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Digital Financial Literacy and Consumer Spending Behaviour: A Study Among Consumers in Kerala

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Abstract:
Modern financial transactions and consumer spending habits have changed due to technological developments and digital payment systems, making digital financial literacy more essential than ever before. Consumer buying habits and financial decision-making processes have been profoundly changed by the growth of mobile banking, digital wallets, internet banking, Unified Payments Interface (UPI), and online shopping platforms. In accordance with studies, people who have greater digital financial literacy are more likely to handle digital transactions, manage spending habits, and make wise financial decisions. The present research investigates the connection between Kerala consumers' spending habits and digital financial literacy. The primary data used in the study was gathered from 120 respondents using a structured questionnaire. Interpretation is done using statistical tools like regression analysis, correlation analysis, chi-square analysis, mean score analysis, and percentage analysis. The results reveal that consumer spending behaviour is strongly influenced by awareness of digital payment systems, financial literacy, the ease of digital transactions, and the convenience of online shopping. The study comes to the conclusion that enhancing consumers' digital financial literacy can encourage responsible spending and improved financial management.

Keywords: Digital financial literacy, consumer spending behaviour, digital payments, financial literacy, online transactions, consumer behaviour, fintech.

INTRODUCTION

In the emergence of modern payment methods and electronic financial services, digital technology has completely changed the financial industry. The manner in which consumers make financial transactions has been significantly changed by digital payment platforms like digital wallets, UPI, internet banking, and mobile banking. Consumer transaction speed, accessibility, and convenience are all enhanced by digital financial services, according to research(Lusardi & Mitchell, 2014). Due to consumers' increasing dependence on online payment methods for everyday purchases and financial transactions, the increasing popularity of digital finance has also influenced consumer spending patterns. Digital ways to pay influence spending habits by promoting cashless transactions and streamlining the process of making decisions (Klapper et al., n.d.). The term "digital financial literacy" describes people's capacity to comprehend and use digital financial services and products. Financial planning, cybersecurity, digital payment applications, online banking, and responsible money management are all included. People who are financially literate are more likely to make prudent spending decisions and steer clear of excessive spending, (Digital Financial Literacy Refers to the Ability of Individuals to Understand and Effectively Use Digital Financial Products and Services. It Includes Knowledge Regarding Online Banking, Digital Payment Applications, Cybersecurity, Financial Planning, and Responsible Financial Management. Financially Literate

Individuals Are More Likely to Make Informed Financial Decisions and Avoid Unnecessary Expenditure. (OECD, 2020) - Google Search, n.d.). In light of government initiatives supporting digital payments and financial inclusion, digital financial transactions have grown rapidly in India. Consumer adoption of digital payments has increased substantially since the beginning of UPI and the rise of fintech services. According to reports, India is now among the top nations for digital payment transactions, (India Has Experienced Rapid Growth in Digital Financial Transactions Due to Government Initiatives Promoting Digital Payments and Financial Inclusion. The Introduction of UPI and Expansion of Fintech Services Have Significantly Increased Digital Payment Adoption among Consumers. Reports Indicate That India Has Become One of the Leading Countries in Digital Payment Transactions. (Reserve Bank of India, 2024) - Google Search, n.d.). Numerous factors, including income level, lifestyle, digital accessibility, convenience, peer pressure, and financial awareness, have an effect on consumer spending behaviour. Because consumers tend to spend more when electronic payments reduce the psychological burden of payment, studies show that digital payment convenience can increase spending regularity (Soman, 2001). In order to understand how knowledge of finances influence consumer financial decisions and spending patterns, it is essential to research digital financial literacy and consumer spending behaviour.

LITERATURE REVIEW

(Kumar et al., 2026) In contrast to traditional financial inclusion, digital financial inclusion is connected to higher levels of transitory household consumption, based on a study on digital financial inclusion in India. The study also showed that households with lower levels of wealth are particularly influenced by this effect. Due to easier access to digital credit, digital financial inclusion may increase consumption sensitivity, while traditional financial inclusion minimizes borrowing costs and fosters financial stability. In order to stop predatory lending and unfair financial practices in the digital financial ecosystem, the findings highlight the significance of strengthening digital financial literacy and putting regulatory measures in place.

(Andrea Rosa Alen, 2025) A recent study aimed at how household financial behaviour in India was influenced by the adoption of digital payments, especially after demonetizing and the COVID-19 pandemic. The results show that digital payments lower the psychological barrier to spending, which boosts consumption. In addition to the rise in digital transactions, the study also noted a significant increase in consumer credit usage and a fall in household savings. Digital payments could weaken savings discipline and raise the risk of high debt levels, even though they improve financial inclusion, convenience, and economic growth. To ensure long-term financial well-being, the study suggests regulating digital credit services, boosting financial literacy, and introducing features that encourage savings to digital payment systems.

(Kumar et al., 2026)Lusardi and Mitchell observed that financial literacy significantly influences consumer financial decision-making, savings behaviour, and expenditure management. Individuals with higher financial literacy possess greater confidence in managing personal finances and digital transactions. (Lusardi & Mitchell, 2014)

Klapper, Lusardi, and Van Oudheusden found that digital financial awareness improves financial inclusion and enables consumers to adopt safer and more efficient financial practices. The study also identified that digital payment systems significantly influence consumer spending patterns. (Klapper et al., 2015)

Soman analysed the psychological impact of payment methods on spending behaviour and concluded that consumers tend to spend more through cashless payment systems compared to cash transactions because digital payments reduce payment visibility. (Soman, 2001)

Research on digital banking adoption indicates that convenience, transaction speed, and ease of accessibility are important determinants influencing digital financial behaviour among consumers. (Dahlberg et al., 2008)

Studies on fintech adoption reveal that digital financial literacy significantly affects online shopping behaviour, budgeting practices, and responsible financial management. Consumers with limited financial literacy are more vulnerable to impulsive spending and digital fraud. (OECD, 2020)
Research on consumer finance also indicates that educational qualification, income level, and digital accessibility positively influence digital financial literacy and online spending behaviour. (World Bank, 2022)

STATEMENT OF THE PROBLEM

In light of government initiatives encouraging e-money transactions, increased smartphone usage, and technological advancements, digital financial services have grown quickly. For shopping, utility payments, entertainment, and other financial transactions, consumers are becoming more and more reliant on digital payment systems. Many consumers still do not have sufficient digital financial literacy when it comes to budgeting, online security, financial planning, and responsible spending practices, despite the fact that digital payment systems increase convenience and accessibility.
Because digital transactions make money less obvious, consumers with little financial literacy may spend impulsively. Easy access to digital credit systems, Buy Now Pay Later services, and online shopping platforms can additionally encourage consumers' excessive spending.
Thus, the current study aims to find out the connection between Kerala-based consumers' spending habits and their level of digital financial literacy.

OBJECTIVES OF THE STUDY

1. To assess consumers' level of digital financial literacy.
2. To examine the factors affecting the way consumers use digital payment systems to make purchases.
3. To investigate the relationship between consumer spending patterns and digital financial literacy.
4. To provide recommendations for enhancing responsible spending practices and digital financial literacy.

RESEARCH METHODOLOGY

The current study uses an analytical and descriptive research design to investigate the relationship between consumer spending habits and digital financial literacy. While the analytical approach is helpful in determining the influence of digital financial literacy on spending habits, the descriptive approach is used to analyse the current level of digital financial literacy among consumers.
The study made use of both primary and secondary data sources. A structured questionnaire intended to collect data on digital financial literacy, digital payment system usage, and spending habits was used to collect primary data directly from consumers. Secondary data related to digital finance, financial literacy, and consumer behaviour were gathered from published research articles, scholarly publications, books, government reports, and other relevant materials.
The study was carried out in Kerala, where the use of digital financial services has increased significantly in recent years. 120 responders in all were chosen for the study. Convenience sampling was used to select the respondents because it is a suitable method for reaching customers who actively use digital financial services and payment platforms.
The structured questionnaire encompassed questions about spending habits, financial knowledge, awareness and use of digital financial services, and demographic information. In order to arrive at significant conclusions, the gathered data was methodically classified, tallied, and examined.
Data analysis was done using a variety of statistical tools. The respondents' demographic profile and degree of digital financial literacy were studied using percentage analysis. The relative importance of the factors influencing spending behaviour was determined using mean score analysis. The relationship between the selected variables was investigated using the Chi-square test. The extent of correlation between consumer spending behaviour and digital financial literacy was assessed using correlation

analysis. To ascertain how much digital financial literacy affects consumer spending behaviour, regression analysis was employed.

The results gathered from these analytical methods advance knowledge of consumer financial behaviour in the digital economy and provide insight on how digital financial literacy shapes consumer spending decisions.

ANALYSIS AND INTERPRETATION

TABLE 1- AGE-WISE CLASSIFICATION OF RESPONDENTS

Age Group	Number	Percentage
Below 25	27	22.5
25–35	48	40
35–45	29	24.2
Above 45	16	13.3
Total	120	100

Many of responders are between the age range of 25 and 35, which implies that younger consumers use digital financial services more often.

TABLE 2- AWARENESS REGARDING DIGITAL FINANCIAL SERVICES

Awareness Level	Number	Percentage
Highly Aware	32	26.7
Moderately Aware	55	45.8
Slightly Aware	22	18.3
Not Aware	11	9.2
Total	120	100

Most of respondents have a moderate level of knowledge regarding online payment systems and digital financial services.

TABLE 3: MEAN SCORE ANALYSIS

Factors	Mean Score
Convenience of Digital Payments	4.32
Online Shopping Frequency	4.05
Financial Awareness	3.88
Budgeting Ability	3.71
Awareness of Cybersecurity	3.52
Impulsive Spending Behaviour	3.94

While consumers place a high value on digital payment systems' accessibility and convenience, they are still relatively unaware of cybersecurity and financial planning.

CHI-SQUARE ANALYSIS

Relationship between digital financial literacy and spending behaviour

Variables	Chi-square Value	p-value	Result
Digital Financial Literacy & Spending Behaviour	11.84	0.003	Significant

Digital financial literacy and consumer spending behaviour are significantly correlated, evidenced by the p-value of less than 0.05.

CORRELATION ANALYSIS

Variables	Correlation Coefficient
Digital Financial Literacy & Spending Behaviour	0.694

Digital financial literacy and responsible spending habits have a strong positive relationship.

REGRESSION ANALYSIS

Variables	Beta Value	Significance
Financial Awareness	0.548	0.001
Digital Payment Convenience	0.431	0.004
Income Level	0.326	0.011
Online Shopping Accessibility	0.284	0.019

The most significant factor influencing consumer spending habits is financial awareness, and this is followed by digital payment system convenience.

MAJOR FINDINGS

According to the study, most of the participants have a moderate level of digital financial literacy when it comes to digital payment systems and corresponding financial services. The results reveal that consumer spending behaviour is strongly influenced by the convenience offered through digital payment platforms. Compared to consumers with lower levels of financial literacy, those with higher levels of digital financial literacy typically exhibit more effective budgeting techniques and more responsible spending habits. The analysis also reveals that younger consumers are more likely to use digital payment technologies in their everyday transactions and are more active users of digital financial services.

According to the study, people who are more digitally literate are also better at managing their spending habits and making sound financial decisions. Additionally, consumers are spending more frequently due to the convenience of online shopping and the availability of digital payment methods. The need for improved financial education and digital security awareness initiatives is highlighted by the fact that, despite the increasing use of digital financial services, users' lack of knowledge about cybersecurity and online financial risks continues to be a major concern.

SUGGESTIONS

1. To encourage responsible digital spending, financial literacy awareness programs have to be boosted.
2. Academic curricula at educational institutions ought to include digital financial literacy.
3. Fintech firms and banks ought to implement awareness campaigns about safe online transactions and cybersecurity.
4. The adoption of spending and budgeting monitoring techniques should be promoted to consumers.
5. Through awareness campaigns, government organizations should encourage responsible digital financial behaviour and financial inclusion.

6. Financial management tools should be included in digital payment applications so that users can keep an eye on their spending habits.

CONCLUSION

In light of the growing influence of digital payment methods on consumer financial behaviour and spending patterns, digital financial literacy has become a crucial part of contemporary financial management. According to the study, consumers' spending habits in Kerala are greatly influenced by awareness of digital financial services, financial knowledge, the ease of digital payments, and online accessibility.

The results indicate that consumers who are more digitally literate are better at creating financial plans and engaging in responsible spending. However, consumers with little financial awareness may be encouraged to make impulsive purchases due to the ease of access to digital shopping platforms and online payment methods.

To ensure sustainable and proficient consumer financial practices, policymakers, educational institutions, financial institutions, and fintech companies should concentrate on enhancing digital financial literacy and encouraging ethical financial behaviour.

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