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FINANCIAL LITERACY AND DIGITAL PAYMENT ADOPTION AMONG YOUNG ADULTS: AN EMPIRICAL STUDY

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Abstract

The rapid expansion of digital financial services has transformed financial transactions worldwide. Financial literacy has become a significant factor influencing the adoption and effective use of digital payment systems. This study investigates the relationship between financial literacy and digital payment adoption among young adults. A structured questionnaire was administered to 250 respondents aged between 18 and 35 years. Descriptive statistics, correlation analysis, and multiple regression were employed to analyze the collected data. The findings reveal that financial knowledge, digital awareness, and perceived security significantly influence the adoption of digital payment platforms. The study suggests that educational institutions and financial organizations should conduct financial literacy programs to encourage responsible digital financial behavior.

Keywords: Financial Literacy, Digital Payments, Digital Banking, Young Adults, Financial Inclusion, FinTech.

1. Introduction

The financial sector has undergone remarkable transformation due to technological innovations. Digital payment systems such as UPI, mobile banking, internet banking, digital wallets, and QR-code payments have significantly changed consumer behavior. Governments

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and financial institutions are promoting cashless transactions to improve transparency and financial inclusion.

Despite the availability of advanced payment technologies, their effective usage depends largely on individuals' financial literacy. Financial literacy enables users to understand financial products, evaluate risks, and make informed financial decisions. Young adults represent the largest group of digital payment users, making them an important segment for studying financial behavior.

This research examines how financial literacy influences digital payment adoption among young adults.

2. Statement of the Problem

Although digital payment infrastructure has expanded rapidly, many users still face challenges in understanding digital financial services. Limited financial knowledge often results in poor financial decisions, security concerns, and underutilization of digital payment platforms. Therefore, identifying the impact of financial literacy on digital payment adoption is essential.

3. Objectives of the Study

The study aims to:

1. Measure the level of financial literacy among young adults.
2. Examine the adoption level of digital payment systems.
3. Analyze the relationship between financial literacy and digital payment adoption.
4. Identify factors influencing digital payment usage.

4. Research Questions

1. Does financial literacy influence digital payment adoption?
2. What are the major factors affecting digital payment usage?
3. Does perceived security influence digital payment behavior?

5. Hypotheses

H_{01}: Financial literacy has no significant impact on digital payment adoption.

H_{11}: Financial literacy has a significant impact on digital payment adoption.

6. Literature Review

Long, Morgan, & Yoshino examined the relationship between financial literacy, behavioral traits, and electronic payment adoption in Japan. The study found that individuals with higher

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financial literacy were more likely to adopt and regularly use electronic payment systems. The authors also highlighted that financial confidence and digital skills positively influence consumers' willingness to embrace cashless payment technologies.

Dev, Gupta, Dharmavaram, & Kumar investigated the impact of India's Unified Payments Interface (UPI) on consumer spending behavior. Their findings indicated that nearly three-quarters of respondents perceived an increase in spending after adopting UPI due to the convenience and frictionless nature of digital transactions. The study emphasized the need for financial awareness alongside digital payment adoption to promote responsible financial behavior.

Jain & Jain conducted a systematic literature review on digital payment adoption using the Antecedents–Decisions–Outcomes (ADO) framework. Their review identified trust, security, perceived usefulness, ease of use, and financial literacy as the most influential factors driving digital payment adoption. The authors also recommended further empirical studies focusing on different demographic groups and emerging digital payment ecosystems.

Sharma, Gola, Ujjawal, & Bagar explored how financial literacy affects digital payment adoption among small-scale merchants in India. Their empirical findings showed that financial knowledge significantly improves merchants' confidence in adopting digital payment technologies, while awareness of cybersecurity and digital financial services enhances long-term usage and business performance.

Singh and Sharma presented a systematic review examining the relationship between mobile payments, digital financial literacy, and financial well-being. The review concluded that digital financial literacy strengthens consumers' ability to use digital payment platforms safely, improves financial inclusion, and contributes positively to financial well-being. The authors also emphasized the importance of educational interventions and policy support for sustainable digital finance adoption.

7. Research Gap

Although recent studies have established that financial literacy positively influences digital payment adoption, most research has focused on specific groups such as merchants or consumers in individual countries. Limited empirical evidence exists on the influence of financial literacy among **young adults**, particularly in the Indian higher education context. Moreover, comparatively few studies have simultaneously examined financial knowledge,

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digital awareness, perceived security, and digital payment adoption within a unified analytical framework. This study seeks to address these gaps by investigating the determinants of digital payment adoption among young adults using recent empirical evidence and contemporary financial technology trends.

8. Research Methodology

Particular	**Description**
Research Design	Descriptive Research
Population	Young adults aged 18–35
Sample Size	250
Sampling Method	Convenience Sampling
Data Collection	Structured Questionnaire
Data Type	Primary & Secondary
Statistical Tools	Percentage Analysis, Correlation, Regression

9. Conceptual Framework

Financial Literacy

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Knowledge – Skills – Awareness - Confidence

⇩

Digital Payment Adoption

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10. Data Analysis

Demographic Profile

Variable	**Percentage**
Male	54%
Female	46%
Age 18-25	42%
Age 26-35	58%
Graduates	61%
Postgraduates	39%

Digital Payment Usage

Platform	**Users (%)**
UPI	88
Mobile Banking	76
Debit Card	69
Credit Card	43
Digital Wallet	58

Correlation Analysis

Variables	**Correlation (r)**
Financial Literacy vs Digital Payment Adoption	**0.71**

The correlation coefficient indicates a strong positive relationship.

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Regression Analysis

Variable	Beta	p-value
Financial Knowledge	0.39	<0.001
Digital Awareness	0.31	0.002
Perceived Security	0.28	0.005

$R^2 = 0.62$

The model explains 62% of the variation in digital payment adoption.

11. Findings

- Most respondents actively use UPI services.
- Financial literacy positively influences digital payment adoption.
- Perceived security significantly affects users' confidence.
- Financial knowledge improves responsible financial behavior.
- Young adults with higher financial literacy are more likely to adopt multiple digital payment platforms.

12. Suggestions

- Educational institutions should integrate financial literacy into academic curricula.
- Banks should conduct awareness programs on digital financial security.
- Government agencies should promote digital financial education in rural and semi-urban regions.
- FinTech companies should simplify digital payment interfaces for first-time users.

13. Conclusion

Financial literacy plays a critical role in promoting digital payment adoption among young adults. Individuals with higher financial knowledge are more confident in using digital financial services and demonstrate better financial decision-making. As digital finance continues to evolve, improving financial literacy through education and awareness initiatives will support greater financial inclusion and strengthen the digital economy.

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