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THE ROLE OF DIGITAL LENDING PLATFORMS IN INFLUENCING SPENDING PATTERNS AMONG UNDERGRADUATE STUDENTS

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ABSTRACT

This research dives into how digital lending platforms change spending habits among college students in cities like Bangalore. We're investigating how easy access to cash through digital loans affects how these young urban students spend and manage money. The rapid emergence of these platforms (mPokket, KreditBee, Slice, CASHe, and Fibe) is a matter of concern among young people, given that everyone is now familiar with them. Young people are much more likely to spend impulsively now that they can get quick loans using just their smartphones, and these easy loans are ramping up stress, so people have to worry about their money in the long run. Data were collected using a structured questionnaire administered to 122 participants. We're getting into the details of how people use financial products and services, and looking closely at literacy and reasoning about money, and how that changes behaviors around spending, and also the link to discipline when it comes to paying back. Findings suggest that while digital lending platforms provide critical financial support for educational and emergency needs, they also predispose students to impulsive spending if used without proper financial guidance. The paper closes with suggestions on how to incorporate financial literacy into the school syllabi, as well as recommending that digital lending services implement borrower-centric counseling features that cultivate responsible borrowing behavior.

KEYWORDS: *Digital Lending Platforms, Digital Loans, Young Urban Students, Impulsive Spending, Financial Guidance, Financial Literacy.*

1. INTRODUCTION

Advances in technology within practically every sector of the economy, including digital lending services, have completely changed how undergraduate students address their short-term financing issues. The growth of digital lending services has provided a new workaround to banking systems, which gives students easy and instant access to small, unsecured loans. These systems, however, pose new spending patterns and financial strain risks among inexperienced young borrowers.

1.1 Background

Before the digital era, personal loans, together with credit facilities, served through formal banking channels demanded strict documentation and collateral requirements. Undergraduate students have adopted digital lending platforms as their preferred method because smartphones have become widely used, while financial technologies have quickly advanced. People in Bangalore's urban areas can quickly obtain digital loans from these platforms to pay for educational costs and solve urgent situations, as well as buy things for their lifestyle. The straightforward nature of obtaining credit provides quick service while saving time, but exposes users, primarily students, to financial mismanagement and spur-of-the-moment purchases since they lack budgetary abilities.

1.2 Historical Development

Before 2010, banks demanded physical customer attendance during lending processes, which took an extended period to complete. Students could not access formal credit because they lack a credit history, combined with bank requirements for collateral. During 2010–2015, fintech solutions entered the market, which caused a fundamental shift. Online loan applications, together with mobile banking services, started providing unsecured short-term loans while their use remained restricted through technological and regulatory barriers. The rise of smartphone adoption, together with the development of digital technology, enabled mPokket, KreditBee, and Slice to become popular platforms during 2016–2020. The platforms used enhanced algorithms with swift verification processes, which resulted in increased popularity with college students. Digital lending platforms have introduced advanced features during 2021 and beyond through better data analytics and customer-friendly interfaces, which include repayment alerts and credit monitoring, and budgeting advice. Digital loans now better assist users to handle daily costs, but their widespread success has simultaneously exposed financially inexperienced customers to unplanned spending behavior.

1.3 Definition and Key Terms

- **Digital Lending Platforms:** Mobile web-based applications provide users with short-term collateral-free credit through digital lending platforms.
- **Spending Patterns:** A person's behavior regarding their spending frequency and methods, along with their expenditure planning.
- **Financial Literacy:** Financial Literacy represents the ability to apply knowledge of financial skills for budgeting, as well as investing and credit management.
- **Undergraduate Students:** Bachelor's degree students comprise this group because they maintain a small independent income while starting to take on financial duties.

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- **Impulsive Spending:** People who make spontaneous, unpremeditated purchases without thinking about their future financial responsibilities demonstrate impulsive spending behavior.

1.4 Research Gap

Widespread academic interest exists in digital lending platforms, whereas their effects on undergraduate student spending patterns remain poorly studied. Research dedicated to studying how digital lending platforms modify the daily financial choices of young students remains insufficient primarily because existing studies analyze algorithms, risk management, and technology usage. Research investigating how undergraduate students modify their budgeting practices and savings habits along with their financial discipline because of easy digital loan access remains scarce. Modern research shows digital lending might trigger spontaneous spending, yet empirical studies about this phenomenon are scarce, especially regarding financial education's effect on this trend. Undergraduates face a specific financial risk profile because they have easy access to credit combined with an inadequate formal financial education system. This empirical research presents detailed evidence about digital loans affecting spending behavior, along with proving the essential requirement of financial education integration.

1.5 Research Objectives

- To assess the frequency and reasons for students' use of digital lending platforms.
- To examine the impact of digital credit on students' spending patterns, including budgeting habits and impulsive spending.
- To investigate how financial literacy influences responsible borrowing and repayment behavior.
- To identify financial stress and repayment challenges faced by students using these platforms.
- To provide recommendations for improving financial awareness and promoting responsible credit usage among students.

2. MATERIALS AND METHODS

2.1 Step-by-Step Procedure

i. **Questionnaire Development:** Experts and research studies guided the development of a structured questionnaire. The survey instrument comprised sections for consent authorization, together with demographic details and assessments about digital lending platform familiarity, coupled with credit conduct and financial literacy, and stress-related views.

ii. **Sampling and Data Collection:** The researchers used purposive sampling to select undergraduate students from Bangalore. The survey distribution happened through an online platform that provided voluntary anonymous participation for survey takers. The research gathered 122 valid responses during two weeks of data collection.

iii. **Data Cleaning and Preprocessing:** The researchers checked all responses for both full completion and logical consistency. All data entries that were incomplete or inconsistent were removed to maintain the reliability of the collected dataset.

iv. **Quantitative Analysis:** Create Statistical Analysis by Using Descriptive Statistics Tables and Correlation Analysis through Statistical Software to Investigate Usage Patterns and Finance Literacy Connections with Borrowing Activities.

v. **Qualitative Analysis:** Survey data allowed thematic code analysis to deliver meaningful perceptions of students regarding their interactions with digital lending services.

vi. **Interpretation and Synthesis:** Analysis of both quantitative and qualitative results led to the establishment of a comprehensive view of how digital lending affects undergraduate student spending habits.

2.2 Resources

- **Primary Data:** The study collected data from 122 undergraduate students in Bangalore using primary survey responses as its main resource.
- **Digital Tools:** The research utilized digital technologies, including survey platforms on Google Forms, together with statistical software, including SPSS and Excel, for their data collection and analysis aspects.
- **Academic and Industry Literature:** The research instrument obtained guidance from existing studies about digital finance, along with consumer behavior and financial literacy from academic and industry literature.
- **Expert Consultations:** Educational experts provided guidance to improve both the research boundaries and survey questionnaire design through their consultations.

3. RESEARCH METHODOLOGY

This study employed a cross-sectional survey design to examine how digital lending platforms influence undergraduate students' spending patterns and the moderating role of financial literacy.

3.1 Survey Instrument

A structured questionnaire was developed in Google Forms, comprising five sections:

1. Demographics (age group, gender, course, year of study, monthly allowance)
2. Awareness & Usage (platform awareness, platforms used, frequency, reasons for borrowing)
3. Credit Behavior (comfort with loan amounts, repayment habits, expense-tracking practices)
4. Perceptions & Literacy (self-rated financial literacy, perceived helpfulness/risks of platforms, stress levels)
5. Open Feedback (experiences, challenges, suggestions)

Closed-ended items used multiple-choice or Likert-type scales; open-ended questions captured qualitative insights.

3.2 Sampling and Data Collection

Purposive sampling targeted undergraduates via WhatsApp student groups. The survey link was disseminated across collegiate networks, and participation was voluntary and anonymous; informed consent was obtained on the first screen. Data collection spanned two weeks, yielding 122 valid responses.

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3.3 Data Preparation
Responses were exported from Google Forms into a spreadsheet. Data cleaning involved:

- Verifying completeness and logical consistency (all 122 responses were retained).
- Recording categorical variables (e.g., frequency of use, spending-habit change) for analysis.
- Computing composite scores for financial literacy (mean of self-rating items) and stress (mean of stress-rating items).

3.4 Quantitative Analysis
Analyses were performed using general statistical tools and include:

- **Descriptive Statistics:** Calculating frequencies, percentages, means, and standard deviations for demographic and key survey variables.
- **Correlation Analysis:** Assessing the relationship between the frequency of digital lending use and self-reported changes in spending behavior (Pearson's correlation).
- **Chi-Square Tests of Independence:** Examining associations between categorical variables such as financial literacy level (low/medium/high) and repayment behavior.
- **Cross-Tabulations:** Comparing user segments (frequent vs. occasional vs. rare users) on outcomes like spending-habit change, stress levels, and borrowing purposes.

3.5 Qualitative Analysis
Open-ended responses were reviewed manually. A thematic coding approach identified recurring themes—such as "convenience," "repayment anxiety," and "need for financial guidance"—which were then summarized and used to enrich the quantitative findings.

4. RESULTS
4.1 Sample Profile
Among the 122 respondents (majority B.Com undergraduates), 65% were male. Age distribution was: below 18 (4%), 18–20 (60%), 21–23 (34%), and above 23 (2%). Most students (≈70%) reported a monthly allowance between ₹1,000–₹3,000.

4.2 Awareness and Usage Patterns
- **Platform Awareness & Use:** All respondents were aware of digital lending platforms; 93% had used them.
- **Usage Frequency:**
  - Occasional (once every 3–6 months): 55%
  - Frequent (monthly or more): 27%
  - Rare (once a year or less): 11%
  - Not Applicable (never): 7%
- **Purposes of Borrowing:**
  - Educational expenses (30%)
  - Lifestyle spending (23%)
  - Personal/emergency needs (13%)
  - Shopping (8%)
  - Others (e.g., medical, travel, books) collectively <10%

4.3 Descriptive Statistics on Key Constructs

Construct	Mean	SD
Financial Literacy (1–5)	3.45	0.85
Stress Level (1–5)	3.20	1.10
Comfort with Loans (1–5)	3.70	0.90
Perceived Helpfulness (1–5)	4.10	0.75
Perceived Risk (1–5)	3.00	0.95

The average financial literacy level is moderate (M = 3.45, SD = 0.85). Students report a moderate stress level regarding digital lending (M = 3.20, SD = 1.10) and are fairly comfortable with taking loans (M = 3.70, SD = 0.90). Digital lending platforms are seen as very helpful (M = 4.10, SD = 0.75), though the risk associated with these platforms is viewed neutrally (M = 3.00, SD = 0.95).

4.4 Relationship Between Usage Frequency and Impulsive Spending
A Pearson correlation between numeric usage frequency (Rare = 1, Occasional = 2, Frequent=3) and a binary impulsive-spending indicator (1 if "I spend more impulsively") yielded $r = -0.20$, $p = 0.025$. Contrary to expectations, a higher reported frequency was modestly associated with *less* impulsive spending.

4.5 Financial Literacy and Repayment Behavior
Respondents (n=78 borrowers with valid repayment data) were grouped by financial literacy: Low (≤2.5), Medium (2.6–3.5), and High (≥3.6). On-time repayment ("Always" or "Often") by group:

Literacy Group	On-Time (%)	Late/Not at All (%)
Low	0%	100% (6/6)
Medium	44% (30/68)	56% (38/68)
High	89% (34/38)	11% (4/38)

Chi-square test: $\chi^2(2)=28.93$, $p<0.001$, indicating a significant association between higher financial literacy and on-time repayment.

4.6 Cross-Tabulations by User Segment

Segment	Impulsive Spending (%)	High Stress (Level≥4) (%)
Frequent	0% (0/33)	0% (0/33)
Occasional	51% (34/67)	30% (20/67)
Rare	68% (15/22)	68% (15/22)

Rare users reported the highest impulsive spending and stress, while frequent users reported none.

4.7 Thematic Insights from Open-Ended Feedback
Manual coding (n=122) identified:

- **Convenience (42%):** "Instant funds for exam fees are a lifesaver."
- **Repayment Anxiety (28%):** "Auto-debit sometimes catches me off guard."
- **Desire for Guidance (19%):** "Wish the app had budgeting tips."

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5. DISCUSSION

The present study set out to examine how digital lending platforms influence undergraduate spending behaviors and the moderating role of financial literacy. Drawing on 122 responses, several key patterns emerged that both confirm and complicate prevailing assumptions.

5.1 Usage Patterns and Spending Behavior

Contrary to the expectation that greater access to digital credit fuels impulsive spending, our Pearson correlation revealed a modest *negative* association ($r = –0.20$, $p = 0.025$) between the frequency of platform use and impulsive spending. Cross-tabulations further show that "rare" users reported the highest rates of impulsive purchases (68%), whereas "frequent" users reported none.

- **Interpretation:** Frequent users appear to deploy these platforms primarily for planned, academic purposes—most cited "educational expenses" in their open-ended feedback ("Instant funds for exam fees are a lifesaver"). This suggests that regular borrowers have developed structured borrowing routines aligned with academic cycles (e.g., tuition and exam fees), thereby reducing ad-hoc, impulsive use.
- **Implication:** Lenders and campus financial-aid offices could reinforce this positive behavior by offering tailored educational-expense credit products with built-in repayment schedules.

5.2 Financial Literacy as a Crucial Moderator

The strong, statistically significant association between financial literacy and on-time repayment ($\chi^2=28.93$, $p<0.001$) underscores literacy's buffering effect. High-literacy students repaid punctually in 89% of cases, compared to 0% among low-literacy peers.

- **Interpretation:** Financially savvy students likely anticipate repayment obligations, budget accordingly, and leverage in-app features (e.g., reminders) more effectively. Low-literacy students, lacking these skills, face consistent late repayments and heightened anxiety.
- **Implication:** Embedding interactive financial-literacy modules, such as short budgeting tutorials or gamified credit-management quizzes- directly into lending apps could bridge this gap and improve repayment outcomes.

5.3 Stress and Psychological Impact

High stress (Level ≥4) was reported most often by rare users (68%), who also exhibited the highest impulsivity. This co-occurrence suggests that infrequent borrowers—who may lack both planning routines and familiarity with platform tools—experience greater repayment anxiety.

- **Interpretation:** Irregular borrowers likely treat digital credit as an emergency fallback, using it without a clear repayment plan and thus encountering unanticipated auto-debits or penalties.
- **Implication:** Platforms should consider optional "loan rehearsal" features—simulated repayment schedules before actual disbursement—to help new or infrequent users gauge their cash-flow capacity.

5.4 Qualitative Themes: Convenience vs. Guidance

While 42% praised the convenience of instant loans, 28% expressed concerns about repayment, and 19% requested more in-app guidance. These qualitative insights align with the quantitative findings: convenience is a double-edged sword without accompanying educational support.

- **Interpretation:** Students value immediacy but are acutely aware of the stress that follows. Their calls for budgeting tips and alerts indicate readiness to engage with financial-literacy content if conveniently packaged.
- **Implication:** Fintech firms should prioritize integrated, just-in-time financial education—such as pop-up tips, interactive FAQs, or short videos—triggered at critical junctures (e.g., just before disbursement or one week before the due date).

5.5 Limitations and Future Directions

- **Sampling Bias:** Purposive sampling via WhatsApp groups may overrepresent digitally engaged students. Future studies could employ stratified sampling across multiple institutions.
- **Self-Report Measures:** Reliance on self-reported spending and stress may introduce social-desirability bias; supplementing surveys with actual transaction data would strengthen validity.
- **Cross-sectional design:** The one-time survey limits causal inference. A longitudinal design could track how borrowing habits and literacy evolve over a semester.

6. RECOMMENDATIONS

Based on the findings, the following recommendations are proposed:

1. **Financial Literacy Workshops:** Educational institutions should implement basic financial education programs focusing on budgeting, credit management, and responsible borrowing.
2. **In-App Guidance Tools:** Digital lending platforms should integrate budgeting tips, repayment reminders, and educational content to support informed decision-making.
3. **Pre-Borrowing Simulations:** Platforms could offer users a simple repayment preview to help them assess loan affordability before borrowing.
4. **Awareness Campaigns:** Colleges and fintech companies can collaborate to raise awareness of both the benefits and risks of digital credit, especially targeting first-time users.
5. **Encouraging Planned Use:** Students should be encouraged to use loans for essential and academic purposes rather than non-essential lifestyle spending.

CONCLUSION

This study explored the role of digital lending platforms in influencing the spending behavior of undergraduate students in Bangalore, with particular emphasis on the moderating effect of financial literacy. Drawing from a sample of 122 students, the research revealed that while digital credit access is widespread and perceived as highly convenient—especially for addressing

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educational and emergency expenses—it also introduces potential risks, particularly for those lacking financial planning skills.

The findings challenge the simplistic notion that frequent use of digital lending platforms directly results in impulsive spending. Instead, regular users were more likely to borrow for structured, academic purposes and exhibited greater financial discipline. In contrast, occasional and rare users—often engaging with platforms in unplanned, ad-hoc situations—were more susceptible to impulsive behavior and higher stress levels.

One of the most significant insights from the study is the critical role of financial literacy in shaping responsible borrowing. Students with higher financial awareness not only repaid on time more consistently but also reported lower stress levels. This underscores the need to integrate financial education into both academic curricula and fintech platforms themselves.

The research highlights the importance of developing borrower-centric solutions that combine ease of access with built-in educational tools and safeguards. These could include repayment simulations, budgeting prompts, and personalized financial advice embedded directly within lending apps.

In conclusion, while digital lending platforms offer valuable short-term financial solutions for students, their long-term benefit depends heavily on the user's financial literacy and borrowing behavior. Empowering students with financial knowledge, along with designing smarter lending interfaces, is essential to ensure these platforms serve as tools for growth rather than sources of future financial strain.

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