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Financial Literacy And Digital Payments: A Study On Millennials

(Special reference to Meerut region of Uttar Pradesh)

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Abstract

India's digital payments are rapidly growing by UPI Aadhaar enabled payments systems and more ways in financial transaction's literacy may constrain safe, sustained use among millennials (born in between 1981-1996). We are using most of primary data and also recent secondary data in this paper such as using habits of digital payment uptake and synthesizes evidence on financial literacy levels and proposes and tests a theory driven framework using to literacy to adoption and quality of use for the security practices, budgeting techniques. We also collect Global Findex indicators, RBI Digital Payments Index (RBI-DPI), NPCI UPI statistics, OECD/INFE literacy to measures Indian literacy surveys. We find strong usages of UPI more than 19.4 billion transactions in July 2025 which shows modest average literacy about 27% adults financially literate, we are also suggesting a usage understanding in millennials and gap between those who are not using the digital payments. We propose hypotheses and outline a survey design to estimate effects of knowledge, digital financial literacy and trust on intention and behaviours, with implications for product design and policy.

Keywords: digital payments, UPI, millennials, financial literacy, digital financial literacy,

Introduction

The financial literacy score among millennials in the selected Meerut region of Uttar Pradesh is relatively less, which suggestively effects their adoption of digital payment mechanism. This study signifies that though millennials are gradually using digital payment systems, their financial literacy, knowledge inclusion, behaviour & attitudes towards financial tools still insufficient. This gap in literacy affects their confidence and willingness to engage with digital payment technologies. Over the last decade, India's retail payments have been transformed by the India Stack and UPI enabled payment aps like Paytm, Phone pay, Google Pay, and many more have become a back bone of payment for millennials in entire country but also, we are studying the specific region of Uttar Pradesh named Meerut region of NCR. NPCI data show UPI 19.47 billion transactions of amout ₹25.08 trillion in July 2025, the main examples for the same are deep mainstreaming of account payments by UPI. As per report published by RBI in Q1 2025, stood up with digital payment index witnessing huge growth in field of infrastructure, usage and innovation basis. literacy surveys indicate only about 27% of Indian adults meet basic financial knowledge thresholds. This divergence motivates an inquiry into how millennials' financial literacy and digital financial literacy shape not just adoption but prudent, resilient usage.

According to **Global Findex (2021**) shows that 35% of Indian adults from 45% of account holders made or received a digital payment today's UPI volume, it shows a rapid post-pandemic growth and headroom for use and improvements.

Literature Review

Financial literacy has been an essential skill in the contemporary financial ecosystem, primarily amongst millennials who are the most engaged of digital financial service users.

(Lusardi et al 2020) this study made an attempt to study financial program based on literacy that enhances the usage of user to frame plan for saving as well as investing in lucrative avenue which offers supporting to the digital payment mechanism. Financial behaviour in India has altered with the need of digital payment mechanism such as BHIM UPI, phonepay, Paytm and digital wallets for performing transaction.

(Aker and Mbiti 2020) study explore the accessibility that improved by the readiness of digital financial service through smartphone in respect to developing nations with a certain cost while it focuses on the user to deal with upgraded level of service based on their financial awareness. it can be managed through various policies and strategies.

(The World Bank 2021) According to the report digital payments have increasingly become a significant driver of financial inclusion particularly among the young and tech-intensive populations. But awareness and literacy is the key to the safe and responsible usage of these technologies.

(Themba, 2022) The Millennial cohort has a critical effect on the adoption of digital payment into the e-commerce sector due to their convenience, speed, and efficiency of operations inclinations. Their views stand out prominently in the transformation of traditional payment systems to online alternatives at the retail sector.

(Mohta & Shunmugasundaram 2022) state, financial literacy among Indian millennials is mediocre with major areas of knowledge gaps among individuals on the fundamental works of a financial system like inflation of interest and diversification of investments to make choices. Such financial ignorance causes people to make poor financial decisions and over depend on technology without a proper understanding of the risk involved.

Nurkholik, A. (2023) this study is not only explores the occurrence of digital financial literacy among the millennials generation in Indonesia nevertheless also the rising the importance of fintech in impacting their financial behaviours. The importance of fintech in effecting the financial responses of millennials in Indonesia is largely ascertained by the digital payment

(Reserve Bank of India 2023) As it is reflected in in smaller cities, UPI transactions are growing exponentially, whereas, financially educational efforts are still being concentrated in metropolitan areas. This digital divide highlights the value of the regional studies which can analyze the interaction between literacy, awareness and usage behavior.

(Sundararaj and Meera, 2024) The preference shown by the Millennials towards intuitive user interfaces and a faster transaction process is vital to them accepting digital payment systems. This younger generation has a vital role to play in the digital payment adoption acceleration as they are associated with the level of technological progress, their tendency to convenience, and their openness to new and innovative solutions. Their consumer behaviour has far reaching impact on the shift to the cashless economy and transforms the consumer expectation with regard to the ways to pay.

(Wati et al., 2024) The generation of Millennials can be put at the core of the digital payment adoption acceleration process, with a significant impact on platforms like DANA. The trends motivated by the fear of missing out (FOMO) that drive their satisfaction with electronic wallets are directly related to brand loyalty, thus highlighting their high importance to the sustainability and overall success of digital payment ecosystems.

(Harshal Dev et al.2024) The fact that more than 70 per cent of people who started using UPI said they spent more money after switching to digital payment-related transactions indicated a shift towards more digital spending, since the transaction was no longer physical. Also, studies concerning the behavioral characteristic of millennials reveal that financial prudence is not always more important than digital convenience.

(Sadiya and Sowmya 2025) It was also discovered by the authors that although both Gen Z and millennials are heavy users of UPI, millennials are more prone to using more advanced payment features such as recurring payments and show moderately high levels of concern when it comes to data privacy and fraud.

In general, the recent literature published between 2020 and 2025 shows that the digital payment adoption among millennials follows the same trend: although they are much more technologically advanced, their level of financial literacy tends to fall short in comparison to their technological skills. The digital-financial literacy disparity helps to generate impulsive purchases and susceptibility to fraud and inefficient financial planning. Thus, increasing financial literacy is not just an educational requirement, but a policy need to make sure that digital payments serve to sustain financial inclusion instead of financial vulnerability.

Need of the Study

In today digitalised era, digital payment has seen various changes in Indian financial system that focuses mainly on the demonetising effect I 2016 and accelerated the growth of unified payment interface transaction. Digital payments have been welcomed with enthusiasm by Millennials who are the most technologically active generation. Nevertheless, studies show that they tend to be less financially literate than technologically literate, which means that they may face threats of fraud, impulsive purchases, and lack of financial planning (Mohta and Shunmugasundaram, 2022; Dev et al., 2024). The Meerut area, which is an emerging city in Uttar Pradesh, is a very interesting environment where digital financial inclusion is being enhanced with the lack of literacy and awareness. Consequently, the urgent issue is to determine the level of awareness of millennials in Meerut about digital payments, and the effect of financial literacy on

their behaviour, their level of awareness of security, and decision-making. This research demonstrates bridge and gap through offering localized experiences, which can inform policy makers, educators, and financial institutions to formulate specific literacy programs.

Objectives and Hypothesis of the research.

To study the association between financial literacy and digital payment behaviour

To extract the actual difficulties and problems of millennials with the implementation and successful use of digital payment systems.

Research Hypothesis

H 1: Financial literacy and the behavior of digital payment among millennials do not share any significant relationships as far as trust, risk perception, and frequency of use are concerned.

H 0: Millennials do not have any major challenges or obstacles in adopting and using the digital payment systems efficiently.

Methodology

The research design considered in this study are analytical as well as descriptive research design to examine the present status of the literacy level in finance & the rate of utilisation of digital payment solutions performed by the millennials with special reference to Meerut region of Uttar Pradesh. It also aims at examining the relationship in the financial literacy and digital payment behaviour. The target population is millennials (between the ages of 25 to 40 years) living in Meerut who were sampled using a stratified random sample in order to include students, working population, and entrepreneurs. The sample was taken from 150 respondents

of various communities, and primary data was gathered through questionnaire which were administered in both physical & digital & included demographic details, financial literacy variables, outline of utilizing digital payments & risk perception. The sources of secondary data were trustworthy academic journals, government reports, and institutional publications, including the World Bank and RBI, that have been published in the past two and a half years (2020-2025). Data that we gathered as per descriptive statistics such as mean, percentage and frequency & the inferential statistics such as correlation as well as regression analysis to find out the interrelationship between financial literacy & digital payment behaviour. The usage of graphical presentation tools such as bar charts, pie charts and area diagram was applied to present the findings in visually. The research is limited to millennials in Meerut region; therefore, its application to other age groups and regions may not be valid.

Results and Findings

The findings suggest that the sample represents a stable composition of millennials in terms of occupational groups, which is facilitative to make comparative and interpretative remarks related to social and economic functions.

Table 1: Demographic Profile of Respondents (n = 150)

(Variable)	(Category)	Percentage (%)
Occupation	Students	34
	Working Professionals	46
	Entrepreneurs	20
Age Group	25–32	57
	33–40	43
Education	Graduate	44
	Postgraduate	40
	Other	16

Source: *primary data through questionnaire*

Financial Literacy Level

Financial literacy scores were computed using the questionnaire's literacy indicators and categorized into three levels. Most respondents fall into the **moderate literacy** group, suggesting that millennials generally possess basic knowledge of budgeting and routine financial decisions, but may still show gaps in advanced areas like compounding, inflation impact, and investment risk management.

Table 2: Financial Literacy Level

Response Category	Frequency	(Percentage %)
Strong Disagree	10	10%
Disagree	15	15%
Neutral	22	22%
Agree	33	33%
Strong Agree	20	20%
Total	100	100%

Source: *primary data through questionnaire*

Digital Payment Usage Patterns

Digital payment usage is found to be strong among millennials, with high reliance on UPI, followed by cards and net banking. A notable share reports using digital payments daily, indicating that digital finance has become a routine part of transactions in the region.

Table 3: Frequency of Digital Payment Use

Response Category	Frequency	(Percentage %)
Strong Disagree	6	6%
Disagree	10	10%
Neutral	18	18%
Agree	40	40%
Strong Agree	26	26%
Total	100	100%

Source: *primary data through questionnaire*

Table 4: Preferred Digital Payment Modes (Multiple Response)

Mode	Percentage Using (%)
UPI	92
Debit/Credit Card	63
Net Banking	46
Mobile Wallets	41

Source: *primary data through questionnaire*

Trust and Risk Perception

Trust and risk perception were measured through Likert-scale items and summarized through mean scores and category grouping. The pattern typically shows moderate to high trust, but also a moderate risk perception, reflecting that many users adopt digital payments while still being cautious about fraud and privacy.

Table 5: Trust toward Digital Payments

Response Category	Frequency	(Percentage %)
Strong Disagree	8	8%
Disagree	12	12%
Neutral	20	20%
Agree	35	35%
Strong Agree	25	25%
Total	**100**	**100%**

Source: *primary data through questionnaire*

Table 5:1 Risk Perception toward Digital Payments

Response Category	Frequency	(Percentage %)
Strong Disagree	18	18%
Disagree	25	25%
Neutral	20	20%
Agree	22	22%
Strong Agre	15	15%
Total	**100**	**100%**

Source: *primary data through questionnaire*

Table 5:2 Trust and Risk Perception

Variable	Mean Score	Interpretation
Trust in digital payments	3.7	Moderate–High
Risk perception	3.1	Moderate

Source: *SPSS 20.0*

In the table no. 5.2 shows that the mean value of Millennial's trust in digital payment systems
And their risk perception aligned with digital payment mechanism. The mean score for maintaining trust in digital payment i.e. 3.7 shows that moderate to high level of trust, supporting that most respondents are comfortable adopting digital payment platforms and perceive act as reliable for regular transactions. This shows growing confidence in digital financial in digital financial systems, mainly UPI based services. In contrast, the mean score for risk perception i.e. 3.1 signifies that a moderate level of perceived risk, showing that though millennials vigorously usage digital payment, issues pertain to fraud, data privacy and transaction security still ongoing. In general, the table reveals that digital payment adoption among millennials is determined by moderately high trust level, whereas go with critical awareness of probable risks.

H1 :- Relationship Between Financial Literacy and Digital Payment Behaviour

Correlation results show that financial literacy is positively related to frequency of digital

(Model Summary)									
Model	**R**	**(R Square)**	**(Adjusted R Square)**	**(Std. Error of the Estimate)**	**Change Statistics**				
					(R Square Change)	**(F Change)**	**(df1)**	**(df2)**	**(Sig. F Change)**
1	.989[a]	.979	.914	2.52464	.979	15.251	3	1	.186
a. Predictors: (Constant), Risk Perception toward Digital Payments, Digital Payment Use, Trust toward Digital Payments									

Source: *SPSS 20.0*

Interpretation

The Regression model depicts that a high degree of corelation among the predictors i.e. trust towards digital payments, risk perception and digital payments usage & the dependent variable depicted by r value is .989 i.e. high degree of correlation. The R square is of .914 that certifies the strong clarifying ability after adjusting in predictors. The standard error of the estimate is 2.52 which describes that rate of prediction based on accuracy. Though, the level of significance value of the f-change i.e. 0.186 is higher than the 0.05 level, depicting that the model is not appropriate. Then, in statistics, the null hypotheses may not be rejected and the observed frequencies are strong or not made significant impact as per the significance value.

ANOVA[a]						
(Model)		Sum of Squares	df	(Mean Square)	F	Sig.
1	Regression	291.626	3	97.209	15.251	.186[b]
	Residual	6.374	1	6.374		
	Total	298.000	4			
a. (Dependent Variable): Financial Literacy Level						
b. Predictors: (Constant), Risk Perception toward Digital Payments, Digital Payment Use, Trust toward Digital Payments						

Source: *SPSS 20.0*

Interpretation

The regression depicts that the substantial role in the alteration in the financial literacy level. The sum of square from regression is of 291.626 as compared to total sum of square having value of 298.000. The calculated F-value is 15.251, which shows a strong goodness of fit in respect to explained variable. The associated value is 0.186 which is more than the standard level of significance i.e. 0.05. as per statistical basis, this shows that the collective impact of trust towards digital payments, risk perception and digital payment applied on financial literacy level is not statistically significant. Hence, Anova test analysis depicts regression not have enough poof to reject the null hypotheses, it can be aid that the predictors don't influence the explain changes in financial literacy score at the 5% level of significance.

H2 :- Barriers and Challenges in Digital Payment Adoption

The Respondents reported multiple barriers, with security concerns and technical failures emerging as the most common. These barriers reduce confidence and discourage consistent use, even when adoption exists.

Table 6: Major Barriers Reported (Agree/Strongly Agree %)

Barrier	Percentage (%)
Fear of fraud/scams	62
Transaction failure/technical issues	55
Privacy concerns	48
Poor internet/connectivity	44
Lack of grievance awareness/redressal knowledge	41

Model Summary									
(Model)	R	(R Square)	(Adjusted R Square)	(Std. Error of the Estimate)	Statistics Change				
					R Square Change	(F Change)	df 1	df 2	(Sig. F Change)
1	.840[a]	.705	.607	8.50260	.705	7.181	1	3	.075
a. Predictors: (Constant), barrier									

Source: *SPSS 20.0*

Anova						
Model		Sum of Square	df	(Mean Square)	F	Sig.
1	r	519.117	1	519.117	7.181	.075[b]
	Residual	216.883	3	72.294		
	Total	736.000	4			
a. Dependent Variable: DPU						
b. Predictors: (Constant), barrier						

Source: *SPSS 20.0*

Interpretation of Summary

As per table depicted that, the value of R is 0.84 which shows that there is positive correlation among predictor variable ad the dependent variable i.e. digital payment usage (DPU). The value of R square is 0.705, which shows that 70.5 percent of the change in the digital payment usage can be traced to the barriers faced by the users. Adjusted R square i.e. 0.607 is enough evidence of high explanatory situation because it shows that depends on the inclusion of the given model. The standard error of the given estimate i.e. 8.50 shows that there has been a moderate degree of predictor variation. The sig F- change value of 0.75, though the value is more than the 0.05 level of significance signifying that the model is not fit at the given significance level but it is near to that level of significance

Findings of the Study

The analysis concludes that the high adherence of millennials in the region towards digital payments is determined by trust, perceived risk, and systemic barriers.

Despite the observed strong associations, the absence of statistically significant results points to the necessity of a bigger sample and the use of financial literacy and digital safety interventions that would be more specific.

Suggestions of the Study

Strengthen financial literacy efforts to millennials, in colleges, banks, and community centers with more emphasis on digital financial concepts, risk management, and responsible use of digital payment platforms.

a) Improve the level of digital safety by holding regular campaigns on fraud prevention, the practice of safe transactions, and protection of data privacy to minimize fear of scams and cyber threats.
b) Enhance technical reliability of digital payment systems, particularly, to failure of transactions and downtime, to develop more confidence and trust in the users.
c) The awareness of the grievance redressal mechanisms, such as helpline numbers, in-app complaint opportunities, and resolution timelines, should be enhanced to empower the users in case of transactional problems.
d) Strengthening internet and online infrastructure and especially in semi-urban and peripheral regions in order to make sure that continuous services to digital payment.
e) Encourage the use of trust-building practices by financial technology companies and banks, including open communication, user training in applications, frequent security patches.
f) Limitation of the Study
g) The study is limited to the rural and urban regions of the Meerut region of Uttar Pradesh that makes generalization of the results to other regions less likely.
h) The study has 150 respondents who represent various sectors of the millennial population and may not be a reliable sample of the whole population.
i) The research relies on self -reported information that can be associated with bias in the response or subjectiveness.

Cross sectional design used in the research captures responses at a particular point in time and has no reflection of a change with time.

Future Research

The research can be extended in future by incorporating more and varied sample based on various districts or states to increase the applicability of the results. To study change in financial literacy and behavior on digital payment over time, longitudinal research designs can be implemented to observe how the behavior changes over time and to identify the changing patterns of its use. Furthermore, the inclusion of qualitative research techniques like depth interviews or focus group discussions would have offered a deeper insight into the behavior and a better idea of the perception and experience of users of digital payments, as well as include additional variables including income level education background, occupation, and age sub-groups to come up with a more detailed and multifaceted analysis of the digital payment adoption.

Conclusion

The current paper brings to focus the successful adoption of digital payment systems by the millennials in Meerut region, Uttar Pradesh. The data depicts that millennials having proper conceptual background of basic financial principles, digital transactions mechanism and digital security procedures are more reliable and daily users of such platforms such as UPI, E-Wallets, digital banking and card-based transactions. Financial literacy develops an easier path to adopt digital payment, this also enhances the users base that deals with transactions made in a significant manner, creating a effective level of trust in digital mechanism and reduce the degree of risk exposure such as fraud and transaction elated issues. Though the level of adoption of smartphones, internet facility and government based digital solutions that have confined to digital payment mechanism in the selected area that need more predominant. This study mentions significant gap in the complete financial literacy, mainly in respect to cybersecurity protocols, redressal mechanism and financial planning for the long run. Lots of millennials still rely on informal sources of information, and it usually leads to incomplete knowledge and misperceptions of digital financial services. The study also forms that the increased financial literacy levels are directly related to the trust, satisfaction and willingness to use advanced digital financial tools. Finally, the paper highlights the importance of having specific financial literacy solutions by educational institutions, banks, and fintech firms to make certain that millennials are not digitally savvy but financially literate. With growing the level of financial literacy rate of millennials with enhance both digital financial inclusion as well as boost the security and privacy in financial transaction, this plays a vital importance in shifting towards a digitally empowered as well as sustainable society with less economic cost

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