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Financial Literacy and Behavioral Intention Toward Digital Credit Card Usage among Young Consumers in Bengaluru

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Abstract

This study describes the determinants of behavioral intention to use digital credit card services among young consumers in Bengaluru, India on an expanded UTAUT model, involving financial literacy. The study takes a quantitative approach. A structured questionnaire was used to collect data on 126 respondents who were aged between 18-30 years. Strong internal consistency (Cronbachs Alpha>0.70) was checked by reliability analysis. The results of the correlation revealed that all the independent variables had positive relationships with behavioral intention. Regression analysis shows that behavioral intention is explained by the model at 73.4 (R 2 = 0.734). According to the findings, social influence was the most effective predictor of behavioral intention, there was a performance expectancy (followed by facilitating conditions) and performance expectancy which was not statistically significant. The research will be of helpful information to financial institutions, FinTech firms, and policymakers on how to facilitate the use of digital credit cards among young people.

Keywords: Digital credit cards, Behavioral intention, Financial literacy, UTAUT, FinTech adoption, Young consumers

INTRODUCTION

Financial technology (FinTech) has evolved fast and it has disrupted the financial services sector in the way individuals access and consume financial products. New financial instruments have become accessible on digital platforms, mobile banking, and algorithm services, which make them more efficient, accessible, and financially inclusive (Gomber et al., 2018; Philippon, 2016; Demirguc-Kunt et al., 2018). Among such innovations, the application of digital credit cards may be deemed one of the noteworthy changes to consumer credit since it is related to the mobile applications and digital payment systems and allows users to access credit and execute transactions online (Agarwal et al., 2015; Chatterjee and Dutta, 2023).

The digital financial technology acceptance level of young consumers is usually a first mover as these consumers are used to manipulating mobile platforms and online finance services (Arnett, 2000; Xiao and O'Neill, 2016). However, behavioral finance studies have indicated that young buyers might harbor some of these biases such as present bias and overconfidence that could go as far as deciding to borrow (Barberis and Thaler, 2003 and Laibson, 1997). Wise financial decision-making is one of the aspects, where financial literacy can be of assistance (Lusardi and Mitchell, 2014; OECD, 2018). With a view to further developing the technology adoption behavior, the Unified Theory of Acceptance and Use of Technology (UTAUT) is frequently used by scholars as it recognizes the performance expectancy, effort expectancy, social influence and facilitating conditions as the factors of the behavioral intention determination (Venkatesh et al., 2003; Venkatesh et al., 2012). Despite the fact that studies on fintech adoption have been on the rise, limited research has been done on the adoption of digital credit card. Therefore, the paper discusses the factors affecting the behavioral intention to use digital credit cards among young customers in

Bengaluru by building up upon the UTAUT model, which adds financial literacy.

REVIEW OF LITERATURE

Financial Literacy and Financial Behaviour

The studies show that financially literate individuals are likely to spend the money in a responsible way that includes budgeting, saving, and borrowing money in a responsible way (Hilgert et al., 2003; Lusardi and Tufano, 2015). On the other hand, when finance literacy is low, it becomes hard to comprehend financial information and, therefore, makes them poor in terms of borrowing and accumulating more debt (Disney and Gathergood, 2013; Mottola, 2013).

Youthful Consumers and Economic Literacy.

Research has shown that financial literacy of young people is typically low compared to the elder though the former are very familiar with digital technologies (Lusardi et al., 2010). It has been researched on university students to propose that inappropriate credit card use behaviour could be as a result of insufficient financial literacy particularly the holding of revolving balances and taking up debt of high interest (Robb and Sharpe, 2009; Robb and Woodyard, 2011).

Consumer behaviour and Digital Credit.

Digital credit products include digital credit cards, mobile-based lending platforms and allow users to access credit in real-time on digital platforms (Gomber et al., 2018; Philippon, 2016). However, behavioural financial researches have shown that electronic payment systems can ease the psychological pain of paying which may encourage individuals to spend more and get larger number of credit instruments (Prelec and Loewenstein, 1998; Prelec and Simester, 2001).

UTAUT Framework Technology Adoption.

In researching the application of digital financial technologies, researchers tend to use the Unified Theory of Acceptance and Use of Technology (UTAUT) by Venkatesh et al. (2003). The model has four known determinants of behavioural intention, which include, performance expectancy, effort expectancy, social influence and enabling conditions. UTAUT has been widely used when implementing digital financial services such as mobile banking and online payments (Oliveira et al., 2016; Ryu, 2018).

Research Gap

Despite the fact that the literature on the use of fintech has been growing, overwhelmingly, the majority of the studies examine the adoption of digital payments, mobile wallets and online banking in comparison to the use of digital credit instruments. There is very limited research on investigating the issue of the adoption of digital credit cards in the Indian context (Gupta et al., 2020; Reddy and Rao, 2021). The digital credit cards involve borrowing and paying money and thus the behavioural parameters that influence their adoption might differ depending on the digital payment technologies. Thus, the following paper will concentrate on predictors of behavioural intention to use digital credit cards on the young consumers in Bengaluru as a part of a larger UTAUT model with financial literacy as the additional variable.

Research Hypotheses

Considering the theoretical framework and the previous empirical research, the following hypotheses were drawn up in the current study:

H1: Performance expectancy has a positive effect on behavioral intention to use technology for digital transactions.

H2: Effort expectancy has a positive effect on behavioral intention to use technology for digital credit card transactions.

H3: Social influence has a positive effect on behavioral intention to use credit card to effect financial transactions.

H4: Facilitating conditions have a positive effect on behavioral intention to use credit card on various technology-driven platforms.

H5: Financial literacy has a positive effect on behavioral intention to responsibly use credit cards for payment transactions.

RESEARCH METHODOLOGY

The proposed study will employ a quantitative research methodology in order to examine the variables influencing the values that motivate young Bengaluru consumers' behavioral intention to use digital credit cards. The study was conducted using the Unified Theory of Acceptance and Use of Technology (UTAUT) paradigm, which incorporates the financial literacy variable (Creswell, 2014; Sekaran and Bougie, 2016). Using a standardized questionnaire, primary data was collected via an online survey using Google Forms. The study concentrated on Bengaluru's younger customers because of the city's high level of digital and FinTech adoption. Convenience was used in a sample of respondents who were between the ages of 18 and 30 and who either possessed or knew about digital credit cards. There were 126 valid replies, which were examined.

Performance expectancy, effort expectancy, social influence, enabling circumstances, and financial literacy are the independent factors in the study, whereas behavioral intention is the dependent variable (Venkatesh et al., 2003). A 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), was used to measure each characteristic. To guarantee validity and reliability, the measuring scales were redesigned based on existing scales (Lusardi and Mitchell, 2014). SPSS was used to help with data analysis. Cronbach Alpha was used to determine the constructs' reliability, and descriptive statistics were used to describe the respondents' impressions. A multiple regression analysis was carried out to ascertain the impact of independent factors on behavioral intention after the variables were correlated using Pearson correlation (Hair et al., 2014).

DATA ANALYSIS AND INTERPRETATION

Reliability Analysis

The Alpha of Cronbach was used to measure the internal consistency of the measurement scales. All constructs were above the recommended value of 0.70, which means that they are of high-reliability (Hair et al., 2014). These findings affirm the validity of measurement scales.

Descriptive Statistics

As the descriptive statistics show, the variables are described by the fact that all the means are more than the neutral value (3.0), indicating a positive attitude towards the use of digital credit cards, in general. The value of the mean of the effort expectancy was maximum, that is, the respondents believe that digital credit card platforms are easy to operate.

Correlation Analysis

The analysis performed by Pearson correlation shows that all the independent variables have significant positive relationships with the behavioral intention ($p < 0.01$).

The results indicate that the facilitating conditions ($r = 0.781$) and social influence ($r = 0.770$) and the behavioral intention have the strongest relationship.

Regression Analysis

Multiregression analysis was used to investigate the impact of performance expectation, effort expectancy, social influence, enabling circumstances, and financial literacy on the behavioral intention to use digital credit cards. With a R 2 of 0.734, which indicates that the independent variables in the model account for 73.4 percent of the variance in behavioral intention, the regression model has a very high explanatory power.

The regression model has a high power of explanation as the regression model explains 73.4 percent of the behavioral intention variance (R 2 = 0.734).

The result indicates that social influence (= 0.319) performs the best followed by facilitating conditions (= 0.254) and performance expectancy (= 0.201). These variables have positive influence on behavior intention to use digital credit cards and they are significant. The impact of the expectancy of effort and financial literacy do not however show statistical significance in the regression model. It means that online credit card sites are convenient to operate, and respondent financial awareness is rather high, but these factors do not influence the behavioral intention greatly when technological and social priorities are considered at the same time.

Overall, the findings indicate that social environment, perceived usefulness, and supportive technological infrastructure are the key determinants of digital credit cards adoption among the young consumers as opposed to financial knowledge alone.

FINDINGS AND DISCUSSION

The results indicate that the performance expectancy has a strong positive implication on the behavioral intention and can be the resulting consequence that the perceived benefits such as convenience and efficiency are provoking the adoption. This is in line with the past studies based on the UTAUT model (Venkatesh et al., 2003; Oliveira et al., 2016). Social influence is the most crucial predictor that implies that social norms and peer-recommendations are a major factor in the adoption decision (Gupta et al., 2020). In addition, behavioral intention facilitation by conditions and technological infrastructure and platform reliability are also stated. However, effort expectancy does not have a significant impact, which means that the convenience is seen as a key expectation of the digitally familiar users. Similarly, financial literacy does not play a particular role in the adoption decision, and this fact implies that social and technological factors can play a greater role in the adoption decision than the financial literacy itself (Barberis and Thaler, 2003; Lusardi and Mitchell, 2014).

RECOMMENDATIONS AND IMPLICATIONS

The implications of the results to fintech firms, financial institutions, and policymakers are useful. As social influence is the most predictive variable, the companies can promote the use of digital credit cards through peer-to-peer marketing such as referral programs and user reviews. The significance of the enabling conditions underlines the significance of enhancing reliability of the platforms, their security and links with the digital payment systems in order to raise the confidence of the users. On policy front, credit information provision should be given in a transparent manner and lending practices should be put in order. It was not identified that financial literacy is a significant predisposing factor; yet, the utilization of credit can be practiced with the help of financial education through awareness and in-app functionalities. Overall, the use of technology reliability,

social interventions, and financial consciousness should be moderately adopted in order to support sustainable adoption of digital credit.

LIMITATIONS OF THE STUDY

The current research is limited in a few aspects. First of all, the study is confined to the young consumers in Bengaluru. This could restrict the extent to which the results could be generalized. The second weakness is that the current research is founded on a convenience sampling design. This can result in partiality in the results. The third weakness is that the sample size of the current study is rather small.

CONCLUSION

This study examined how the Unified Theory of Acceptance and Use of Technology (UTAUT) model of financial literacy influences young people in Bengaluru's behavioral intention to use digital credit cards as a payment method. Based on primary data and the use of statistical techniques including regression, correlation, and reliability analysis, the study provides factual facts about the behavior of digital credit adoption.

The results show that behavioral intention is strongly influenced by social influence, performance anticipation, and enabling environments, with social influence being the most predictive element. This emphasizes how crucial peer pressure, technical assistance, and perceived utility are when making adoption decisions. However, neither effort expectation nor financial literacy exhibit any significant direct effects, indicating that ease of use is the primary assumption and that financial literacy might not be enough to drive adoption in increasingly fully digitalized settings.

Generally, the study concludes that technological infrastructure and perceived advantages and social forces are the dominant elements that drive the uptake of digital credit cards among the urban youth. The study contributes to the body of literature regarding the use of fintech and generalizes UTAUT model to digital credit services setting within the frameworks of an emerging economy. Other behavioral variables such as perceived risk, trust and spending behavior can be introduced in further studies to develop further knowledge about adoption of digital credit.

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Table 1: Cronbach's Alpha

Construct	**Cronbach's Alpha**
Performance Expectancy	0.889
Effort Expectancy	0.936
Social Influence	0.927
Facilitating Conditions	0.930
Financial Literacy	0.944
Behavioral Intention	0.939

Table 2: Descriptive statistics

Variable	**Mean**	**Standard Deviation**
Performance Expectancy	3.92	0.93
Effort Expectancy	4.13	0.89
Social Influence	3.93	0.99
Facilitating Conditions	4.07	0.92
Financial Literacy	4.02	0.96
Behavioral Intention	3.92	1.02

Table 3: Correlation analysis

Variables	**BI Correlation (r)**
Performance Expectancy	0.748
Effort Expectancy	0.728
Social Influence	0.770
Facilitating Conditions	0.781
Financial Literacy	0.774

Table 4: Regression Model Summary for Behavioral Intention

Model	R	R^2	Adjusted R^2
1	0.857	0.734	0.723

Table 5: Multiple Regression Results for Predictors of Behavioral Intention

Predictor	Beta (β)	p-value
Performance Expectancy	0.201	0.012
Effort Expectancy	0.070	0.475
Social Influence	0.319	0.000
Facilitating Conditions	0.254	0.026
Financial Literacy	0.115	0.294