Behavioral Determinants of Digital Financial Awareness and Literacy: The Role of Financial Risk Tolerance in Students in South India

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This study investigates the mediating role of financial risk tolerance (FRT) in the relationship between digital financial literacy (DFL) and financial well-being (FWB) among students in South India. In a quantitative study, N = 387 respondents completed a structured questionnaire, and the data were analyzed using Structural Equation Modeling (SEM). The research measures the effect of digital financial knowledge (DFK), digital financial skills (DFS), and digital financial experience (DFE) on financial well-being, with financial risk tolerance (FRT) as a moderator. Findings indicate that digital financial literacy has significant effects on financial well-being, and that DFK is the strongest predictor. Despite the model's strong overall statistical power, digital financial risk (DFR) showed no significant direct effect on FWB. Further, FRT has a significant but comparatively smaller moderating effect on the DFL–FWB relationship; these findings indicate that risk tolerance can influence, but does not by itself predict, well-being. This study contributes to the literature by incorporating financial risk tolerance as a moderating variable in the model of digital financial literacy and well-being. The findings can help policymakers, educators, and financial institutions design financial literacy training that accounts for variation in risk tolerance across individuals.

Keywords: digital financial literacy, financial risk tolerance, financial well-being, digital finance, student financial behavior, risk awareness, behavioral finance, financial knowledge gap, spending pattern, financial planning, financial attitude, risk taking behavior.

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Introduction

The emerging platforms and products have, in fact, reshaped the financial market's structure and customer consumption through rapid technological innovation in the digital economy. Digital finance services such as e-wallets, mobile banking, online lending, and cryptocurrencies have revolutionized the interaction and coordination between people and money (Setiawan et al., 2020). While these innovations give customers greater access to a range of financial products, they also require a corresponding level of digital financial literacy to successfully navigate the hardships and hazards of such services (Ninan & Kurian, 2021). Digital financial literacy has been defined as the ability, knowledge, and proficiency to utilize digital financial products effectively but also to prevent phishing, identity theft, and all forms of financial scams (Alliance for Financial Inclusion, 2021).

Financial health comes when an individual makes smart money decisions in the virtual world. But research attempts to validate that, particularly in the emerging economies of India, most people lack proper financial and digital literacy. Poverty is a serious concern that challenges a person's financial security and perpetuates economic disparities (OECD, 2018). India is thus a very tough yet enticing test case for the dream of a cashless economy and digital financial literacy. The Digital Payments Index (RBI-DPI) grew from 377.46 in September 2022 to 395.57 in March 2023, reflecting a positive trend in the digital payments ecosystem (RBI, 2023). India has made some progress, but levels of financial literacy are way off the mark. Only 24 percent of the population in rural areas and 33 percent in urban areas are classified as financially literate according to the National Centre for Financial Education (2020).

However, this gap is very wide, given that students are usually not well exposed to or equipped for handling sophisticated digital financial tools (Mat Rahim et al., 2022). Students are a key and relevant group to examine at this stage of financial independence in terms of digital financial literacy. Young people who increasingly use digital financial instruments face a specific set of problems: a lack of financial literacy, often coupled with impulsiveness and a weak ability to tolerate risk, often leads to poor financial choices such as overspending, poor budgeting, and susceptibility to fraud (Rahayu et al., 2022).

Financial risk tolerance is a key concept in digital financial literacy and behaviour. As noted by Grable and Joo (2004), financial risk tolerance is the ability and willingness of an individual to face financial uncertainty. It actually determines financial behaviour, because how it is will most strongly impact people's perceptions of how to take risks through it. This

directly impacts the student's bargaining capacity regarding issues arising from these risks and the students' readiness to accept new financial products (Weber et al., 2002).

Further evidence shows that increased risk-taking in finance increases a person's search for and use of internet financial products, and thus their financial awareness (Jose & Ghosh, 2024). While the growing literature focuses on financial literacy, the interplay among digital financial awareness, literacy, and financial risk tolerance has garnered relatively little direct attention, especially toward youth. Because all three have implications for financial well-being, economic resilience, and financial decision-making as a group, this literature gap is glaring. South India is one of the prime educational and technological hubs that offer a unique background for studying these phenomena. Given the high usage of digital financial products and the diversified student population in this part, this provides an ideal background to study what influences digital financial literacy - i.e., through financial risk tolerance. Therefore, this study will focus on the student population in Southern states to examine how financial risk tolerance moderates knowledge of digital financial literacy. The aim is to identify factors that govern or influence the adoption and use of digital financial means by examining the interaction. The paper attempts to elicit results by pointing to a better direction for the program in the future regarding financial inclusion or literacy within Indian society.

Besides the direct positive relationships between digital financial literacy and behavior, this paper also examines mediating influences: impulsiveness and self-control. Impulsivity is acting in ways that entail less consideration of consequences or results; in that respect, impulsivity would make digital financial transactions much hazardous than usual (Johnson et al., 2023). The unconscious and inexperienced students holding money are at a very high risk of making rash financial decisions that could lead to overspending and economic destabilization. In contrast, self-control is a defence mechanism because it empowers individuals to make rational financial decisions and to deter irrational behaviour (Stromback et al., 2017)..

This has been the case in India too, with digital financial literacy campaigns popularly referred to as Digital Saksharta Abhiyan (DISHA) and Vittiya Saksharta Abhiyan (VISAKA), designed to fill the gap of financial awareness and literacy. These initiatives of financial inclusion aim to equip the population with essential skills so they can use digital financial products effectively, as the RBI (2023) proposes. It is not too difficult to determine whether these meet the student group's requirements.

This paper seeks to contribute to this debate by specifying specific barriers and opportunities in digital financial literacy for student populations in South India. Financial literacy relates to individual welfare but also has broader implications for economic stability and growth. Similar to many things, research goes on to indicate that better financial practices, which is to say saving more, spending more responsibly, and investing more wisely, provide a route associated with more financially literate people. It also equips them with the financial resilience that helps them survive the shocks and uncertainty of finance (Irdiana et al., 2024)

Therefore, digital financial literacy must be robust enough to ensure future generations of decision-makers have long-term financial stability and success. Based on the extant literature, this research paper explores the relationships between digital financial knowledge, financial behaviour, and risk attitudes. This paper targets the student population in Southern India to understand which factors determine financial decision-making in a digital arena. The findings should serve as handy references for government officials, teachers, and institutions responsible for banking to devise targeted programs that supplement their knowledge of digital financial products and the behavioural aspects of financial sustainability. More growth in these sectors of digital finance will render an ever-increasing demand to equip them with appropriate tools, guiding people through it. Being digital-savvy can therefore be a crucial life skill for a student as they learn to manage their finances judiciously while making money.

This provides room for further research on the relationship between digital financial awareness and literacy, which should offer insight into risk tolerance and thereby provide real advice on how to scale up financial literacy levels for Indian youths. In short, this interaction seems to align with the crucial area of research on the moderation of digital financial knowledge and literacy among student neighbourhoods through the factor of financial risk tolerance. In this backdrop, this paper will discuss that relationship in the hopes of contributing to the broader discourse on financial literacy and its linkages with resilience and quality of life. Findings will further buttress the proposition for the design of successful programs, which would be brought to fruition by ensuring proper financial education amongst students, thereby making them effective in an increasingly digital environment.

The Theory of Planned Behavior (Ajzen, 1991) asserts that a person's intentions regarding particular acts influence their conduct. Three factors attitude, subjective norms, and perceived behavioral control—

combine to generate an individual's behavioral intention. Numerous studies on the intention to buy or use pirated goods have extensively used the theory of planned behavior.(Hati et al., 2019). Attitudes are beliefs about the positive or negative impact of digital finance, such as online banking, mobile payments, or even investment. As long as people believe it is safe and comfortable to use, they will embrace it. Subjective norms are forces from outside, including social and peer pressure, as well as the cultural acceptability of general digital finance. Technology has always been a sharp, technologically changing city for a student. The PBC measurement is the extent to which an individual believes he has the ability to use digital finance and, indeed, chooses to be an active or inactive user, based on perceived ease or lack of it.

FRT, on the other hand, is one important variable to be added to this framework. And this variable should also be responsible for controlling decision-making. The greater the value of FRT, the more it will boost investment in volatile assets, as it considers them risky; being risk-averse, it would avoid them by adopting the old method of savings. It calculates how DFL and FRT influence the FWB relation among students.

Digital Financial Knowledge (DFK)

The combined view of the usage of digital financial services correctly by any individual is referred to as DFK (Vieira et al., 2024). Thus, it involves determining the online banking system that serves its purpose, supports proper payment management via the machine, and, eventually, the apps launched that aid investment promotion. In the increasingly digitized economy, DFK would be the point of reference for the financial sector's decision-making. The greater probability of DFK increases the likelihood of using appropriate digital financial tools. There are relatively fewer reported cases of inefficient fund management singled out in companies like this (Normawati et al., 2021). Despite the booming digital finance in India, most students are said to suffer from poor DFK, leading to unstructured spending and poor financial planning (Rajdev & Modhvadiya, 2020). This paper expounds on the way FRT determines whether DFK bears on the financial behavior in terms of a decision on students with risk tolerance to apply skills better.

Digital Financial Risks

This is another danger in digital finance because it tends to grow. Digital finance DFR embraces risks, including cybersecurity threats, fraudulent transactions that may lead to identity theft, and the spread of fake information. The more this is highlighted at the DFR level, the more it would indicate financial security. However, researchers have

demonstrated that once individuals become conversant with such digital financial risks, they secure their passwords, transact without confirming first, and check their financial activities frequently in the money column (Samuel & Kumar, 2024). What is dramatically at stake in such a scenario involves financial risk tolerance. While others will fear the risks and apply digital finance very cautiously, others overestimate their ability to handle them; as a result, they turn out to be fraudsters and losers from poor financial choices. In this scenario, it displays a moderation of the relationship between the acceptance of financial risks and awareness about the risks related to understanding toward improved financial well-being.

Digital Financial Skills

DFS is the management and administration of e-transactions, including budgeting, saving, investing, and safeguarding electronic resources on behalf of a person (Rahayu et al., 2022). A super platform for all students in digital financial platforms; however, a stable, strong base to hold funds safely. They also found that the students are very efficient in DFS but, on the other hand, are pretty weak in financial management skills that will be required to manage funds at financial fronts (Normawati et al., 2021). Most cases involve impulsive financing decisions due to poor DFS, poor budgeting, and poor long-term financial planning.

An open question remains as to whether excessive risk-taking strengthens or weakens the effect of digital financial skills on financial well-being, and whether students with greater risk exposure are better able to use those skills for strategic investment purposes.

Digital Financial Experience (DFE)

The more exposures a digital financial institution has with an individual, the better it can tailor its offerings to them for online banking, mobile payment services, and digital investment applications. The more exposure an individual has through that (Choung et al., 2023). However, experience does not measure prudent financial decision-making. It has been proven that individuals with high interaction with digital finance and without proper financial literacy are at risk due to their unawareness of the consequences (Vieira et al., 2024). On the contrary, persons with fewer DFEs will also not be able to avail themselves of digital finance opportunities and thus will have limited financial choices.

This raises the question of how digital financial experience relates to financial well-being through financial risk: does greater experience with digital finance foster sound risk management among students, or does it instead encourage overconfidence and poor risk management?

Digital Financial Literacy (DFL)

Having a holistic, comprehensive view of knowledge, skills, risk awareness, and financial experience basically equates to digital financial literacy. It has the potential to determine the move an individual will make concerning the financial landscape (Normawati et al., 2021). The research findings from DFL indicate that people with higher levels of it are better performers in management and make the right kind of investment, while also taking steps to protect against other fraudulent financial practices (Choung et al., 2023). Again, financial risk tolerance also alters this pattern while remaining in the DFL domain: some lie within the DFL domain to limit their risk to the lowest point, while others remain aggressive and reckless. This paper discusses DFL and FRT on an issue-by-issue basis, examining how they interact and operate to understand their overall impact on financial well-being (Li & Fisher, 2022).

Financial Risk Tolerance (FRT)

Financial risk tolerance is the willingness to accept potential monetary risks in exchange for the possibility of high returns (Bayar et al., 2020). It has many important implications for the factors influencing financial behavior, investment, and credit decisions. The risk-averse investor will invest in high-return products, including equity and cryptocurrency. An investment in a savings account and fixed deposits would be a good enough conservative financial product for the risk-averse investor (Thanki & Baser, 2021). In comparison, risk tolerance brings along with it its double-edged sword: either to make a good profit from ventures or a huge loss in major finance. This paper examines the association between FRT and the interplay between digital financial literacy and financial well-being, particularly in the lives of students whose financial habits are currently in development.

Financial Well-Being (FWB)

FWB is a "measure of the degree of having financial security." There are three underlying dimensions: economic security, stress-free money management, and long-term financial sustainability (Chufal et al., 2024). Among these are financial literacy and general conduct in finance and risk management. From empirical studies, it is clear that the best-performing FWB is held by highly financially literate individuals who manage risks with a prudent attitude. A well-prepared individual regarding the problems that will emerge through finance (Vaghela et al., 2023).

The present study is purpose-oriented and aims to explain how the combination of financial risk tolerance and digital financial literacy may lead to the formation of students studying for financial well-being.

Keeping that relationship in mind, it is effective for policy formulators and educators, while curricula such as this are meant strictly for specific, long-term-oriented literacies in finance.

Theoretical Background

This research is built around the Theory of Planned Behavior (TPB), developed by Icek Ajzen (1991). In TPB, an individual's behaviour is shaped by behavioural intention, which is in turn driven by three components: attitude, subjective norms, and perceived behavioural control. In the context of digital finance, attitude refers to how people perceive the use of digital financial services such as online banking, mobile payments, and digital investment applications; when students consider these options practical, safe, and worthwhile, they are more likely to adopt and use them appropriately. Subjective norms represent the social influences exerted by peers, family, schools, and society on whether an individual uses digital financial technologies; for students, peer groups and technological trends can be particularly persuasive, making social approval an important factor in shaping financial behaviour and platform use. Perceived behavioural control reflects the degree to which individuals believe they have the knowledge, capacity, and confidence needed to use digital financial services successfully. Students with stronger digital financial knowledge, skills, and awareness are more likely to make well-considered financial decisions and manage their finances responsibly.

The study further integrates financial risk tolerance (FRT) into the TPB framework. The term "financial risk tolerance" describes a person's willingness and ability to take risks and the potential for losses in their finances in order to achieve greater returns. There may be differences in how much financial risk tolerance is associated with digital investments and online trading, as well as other innovative financial products, and how much financial risk tolerance is associated with more traditional financial products. The theoretical underpinning of the study also contains the key pillars of Digital Financial Literacy (DFL) which are Digital Financial Knowledge (DFK), Digital Financial Skills (DFS), Digital Financial Risk Awareness (DFR) and Digital Financial Experience (DFE). These DFL dimensions collectively lead to Financial Well-Being (FWB), which is the ability to stay financially secure, manage financial stress, and advance towards long-term financial stability. Overall, the theoretical background of this study establishes a broad set of relationships among digital financial literacy, financial risk tolerance, behavioral factors, and financial well-being among students in South India.

Rationale of the Study

The digital financial services, such as mobile banking, e-wallets, online investment platforms, and crypto currencies, are expanding much faster than the traditional financial services with the spread of mobile banking, e-wallets, online investment platforms, and crypto currencies. The adjustments have redefined how people handle their cash, pay their billings, conserve their cash, and even designate their investments. The governments have taken initiatives towards a 'cashless economy' and financial inclusion which have accelerated the pace of digital finance in India. Despite the increased penetration of digital financial services, the awareness of financial services, especially among students, rather than the expected level of digital financial literacy, is far from satisfactory. Digital financial platforms are used by students quite frequently, and are one of the most active user groups for accessing such platforms due to the usage of smartphones, Internet services and online payment systems. However, some people don't possess sufficient financial information, risk awareness or practical financial management skills which can lead to impulsive spending, poor budgeting and inadequate financial planning resulting in increased vulnerability to cyber scams and other financial online scams. Hence, the need to grasp the factors that influence digital financial literacy and financial behaviour among students and their in-life effects is growing. Financial Risk Tolerance (FRT) is also one of the critical factors that affect financial decisions and financial product reaction. There are some variations in students' financial behaviors based on their risk preferences. Risk-seekers may dare to experiment with new and innovative financial products with greater boldness, while risk-averse students might be less likely to venture onto digital platforms because they are afraid, skeptical, and uncertain. This makes it very relevant to study the moderating role of financial risk tolerance between digital financial literacy and financial well-being. Moreover, previous research has tended to investigate in general terms financial literacy, financial behavior, or financial attitude and not much on how digital financial literacy relates to financial risk tolerance, and financial well-being, especially for youth. South India, a key educational and technological hub, appears to be the perfect location to consider these connections, for the students use the digital financial solutions practically as a routine. Thus this study attempts to fill the gap by directly looking at the role of digital financial literacy on the financial well-being of student populace in southern India and how financial risk tolerance modifies the same. The results are intended to support the financial capability of students and to assist financial literacy

programmers, financial awareness programs and financial organizations in designing effective financial education programs and financial awareness programs.

Objectives of the Study

1. To study the relationship of digital financial knowledge (DFK), digital financial skills (DFS), digital financial risk (DFR), and digital financial experience (DFE) with digital financial literacy (DFL) and financial well-being
2. To examine the path way of digital financial knowledge (DFK), digital financial skills (DFS), digital financial risk (DFR), and digital financial experience (DFE) to financial well-being through digital financial literacy
3. To examine the moderating role of financial risk tolerance (FRT) in the relationship between digital financial literacy and financial well-being.

Hypotheses of the Study

1. Digital financial knowledge has a positive relationship with financial well-being.
2. Awareness of digital financial risks positively influences financial literacy and financial well-being.
3. Enhanced digital financial skills positively contribute to financial well-being.
4. Increased digital financial experience positively affects financial decision-making and financial well-being.
5. Higher levels of digital financial literacy positively influence financial well-being.
6. Financial risk tolerance significantly moderates the relationship between digital financial literacy and financial well-being.
7. Digital financial literacy (DFL) mediate between digital financial knowledge (DFK), digital financial skills (DFS), digital financial risk (DFR), digital financial experience (DFE) and financial well-being

Conceptual Framework

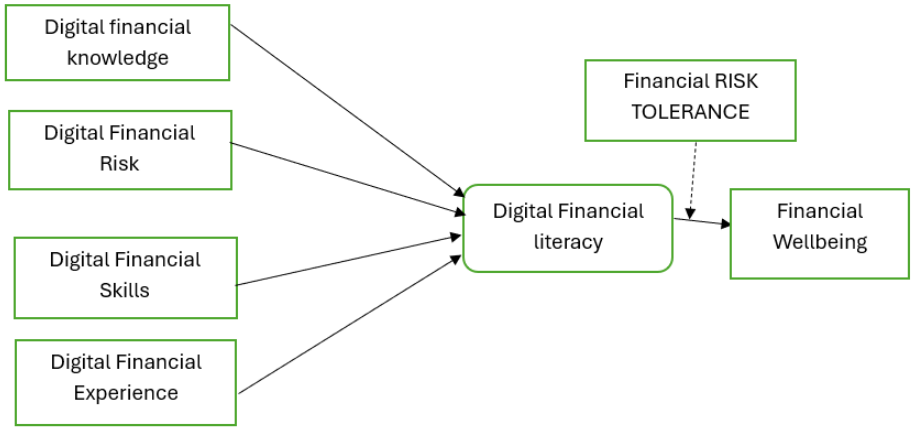

Figure 1. Conceptual Framework

Method

Research Design

This study adopts a quantitative research approach using a y cross-sectional survey research design to examine the interrelationship among Digital Financial Literacy (DFL), Financial Risk Tolerance (FRT), and Financial Well-Being (FWB) among students in South India.

Sample

The target population for the study consisted of undergraduate and postgraduate students studying across South India, as this student group represented an important segment of early adopters of digital financial tools. A review of the literature indicated that students' financial literacy and risk appetite significantly influenced their financial decisions (Normawati et al., 2021). A stratified random sampling approach was adopted to ensure representation of participants from diverse groups across various institutions. The sample size was determined using Cochran's formula to ensure statistical validity (Cochran, 1977). The methodology followed in the study was consistent with previous research focusing on student financial behaviour in developing economies.

Table 1

Descriptive Statistics and Scale Details of the Study Variables

S. No	Classification	Category	Frequency	Percentage
1	Gender	Male	140	36.2
		Female	138	35.7
		Prefer not to say	109	28.7
		Total	**393**	**100**
2	Age	18-25	124	32
		26- 35	105	27.1
		36- 54	86	22.2
		55 and above	72	18.6
		Total	**387**	**100.0**
3	Residential Location	Urban	150	38.8
		Rural	105	27.1
		Suburban	132	34.1
		Total	**387**	**100.0**
4	Education	High school or less	99	25.6
		Pre University	93	24
		Bachelor's Degree	86	22.2
		Master's Degree	109	28.2
		Total	**387**	**100.0**
5	Income	5,00,000 Or less	103	26.6
		5,00,000 to 10,00,000	95	24.5
		10,00,000 to 25,00,000	110	28.4
		25,00,000 and above	79	20.4
		Total	**387**	**100**

Measures

A structured questionnaire is used as the primary data collection instrument. The questionnaire is divided into five sections:

Table 2

Scale Details of the Study Variables

Construct	Description of Measure	No. of Items	Response Scale	Scoring Method	Source
Digital Financial Knowledge (DFK)	Knowledge of digital banking, mobile payments, and investments	5	5-point Likert scale (Strongly Disagree to Strongly Agree)	Higher scores indicate greater digital financial knowledge	Bhat et al. (2024)
Digital Financial Skills (DFS)	Ability to conduct digital financial transactions	4	5-point Likert scale (Strongly Disagree to Strongly Agree)	Higher scores indicate stronger digital financial skills	Bhat et al. (2024)
Digital Financial Risks (DFR)	Awareness of cybersecurity threats and financial fraud	4	5-point Likert scale (Strongly Disagree to Strongly Agree)	Higher scores indicate greater awareness of digital financial risks	Featherman & Pavlou (2003)
Digital Financial Experience (DFE)	Familiarity with digital finance platforms	4	5-point Likert scale (Strongly Disagree to Strongly Agree)	Higher scores indicate greater digital financial experience	Bhat et al. (2024)
Digital Financial Literacy (DFL)	Overall digital financial literacy	Not specified in the article	5-point Likert scale	Higher scores indicate higher digital financial literacy	Rahayu et al. (2022)
Financial Risk Tolerance (FRT)	Risk preference category: high, moderate, low	Not specified in the article	Validated risk-tolerance scale	Higher scores indicate greater risk tolerance	Harahap et al. (2022)
Financial Well-Being (FWB)	Financial satisfaction, stress levels, and perceived control	Not specified in the article	5-point Likert scale or CFPB-based indicators	Higher scores indicate better financial well-being	Ravikumar et al. (2022)

Note: All scale responses were collected using a 5-point Likert-type format unless otherwise noted. Composite scores were obtained by aggregating item responses within each construct, with higher scores representing a higher level of the construct.

The study used standardized, previously validated scales to measure all key constructs. Digital Financial Knowledge (DFK) was measured using a 5-item scale assessing knowledge of digital banking, mobile payments, and investments; Digital Financial Skills (DFS) used a 4-item scale evaluating competence in conducting digital financial transactions; Digital Financial Risks (DFR) used a 4-item scale capturing

awareness of cybersecurity threats and financial fraud; Digital Financial Experience (DFE) used a 4-item scale assessing familiarity with digital finance platforms; Digital Financial Literacy (DFL) used a validated multi-item scale adapted from Rahayu et al. (2022); Financial Risk Tolerance (FRT) was measured using a validated scale that classifies respondents' risk preference; and Financial Well-Being (FWB) was assessed using indicators of financial satisfaction, stress, and perceived control over finances.

All items were rated on a 5-point Likert scale ranging from Strongly Disagree to Strongly Agree. For the main study, construct scores were computed by aggregating the item responses within each scale, with higher scores indicating higher levels of the respective construct.

Procedure

A pilot study was done to test the reliability, validity and clarity of the research instrument prior to the final process of data collection. The respondents were selected from among the students of post-graduate and undergraduate students in the South Indian region with previous interactions with digital financial services, and N=43 was given the structured questionnaire. Ambiguities, question sequencing, and suitability of the measurement items for the main study were identified through the pilot study.

The questionnaire was comprised of questions related to Digital Financial Knowledge (DFK), Digital Financial Risks (DFR), Digital Financial Skills (DFS), Digital Financial Experience (DFE), Digital Financial Literacy (DFL), Financial Risk Tolerance (FRT), and Financial Well-Being (FWB). The responses were gathered on a 5-point Likert scale from "Strongly Disagree" to "Strongly Agree." Cronbach's Alpha Reliability Analysis was conducted to check the internal consistency and reliability of the instrument. The overall Cronbach's alpha was obtained was 0.701 which is beyond the recommended cutoff level by Nunnally (1978) and indicates good reliability and internal consistency of the measurement scales.

Construct validity and factor structure of the instrument were tested by Exploratory Factor Analysis (EFA). Additionally, Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity were used to test the

appropriateness of the sample and the data for factor analysis. The results of the pilot study were used to make necessary changes prior to the final survey.

Ethical research was followed throughout the process of data collection in the study. Respondents were informed about the academic purpose of the study, and participation was entirely voluntary. Prior informed consent was obtained from all participants before administering the questionnaire. Confidentiality and anonymity of the respondents were assured, and no personal identifying information was collected or disclosed. Participants were also informed that they had the right to withdraw from the study at any stage without any consequences. The collected data were used solely for academic and research purposes.

Results

The responses were analysed using IBM SPSS and SMARTPLS to test and understand the relation between the various variables.

Descriptive Statistics

The results of the demographic questions included in the survey questionnaire are discussed below**.** The survey included mainly 5 demographic questions regarding age, gender, residential location, education and income. The survey received a total of 387 responses: 140 from men, 138 from women, and 109 from respondents who preferred not to say. The age group was divided into four subcategories, and the 18 - 25 and 26- 35 age groups contributed to more than half of the responses, totalling to 59.1%. The education construct included 4 subcategories, namely, High school or less, Pre University, Bachelor's Degree and Master's Degree. Respondents with a Master’s Degree had the highest response rate of 28.2%. The annual income of the respondents varied among the 4 subcategories but was majorly concentrated in the 5,00,000 or less subcategory.

Table 3

Measurement Model Assessment: Convergent Validity Results

Construct	Item	Outer loading	α	CR	AVE
Digital Financial Knowledge	DFK1	0.841	0.896	0.924	0.707
	DFK2	0.868			
	DFK3	0.775			
	DFK4	0.872			
	DFK5	0.842			

Construct	Item	Outer loading	α	CR	AVE
Digital financial risk	DFR1	0.761	0.682	0.808	0.516
	DFR2	0.474			
	DFR3	0.847			
	DFR4	0.662			
Digital Financial Skills	DFS1	0.738	0.821	0.882	0.651
	DFS2	0.812			
	DFS3	0.837			
	DFS4	0.832			
Digital Financial Experience	DFE1	0.532	0.744	0.832	0.502
	DFE2	0.721			
	DFE3	0.623			
	DFE4	0.784			
	DFE5	0.836			
Digital Financial Literacy	DFL1	0.785	0.754	0.846	0.586
	DFL2	0.842			
	DFL3	0.810			
	FRT 1	0.951			
	FRT 2	0.990			
	FRT 3	0.881			
Financial Risk Tolerance	FRT 4	0.850	0.790	0.942	0.834
	FWB 1	0.930			
	FWB 2	0.901			
	FWB 3	0.882			
Financial wellbeing	FWB 4	0.851	0.792	0.939	0.795

Note: α = Cronbach's alpha; CR = Composite Reliability; AVE = Average Variance Extracted

The model has exhibited some validity and reliability, hence confirming that the constructs of digital financial knowledge, literacy, risk, and well-being were accurately measured. Internal consistency reliability checked in terms of Cronbach's alpha and composite reliability (CR) gives an idea about the coherence of the items forming each construct. Cronbach's alpha values ranged between 0.68 - 0.95, with almost all constructs exceeding the recommended threshold of 0.7. Digital Financial Knowledge, Financial Risk Tolerance, and Financial Well-Being were classified as high-reliability constructs, while Digital Financial Risk fell slightly below that threshold, though still within an acceptable range. Composite reliability values ranged from 0.808 to 0.962, indicating robust internal consistency across all constructs.

Convergent validity was assessed using outer loadings and average variance extracted (AVE). Most indicators reached the recommended

benchmark of an outer loading above 0.7; the exceptions were DFR2 (0.474), DFE1 (0.53), and DFL4 (0.59). A low outer loading can weaken a construct's overall validity; however, the decision to retain such items must be considered carefully, and removal is only warranted where it would meaningfully improve composite reliability and AVE. AVE values ranged between 0.50 - 0.83, with the minimum threshold of 0.5 indicating that each construct explains more than half of the variance in its indicators. Financial Risk Tolerance and Financial Well-Being showed the highest AVE, at 0.834 and 0.795 respectively. The measurement model thus achieved satisfactory convergence and reliability in terms of CR and AVE. Although a few outer loadings fell short of the recommended value, they remained within acceptable limits and the overall construct model remained intact. These items were not deleted, as their removal did not substantially improve reliability and the constructs retained adequate validity overall. The model therefore satisfied the required checks of reliability and validity and is considered suitable for subsequent structural analysis.

Table 4

Discriminant Validity and Collinearity Assessment of the Study Construct

Latent constructs	DFE	DFK	DFL	DFR	DFS	FRT	FWB
Fornell-Larcker criterion							
DFE	0.708						
DFK	0.678	0.840					
DFL	0.640	0.757	0.764				
DFR	0.503	0.595	0.708	0.700			
DFS	0.497	0.527	0.565	0.524	0.806		
FRT	-0.185	-0.189	0.008	0.123	0.067	0.913	
FWB	0.205	0.072	0.277	0.303	0.210	0.698	0.891
Heterotrait–Monotrait Ratio (HTMT)							
DFE							
DFK	0.814						
DFL	0.828	0.892					
DFR	0.648	0.625	0.841				
DFS	0.655	0.606	0.703	0.635			
FRT	0.369	0.261	0.388	0.384	0.181		
FWB	0.404	0.199	0.388	0.417	0.285	0.741	
FRT x DFL	0.270	0.288	0.459	0.349	0.288	0.114	0.067

Inner VIF Values for Collinearity Assessment	
	VIF
DFE -> DFL	1.970
DFK -> DFL	2.274
DFL -> FWB	1.194
DFR -> DFL	1.729
DFS -> DFL	1.583
FRT -> FWB	1.016
FRT x DFL -> FWB	1.210

Note: The diagonal values in the Fornell–Larcker criterion represent the square root of AVE. HTMT = heterotrait–monotrait ratio; VIF = variance inflation factor. Discriminant validity is supported when the square root of AVE for each construct exceeds its inter-construct correlations and when HTMT values are below the recommended threshold. Inner VIF values were examined to assess multicollinearity among the predictor constructs

Testing of Hypotheses

This section reviews the results from SEM that describe relationships between various latent constructs and dependent variable FWB in great detail, including: the strength, direction, and significance of this relationship; with further elucidation of direct and indirect influences from major driving factors. Hypotheses were tested using path coefficients, t-values, and p-values, of which five of the six were supported. Thus, some other mediation or structural factor in the model may be controlling this relationship and should be studied further. H1 provides strong evidence of a direct effect of DFK on FWB, with a t-value of 8.402 and a p-value < .001, indicating that FWB is strongly influenced by DFK; the large path coefficient suggests that a high level of DFK meaningfully contributes to greater FWB. Interventions that increase DFK are therefore likely to have a sizeable impact on overall well-being. The strength of this relationship suggests that DFK may be one of the most critical predictors of FWB, given its close connection to core determinants of well-being such as knowledge-based decision-making and sound financial habits.

This suggests that both DFS and DFE are really important in determining the wellbeing level, with DFS providing stability, resilience, and a sense of security in FWB, and DFE playing a role as a strengthening mechanism of the wellbeing framework. The association of that increase in DFS with FWB defines a potential domino effect characterized by emotional regulation, strengthening of the social support network, or provision of psychological resilience. Also, DFE is essential in associating with FWB in terms of self-fulfilling and meaningful engagements that would be creating enhancements toward wellbeing per se, perhaps refurbishing ideas on purpose, fulfillment, and self-actualization. On another note, DFL, already a strong predictor, with a t-value of 6.765 and p < .001, causing a very strong relationship with wellbeing. The coefficients then further state that variance in DFL would result in changes

in FWB itself again demonstrating that DFL poses much importance in the structural model. The fact that these differential choices on DFL related to wellbeing dwindle mostly on personal autonomy, goal response, and flexibility in acceptance of decisions. Therefore, the strength of the association also makes the case for a more directed policy and intervention that pivots on DFL promotion in general, thus availing the persons' capacity to respond as drivers of that flourishing in their midst.

However, while this is a powerful and notable statistic, it opens the question of the relationship itself, how this would mechanize. Despite contributing greatly to the magnitude of effect in this statistical analysis, it is still an unproven conjecture. And a new concern comes into focus-the possibility that there may be little confounding "friends," as in, causing further problems within this picture: multicollinearity problems; mediation effects; and indeed, misspecification of the model itself. One such variable could be in fact that there is no similar direct connection between the DFR and FWB; maybe it could be through some other indirect variable coming in through an inconsistent mediation between the two constructs. Another well-accepted explanation for the DFR-FWB relationship may consider that the interaction effect of some of the particular latent variables along with their contributors using the (ALHDF) latent integration would perhaps influence the interpretability of the direct path. Follow-up analyses could then take the form of moderated mediation modeling and variance decomposition techniques, meant to explore and clarify the more subtle nature of the DFR-FWB relationship.

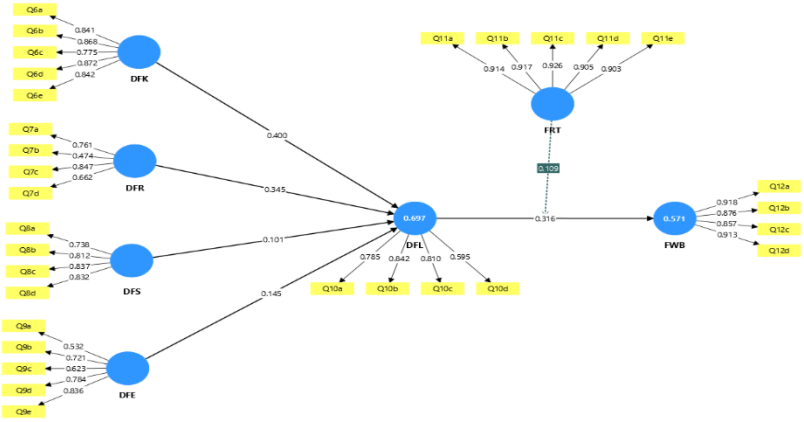

Figure 2. *Structural Model Showing the Relationships among Digital Financial Literacy, Financial Risk Tolerance, and Financial Well-Being*

FRT to FWB (H6: FRT→FWB) are equally established but in evidence of relative weakness, still, they have a significant impact on their respective

variables (t = 2.474, p = .013). This does certainly give credence to FRT having an impact upon FWB while the lower t-value would indicate that such impact is not as great as those of several other latent variables within the structure. Implicitly, this point toward a situation where while FRT bears upon well-being, perhaps these influences work indirectly, depending on other variables rather than being limited by some extraneous variable outside the model itself. While in such an arrangement the joint effect of FRT with other associates within the model might serve to enhance or lessen their contribution depending on the context - given that lower weighted coefficient it feels somewhat safer to propose that in wellbeing FRT establishes its presence in conjunction with other avenues, perhaps riding on another psychological modality, chronic cognitive reorientations, or some incredibly critical behavioural reinforcement cycle, instead, instead of maintaining a dominant power at first blush. In terms of further reasoning to support this: R squareds merely indicate: In broad strokes, how well the relations predicted here explain variance on the dependent variable, and it also says large t-values at which thus the association between DFR and FWB therefore remained unfounded provide a very fitting way for this model to improve. Further theoretical perspectives apart from just adding latent constructs would be worthy candidates for fixing these following discrepancies.

Table 5

Path Coefficient Results for the Structural Model

Note: DFK = digital financial knowledge; DFR = digital financial risk; DFS = digital financial skills; DFE = digital financial experience; DFL = digital financial literacy; FRT

	Relationship			t value	*p* value	Result
H1	DFK	→	FWB	8.402	<.001	Supported
H2	DFR	→	FWB	20.192	<.001	Supported
H3	DFS	→	FWB	4.590	<.001	Supported
H4	DFE	→	FWB	10.108	<.001	Supported
H5	DFL	→	FWB	6.765	<.001	Supported
H6	FRT	→	FWB	2.474	0.013	

Note: FRT= financial risk tolerance; FWB = financial well-being. Path significance was assessed using t-values and p-values.

Discussion

Focusing on students from southern part of India, this study tries to shed a few lights on how analysed theories on digital financial literacy, financial risk tolerance, and financial well-being are connected. Representations set forth by this research suggest that: digital financial knowledge and skills, digital financial literacy, and digital financial

experience exert a significantly positive effect upon financial well-being. This suggests that students who possess good knowledge of digital financial tools would be in a far better position to attain better financial stability and well-being. According to the research findings, there also exists very compelling proof that financial literacy is a significant determinant of good quality financial behaviours, pathing students towards proper management of their personal finances and making reasonable financial decisions.

Another very important finding of the study is that financial risk tolerance acts as a moderator in the relationship between digital financial literacy and financial well-being. This confirms prior research that a high level of financial risk tolerance corresponds to maximally using digital financial services, along with the willingness to venture on investing (Shusha, 2017). In fact, it identifies the behaviors of an individual interacting with the financial instrument, where a person with higher risk tolerance would be much more open to navigating through digital financial platforms while the risk-averse would take quite a long time and would tread carefully with a lot of financial products. Hence, this reflects the need for risk education on financial matters to be included in financial literacy training, so as to highlight the relative advantages and pitfalls of digital financial services for students.

The study found that digital financial risk (DFR) showed a direct effect on FWB, leading to the conclusion that awareness of financial risk translates to financial security; it strengthens previous studies' contentions that this awareness is necessary, yet its strength flows from financial knowledge and its application to risk management, which ultimately determines financial well-being (Rahayu et al., 2022). In this study, students were aware of financial risks, but they were not necessarily good decision-makers in practice unless equipped with skills specifically designed to mitigate such risks. This points to a need for financial literacy programs to include, first, education on the financial risks confronting youth today (Sharma et al., 2024), and second, guidance on how to translate risk-mitigation strategies into daily practice to strengthen financial security. Results also point to the role of digital financial experience in nurturing financial well-being. Students who use DFE frequently, such as mobile banking, online investment, and digital payment systems, feel more confident about managing their finances.

This is consistent with other studies showing that repeated experience with financial tools improves financial decision-making skills and helps build financial independence (Lusardi & Mitchell, 2011).

Modern digital financial services offer educational and financial institutions substantial opportunities to give students hands-on training through interactive learning modules, simulated trading platforms, and financial literacy workshops focused on real-world application.

With the digital financial literacy being a significant factor in leading to financial well-being, policymakers and educators must take a deliberate attempt at integrating digital financial education into school curriculum. This is validated by previous research, which has determined the fundamental role of financial education in shaping financial behaviors and economic stability (Bayar et al., 2020). Colleges and universities can also offer special courses in financial literacy in the digital world covering topics like budgeting, investing, managing debt, and fraud protection. The institutions can also collaborate with the financial institutions to develop specialized financial literacy programs tailored to the needs of the students. Financial risk tolerance also appears as a vital factor to include in financial literacy program design through the research. Because more risk-tolerant students financially are the most appropriate candidates to use digital financial services, teachers and financial planners need to adjust financial literacy programs such that more conservative students feel comfortable using digital financial services. It could entail tutorial guidelines of how to operate digital financial sites, model financial planning case studies, and interactive programs that enable students to measure their own degree of risk tolerance.

The other important inference from this study is the regulation policy to promote trust further on online financial websites. With increased uses of digital financial services, threats associated with cyber security breakdown failure, money laundering, and data loss have been increasing in magnitude. The research results indicate that although students are aware of financial threats, their economic welfare relies on possessing the ability to make the right financial decisions and not awareness of risk. Therefore, the banks and governments must utilize stringent security measures such as two-factor authentication, anti-fraud tools, and transparent user terms to establish electronic financial services trust (Ravikumar et al., 2022).

With the financial sector becoming increasingly digital, financial wellness will be increasingly dependent on individuals' capacity to learn to adapt to emerging finance technologies and make the best out of them. Financial literacy during the digital age is considered by the research to be a set of skills needed by students in such a way that they are able to capitalize on the benefits of digital finance services without having any

exposure to risk. Considering this, further work must be conducted to examine the long-term effect of financial literacy during the technology era on finance behavior, examining how students' financial knowledge and capability evolve in the long term and how these affect their long-term financial welfare (García-Santillán et al., 2025).

Conclusion

The study confirmed the importance of three variables in the financial well-being (FWB): digital financial knowledge (DFK), digital financial skills (DFS), and digital financial experience (DFE). Of these, DFK was the most important one, highlighting the role of financial education in enhancing financial decision-making and protection. Raising the financial literacy of students was found to have improved financial management skills, boosted students' confidence in financial risk management of electronic financial products, and reduced the financial risk management vulnerability of students. The study emphasizes the need to enhance financial education programs in a way that students are in a better position to learn about digital financial principles and their application. One of the surprising results was that financial risk (DFR) had an unexpectedly low direct impact on financial wellbeing. Statistical significance of the model is high, whereas this finding indicates that financial risk per se does not influence the wellbeing of the students but has the potential to do so through intermediate mechanisms. This is very important in unveiling whether financial risk perception has any influence on decision-making and hence whether students who embrace financial risks are better placed at managing it..

Secondly, financial risk tolerance (FRT) was a strong but comparatively weaker determinant of financial well-being. This is so because risk-tolerant students will be ready to utilize electronic financial tools, investments, and credit facilities more than their risk-averse counterparts, while risk-averse students will eschew any financial opportunity whatsoever. While risk tolerance does come into play in defining behavior in finance, it is less tied to well-being than are experience, financial knowledge, and skills. Thus, financial literacy education must be crafted in a way so as to address a broad range of risk profiles, and advice must be given to both high- and low-risk individuals. Actually, all these arguments lead to the need for bringing specialized training programs in personal finance into schools, starting with them. Virtual financial literacy must be brought into school training programs with actual financial simulations and forwarding actual knowledge in operating with virtual financial resources. Students must be equipped with

the necessary know-how and expertise needed to assess risks of their funds, good investment decisions (Sulistyawati, 2023), and protecting them against cybercrimes and scams. Despite the movement of the world towards digital money, there has to be emphasis on promoting awareness of cyber security as well as responsible digital money tendencies.

Moreover, the study indicates that policymakers and financial institutions should keep risk tolerance in view while formulating the products and services of finance for the students. There can be some courses of financial education formulated on the basis of various risk profiles so that risk-averse students can be taught about safe financial management and risk-tolerant students can be informed about secure investment opportunities. These interventions, in turn, would be in a position to bridge the existing financial knowledge gap and financial behaviour gap so that future students would be able to make sound financial decisions.

Limitations of the Study

Aside from its contribution, there are some limitations of this study. First, the population is limited to South India, and that may restrict generalizability to other populations or places. Generalizability of the study to subjects from various populations of cities and nations (Hati et al., 2019) can be proposed for future studies. Second, it relies on self-reported survey data and is vulnerable to social desirability and recall bias (Rahman et al., 2023). Future studies can substitute self-reported data with hard data on actual financial transactions, i.e., not survey data. Thirdly, the study does not include the possible mediating effect of Digital financial literacy between financial risk tolerance and financial well-being. Subsequent studies can think about utilizing longitudinal models in order to monitor how digital-era financial literacy is changing and how this affects financial wellbeing (García-Santillán et al., 2025).

Implications

The study has significant implications for higher education institutions, as they can incorporate digital financial literacy into the management and general education programs. This will assist pupils to be more confident and capable in a digital environment to manage money responsibly.

The findings underscore the importance of scaling up financial awareness campaigns geared towards youth users of digital financial services for policymakers and financial regulators. These can help mitigate high-risk fraud, cyber risks and low financial decision making and enhance financial inclusion.

The study provides evidence for researchers that digital financial literacy is not a single aspect, but a set of knowledge, experience, awareness, and capability of behavior.

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