0495
Variance	1.50693	1.40752
Observations	101	101
Pearson Correlation	0.45406	
Hypothesized Mean Difference	0	
df	100	
t Stat	-3.78551	
P(T<=t) one-tail	0.00013	
t Critical one-tail	1.66023	
P(T<=t) two-tail	0.00026	
t Critical two-tail	1.98397	

Analysis for objective 3

	<i>Educational Qualification</i>	<i>Budgeting</i>	<i>Personal finances</i>	<i>Charges on digital credit products.</i>
Educational Qualification	1			
Concept of budgeting.	0.10140	1		
Personal finances	0.08575	0.46860	1	
Charges on digital credit products.	0.27138	0.44455	0.64033	1

Table 1: Consolidated Statistical Results

Objective	Variables Compared	Mean Values	Key Statistics	Significance	Key Result
Objective 1	Basic Financial Concepts vs Budgeting	4.01 vs 3.72	t = 2.171, p = 0.032	Significant	Gap in practical financial skills

Objective 2	Financial Awareness vs Digital Payment Usage	3.57 vs 4.05	$t = -3.786, p = 0.00026$	Highly Significant	High digital usage, low financial awareness
Objective 3	Education vs Financial Literacy Components	$r = 0.086$ to 0.271	Correlation Matrix	Mixed	Weak role of education, strong interrelation among literacy variables

Table 2: Integrated analysis Linked to Research Theme

Objective	Core Finding	Interpretation	Link to Digital Financial Decision-Making	Supporting Insight
Objective 1	Higher understanding of basic concepts than budgeting	Chennai youth possess theoretical knowledge but lack practical financial management skills	Budgeting is essential for controlling digital spending; weak budgeting leads to poor financial decisions despite awareness	Indicates need for applied financial literacy, not just conceptual knowledge
Objective 2	Digital payment usage exceeds financial awareness	Youth are highly engaged with digital financial tools but lack informed decision-making capability	Suggests behavioural adoption without cognitive readiness, increasing risk of overspending, debt, or misuse of digital credit	Highlights digital-financial literacy gap
Objective 3	Weak link between education and financial literacy; strong interrelation among literacy skills	Formal education alone does not ensure financial literacy; practical skills are interconnected	Effective digital decision-making depends more on integrated financial skills (budgeting + confidence + credit understanding) than academic qualification	Emphasizes skill-based financial education over degree-based learning

Detailed Combined analysis

Objective 1: Financial Knowledge vs Practical Application

The analysis reveals that respondents demonstrate stronger understanding of basic financial concepts than budgeting skills. While conceptual knowledge forms the foundation of financial literacy, the lack of budgeting proficiency indicates a critical gap in practical financial application. In the context of Chennai youth, this gap directly affects digital financial decision-making. Digital platforms (UPI, wallets, BNPL services) require users to actively manage spending. Without budgeting skills, individuals may:

- Overspend due to ease of transactions
- Fail to track expenses
- Mismanage digital credit

Financial literacy among Chennai youth is theoretically adequate but practically insufficient, limiting their ability to make disciplined digital financial decisions.

Objective 2: Financial Awareness vs Digital Adoption

The findings show that digital payment usage is significantly higher than the level of financial awareness. This indicates that youth are rapidly adopting financial technology without a corresponding increase in financial understanding.

This creates a critical imbalance:

- High convenience → increased usage
- Low awareness → uninformed decisions

In real-world terms, this may lead to:

- Impulsive digital transactions
- Poor evaluation of financial choices
- Increased vulnerability to digital credit misuse

There exists a disconnect between financial literacy and digital financial behaviour, suggesting that technology adoption is outpacing financial education among Chennai youth.

Objective 3: Role of Education and Interconnected Financial Skills

The correlation results highlight that educational qualification has only a weak influence on financial literacy components. However, strong relationships exist among:

- Budgeting
- Financial confidence
- Understanding of interest rates

This suggests that financial literacy is skill-based and experiential, rather than purely academic.

For digital financial decision-making:

- Confidence + budgeting → better spending control
- Interest rate awareness → informed credit usage
- Combined skills → responsible digital financial behaviour

Digital financial decision-making is driven more by integrated financial competencies than formal education, reinforcing the need for holistic financial literacy development.

Overall Combined Conclusion

The integrated findings from all three objectives clearly demonstrate that:

- Financial literacy is incomplete among Chennai youth
 - Strong in theory (concepts)
 - Weak in practice (budgeting, decision-making)
- Digital financial adoption is high but not matched by financial understanding
 - Leads to uninformed and potentially risky financial behaviour
- Education alone is not sufficient
 - Practical, interconnected financial skills are more critical

5. Conclusion

5.1 Major Findings of the Study

The present study examined the impact of financial literacy on digital financial decision-making among Chennai youth, and the findings reveal several critical insights. Firstly, the study

identified a significant gap between theoretical financial knowledge and practical financial skills. While respondents demonstrated a relatively strong understanding of basic financial concepts such as savings, interest, and inflation (Mean = 4.01), their understanding of budgeting was comparatively lower (Mean = 3.72), with a statistically significant difference ($p < 0.05$). This indicates that financial literacy among youth is conceptually adequate but practically limited, particularly in areas essential for day-to-day financial management. Secondly, the results showed that digital financial adoption significantly exceeds financial awareness. Respondents reported high usage of digital payment applications (Mean = 4.05) compared to their level of financial awareness while making decisions (Mean = 3.57), with a highly significant difference ($p < 0.001$). This suggests that Chennai youth are активно engaging with digital financial tools without sufficient financial understanding, leading to a behaviour–knowledge gap. Thirdly, the correlation analysis revealed that educational qualification has only a weak relationship with financial literacy components (r ranging from 0.086 to 0.271). However, strong relationships were observed among financial literacy variables themselves, particularly between financial confidence and understanding of interest rates ($r = 0.640$). This indicates that financial literacy is more skill-based and interconnected rather than dependent on formal education. These findings are consistent with prior research. For instance, the OECD reports that only a limited proportion of individuals possess adequate digital financial literacy, making them vulnerable to poor financial decisions. Similarly, Chikanal et al. found that young individuals exhibit high digital engagement but lack risk awareness, while Amin highlighted that youth often make financial decisions influenced by behavioural biases such as fear of missing out (FOMO) rather than informed judgment. Overall, the study confirms that financial literacy significantly influences digital financial decision-making, but its effectiveness depends on the depth of practical knowledge and its application.

5.2 Suggestions to Stakeholders

a) Government and Policymakers

Introduce mandatory financial literacy programs in school and college curricula with a focus on practical skills such as budgeting, digital payments, and credit management. Promote nationwide initiatives aligned with frameworks by organizations like the Reserve Bank of India

to enhance digital financial awareness. Implement digital financial safety campaigns to reduce risks related to fraud, overspending, and misuse of credit.

b) Youth / General Users

Actively engage in self-learning through financial education platforms. Practice budgeting and expense tracking while using digital payment tools. Develop awareness of digital risks, credit costs, and financial planning strategies to improve decision-making.

5.3 Limitations of the Study

The study is limited to Chennai city, which may restrict the generalizability of findings to other regions. The use of convenience sampling may introduce sampling bias and limit representativeness. Data was collected through self-reported questionnaires, which may be subject to response bias. The study primarily focuses on selected financial literacy variables, while other factors such as psychological traits and socio-economic conditions were not deeply explored. The sample size (around 100 respondents) may limit the robustness of broader generalizations.

5.4 Overall Conclusion

In conclusion, the study highlights that while Chennai youth adopt digital financial services, their financial literacy particularly in practical application remains insufficient to support informed decision-making. The research clearly establishes that financial literacy is a critical determinant of digital financial behaviour, but mere access to digital tools does not guarantee effective financial decisions. The findings emphasize that bridging the gap between financial knowledge and its practical application is essential. Strengthening financial literacy through integrated efforts from governments, educational institutions, and financial service providers can significantly enhance responsible digital financial behaviour.

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