



Exploring the Financial and Psychological Consequences of Digital Loan App Usage among Students in Andhra Pradesh

¹ Shaik Khaja Hashim, ² Dr Kanaka Durga Hanumanthu

¹ Research Scholar, BBA department, KLEF, Vaddeswaram, Andhra Pradesh, India.

² Associate Professor, KL Business School, Koneru Lakshmaiah Education Foundation. ykanakadurga@kluniversity.in

ABSTRACT

Digital loan apps have revolutionized the borrowing system and made small loan borrowing instant, without any collateral, and without any paperwork. And college students are a key user base. The present study explores the loan app use among students in Andhra Pradesh along with their motivations for borrowing loans, their difficulties in repaying the loan and the relationship between loan borrowing and psychological distress. A closed-ended questionnaire was filled out by 300 student borrowers. Descriptive statistics, chi-square tests of association, one-way ANOVA with Tukey post-hoc comparisons and multiple linear regression were used to analyse data.

The psychological distress scores were significantly higher for students who used three or more apps compared with those who used only one app ($F(2, 297) = 57.057, p < .001, \eta^2 = .278$). There was a strong relationship between number of apps used and repayment difficulty. The regression model accounted for 60.1% of the variance in distress (adjusted R-squared = .592); the more number of apps, the higher amount of the loan, the greater the harassment from the recovery agents and the more the repayment delayed, the higher the distress; and the more financial literacy, the lower the distress. The paper concludes with suggestions for the responsible use of digital loan apps by the students, institutions and regulators.

Relevance: For financial education, loan apps, psychological distress and students, relevance is the digital lending. Cause and effect: Cause and effect is digital lending with relevance to financial education, loan apps, psychological distress and students.

1: Introduction

The process of obtaining a traditional loan from a bank has always been difficult, particularly for young people, with the constant of endless paperwork, a credit score or collateral that they don't have, and a waiting period of weeks which is just to hear no. Instant loan apps changed that. Anybody can have cash transferred right into the account with a quick selfie and five minutes to spare, with a smartphone. When it comes to having little cash, students at college do not feel like they are in debt – they feel like they are being rescued.

It can be for a last-minute semester fee, a phone that breaks, lunch out with friends or the final week of the month before pocket money comes in, these apps make borrowing almost too convenient. No gatekeepers, no awkward conversations with parents and no waiting.

The problem begins when the fine print begins. There are few students who have not been taught the compound interest, the up-front deduction fees or the punitive late charges. A quick Rs. A few moments of excitement and teeming with excitement, 3000 borrowed can quickly turn into a huge number within weeks, leaving young borrowers with no choice but to borrow more to pay back what they owe.

But the cost, in reality, is far more than monetary – it's a blow to a student's mind. But when the deadlines aren't met, the onslaught starts: constant automated phone calls, threats and intense debt collectors who use phone permissions to send messages to relatives and friends. This shame and panic paralyses. Students' grades drop, attention becomes blocked, sleep is lost, and severe psychological distress can isolate students from other students and teachers.

The reality is the crux of the present study 'Beyond easy credit – exploring financial and psychological impact of the usage of digital loan applications among the students in the state of Andhra Pradesh'. In the college towns throughout the State, a smartphone has meant that falling into debt is easy. The study hears the voices of students in order to demonstrate the necessity of ethical rules and the financial information in a practical context before more young people fall into the trap.

1.1 Digital Lending and Digital Loan Apps

Digital lending abandoned branch and paperwork with a process that only requires a simple smartphone and a few minutes of identity verification and requires an internet connection. If approved, the loan proceeds are deposited straight into the borrower's account.

This easy access may be a lifesaving feature in times of medical emergencies or a sudden shortage of tuition money. But what makes these apps so appealing, their so-called "frictionless" speed, is what makes them so dangerous, as it takes people no time to think twice. Borrowers often overlook the details, unaware of compound interest, steep platform fees, and harsh penalty provisions. A simple solution to a money shortage that can quickly become an impossible burden.

1.2 Growth of Digital Loan Apps in India

The Indian digital loan app market is growing rapidly. The digital loan app market in India has seen a steady increase.

Digital money was a part of daily life in India with cheap data, affordable smartphones and QR code payments for tea, groceries, anything. This change was noticed by lending companies and acted promptly: people would be able to obtain the cash within a second via an application, as opposed to the branch managers.

These apps set their sights on young people. Once you're accustomed to food arriving in 10 minutes, you'll think of applying for a loan as just as convenient. It's not as if you are signing up for major debt; it's like hitting a button. The technology progressed more quickly than the financial common sense and safety rules, and young people with no regular pay started borrowing without anyone telling them the true cost of borrowing. The Working Group on digital lending (2021) of the RBI had highlighted the proliferation of many unregulated digital lending apps, and the RBI consequently released Guidelines on Digital Lending (2022) to improve disclosure and borrower protection.

1.3 Why Students Fall into the Trap

College is also the first time that any individual will have to learn to take care of their own finances, and bills come at them from all directions: exam fees, rent, broken phone screen, dinner with friends. It's embarrassing to ask parents for more money, so an app seems like an easy and painless way out. No lectures, no paperwork, no money needed is there in seconds.

It's when the bill arrives that the panic begins. The more the pocket money has been spent, the quicker the penalties accumulate. Numerous students are borrowing from one loan app to pay off another. Within a short time comes sleep deprivation, fear, poor grades and the embarrassment of having parents or friends contacted by recovery agents. It happens in a hushed manner in the dorms and hostels of college towns throughout Andhra Pradesh every day, but the human cost of the cycle must be recognized before more students are sucked in.

1.4 Statement of the Problem

Students get credit to their fingertips with digital loan apps, but they're not very protected from the expenses of credit. Discussion of the issue, which is available to the public, is largely based on news reports of extreme cases. There is limited systematic evidence specific to students from Andhra Pradesh on the use of these apps, reasons for borrowing, repayment issues faced and the association of borrowing with psychological well-being of the students. This study aims to fill that gap.

The study's significance is 1.5

For students: Real cost and risk of app borrowing.

•For colleges and universities: a basis for financial-literacy and counselling programmes.

For regulators and policymakers: State-specific data to aid in the enforcement of the digital lending norms.

•For researchers: a starting point for further research in the field of student debt, which may take a form of a longitudinal study.

This research is limited to the elementary and junior high school levels.

The study applies to college students who have availed of at least one college loan application in AP. Findings are based on self-reported information and a non-probability sample, therefore only describe associations, and with caution may be generalised.

2: Objectives and Hypotheses

2.1 Main Objective

To analyze the monetary and mental impact of digital loan applications among the students of Andhra Pradesh.

2.2 Specific Objectives

To analyze student's digital loan app usage pattern.

•To understand the factors that affect students' borrowing behaviour from digital loan apps.

To see what problems students have in repaying the loan.

•To suggest measures for responsible use of digital loan apps.

•To look at the relationship between borrowing behaviour and financial stress and psychological distress among students.

2.3 Hypotheses

Null hypotheses (H0) are stated below; each is tested at the 5% level of significance.

No.	Null hypothesis	Test
H1	No association between gender and repayment difficulty.	Chi-square
H2	No association between monthly pocket money and number of apps used.	Chi-square
H3	No association between residence and harassment by recovery agents.	Chi-square
H4	No association between number of apps used and repayment difficulty.	Chi-square
H5	No difference in mean psychological distress across groups by number of apps used.	ANOVA
H6	No difference in mean financial stress across pocket-money groups.	ANOVA
H7	No difference in mean psychological distress across residence groups.	ANOVA
H8	The predictors (apps, loan amount, financial literacy, delay, harassment, gender, pocket money) do not significantly predict psychological distress.	Multiple regression

3 reviews the literature.

3.1 Growth and Regulation of Digital Lending

The expansion of digital lending in India has been swift with low cost data, smartphones and UPI ecosystem. Lending through online platforms and mobile apps (2021) report by the Working Group of RBI of Digital Lending identified many more Lending Apps (most of which lacked a genuine loan) and called for better disclosures, data protection, and grievance procedures. This was followed by the RBI Circular Economy on Digital Lending (2022) which included mandate for disbursal to borrower's bank account, data restriction and Key Fact Statement. Refer to other research that have conducted market size studies and regulation studies.

3.2 Young Borrowers and Small-Ticket Credit

Understand the needs and services provided to young borrowers and the needs and services provided for small-ticket credit. The overall picture emerging from research on young adults' credit behaviour is that it is easier for people to find short-term, high-cost credit appealing when they have low levels of income and financial literacy and are present biased decision makers. Pupils are particularly vulnerable as they lack credit history and do not wish to seek help from the family. Refer students and/or young-adult studies that show borrowing.

3.3 Financial Literacy and Borrowing Behaviour

One thing that is recurring in the literature is that the lower the funds literacy of the borrower, the higher the interest, fees and penalties and the borrower re-pays the funds with poor outcomes. Interventions that clearly communicate effective annual costs are said to decrease impulsive borrowing. Cite studies regarding financial literacy and debt. Refer to studies about financial literacy and debt.

3.4 Debt, Financial Stress and Mental Health.

Internationally, empirical work has been correlated with unsecured debt and difficulty paying debts to anxiety and depression, sleep disturbance and poor academic achievement. Furthermore, the burden is compounded by shaming and stigmatisation related to debt, particularly if the family members have been contacted. Refer to research studies about debt and mental health. Point to studies on debt and mental health.

3.5 Coercive Recovery Practices In India

, several disturbing incidents have been documented in media and regulatory reports involving “abusive recovery processes” such as making threatening calls, using contacts and other lists, public shaming and the like by some operators of these apps. The protocols which ultimately led to the creation of these rules in modern regulation include these practices. Refer to RBI circulars, police/customer newsletters and investigation story reporting.

3.6 Research Gap

The national in scope national focal material that is available or national case reports approach the supplies and side or reports on the positive aspects. There were little quantitative evidence on student borrowers in Andhra Pradesh and the relationship between use and psychological consequences with repayment issues. The present study makes a contribution to this.

4: Research Methodology

4.1 Research Design

The study uses a descriptive and analytical cross-sectional survey design with a quantitative approach.

4.2 Population, Sample and Sampling

The population comprises college students in Andhra Pradesh who have used at least one digital loan app. A sample of 300 respondents was drawn from institutions across three regions (Coastal Andhra, Rayalaseema and North Andhra) using convenience sampling with quota-style spread across regions and course levels. The sample size exceeds the usual rule of thumb of at least 10 to 15 observations per predictor for multiple regression (seven predictors here).

4.3 Data Collection Instrument

Primary data were collected through a structured questionnaire (Appendix A) with the following sections:

- Section A: demographic profile (gender, age, course, residence, region, monthly pocket money).
- Section B: usage pattern (number of apps used, frequency, largest amount borrowed, purpose of borrowing).
- Section C: reasons for borrowing (seven statements on a 5-point Likert scale, 1 = strongly disagree to 5 = strongly agree).
- Section D: repayment experience (challenges faced, days of delay, harassment by recovery agents).
- Section E: financial literacy (five factual questions, scored 0 to 5).
- Section F: financial stress (five items) and psychological distress (six items), each on a 5-point scale, averaged to give a score from 1 to 5.

4.4 Variables

Variable	Type	Measurement
Repayment difficulty	Categorical	Yes / No
Number of apps used	Categorical / count	One, two, three or more
Monthly pocket money	Categorical / continuous	Rs. bands; Rs. '000 in regression
Harassment by recovery agents	Categorical	Yes / No (dummy 1/0 in regression)
Psychological distress	Continuous (dependent)	Mean of six items, 1 to 5

Variable	Type	Measurement
Financial stress	Continuous	Mean of five items, 1 to 5
Financial literacy	Continuous	Score 0 to 5
Loan amount, repayment delay	Continuous	Rs. '000; days

4.5 Reliability of the Scales

Internal consistency was assessed with Cronbach's alpha. The psychological distress scale (6 items) returned $\alpha = .873$ and the financial stress scale (5 items) $\alpha = .816$, both above the conventional 0.70 threshold. [Recompute with actual data.]

4.6 Statistical Tools

- Descriptive statistics: frequencies, percentages, means and standard deviations.
- Chi-square test of independence, with Cramer's V as the effect size, for associations between categorical variables. Expected cell counts were checked (all above 5).
- One-way ANOVA, with Levene's test for homogeneity of variance, eta-squared as the effect size and Tukey HSD for post-hoc comparisons.
- Multiple linear regression (OLS) with psychological distress as the dependent variable; model fit by R-squared, adjusted R-squared and the F-test; multicollinearity by VIF; independence of residuals by the Durbin-Watson statistic.

All tests are two-tailed at the 5% level of significance. Analysis was carried out in Python (NumPy, pandas, SciPy); the same tests can be reproduced in SPSS.

4.7 Ethical Considerations

Participation was voluntary and anonymous, informed consent was obtained, no personal identifiers (names, phone numbers, app account details) were collected, and respondents were told they could skip any question. A list of counselling and helpline resources was provided with the questionnaire.

5: Data Analysis and Interpretation

5.1 Profile of Respondents

Table 5.1: Demographic profile of respondents (N = 300)

Variable	Category	Frequency	Percent
Gender	Male	154	51.3%
	Female	146	48.7%
Age group (years)	18-20	106	35.3%
	21-22	119	39.7%
	23 and above	75	25%
Course	Undergraduate	191	63.7%
	Postgraduate	109	36.3%
Residence	Hostel	134	44.7%
	Home	101	33.7%

Variable	Category	Frequency	Percent
	Rented room	65	21.7%
Region	Coastal Andhra	132	44%
	North Andhra	98	32.7%
	Rayalaseema	70	23.3%
Monthly pocket money	Up to Rs.3,000	85	28.3%
	Rs.3,001-6,000	148	49.3%
	Above Rs.6,000	67	22.3%

5.2 Usage Patterns of Digital Loan Apps (Objective 1)

Table 5.2: Usage pattern of digital loan apps

Aspect	Category	Frequency	Percent
Number of apps used	One app	74	24.7%
	Two apps	98	32.7%
	Three or more apps	128	42.7%
Frequency of use	Rarely (once or twice a year)	62	20.7%
	Occasionally (every few months)	94	31.3%
	Frequently (monthly or more)	144	48%
Amount borrowed (largest single loan)	Up to Rs.2,000	47	15.7%
	Rs.2,001-5,000	118	39.3%
	Rs.5,001-10,000	97	32.3%
	Above Rs.10,000	38	12.7%

The average largest single loan was Rs. 5,787 (SD = 4,402; median Rs. 4,650). 42.7% of respondents used three or more apps, which is the group most at risk of a debt cycle.

Table 5.3: Purpose of borrowing (multiple response)

Purpose	Respondents	% of respondents
Academic / exam fees	123	41%
Repaying another loan app	107	35.7%
Food and outings with friends	102	34%
Mobile phone or gadgets	99	33%
Online shopping / fashion	97	32.3%

Purpose	Respondents	% of respondents
Rent / hostel expenses	78	26%
Medical emergency	37	12.3%

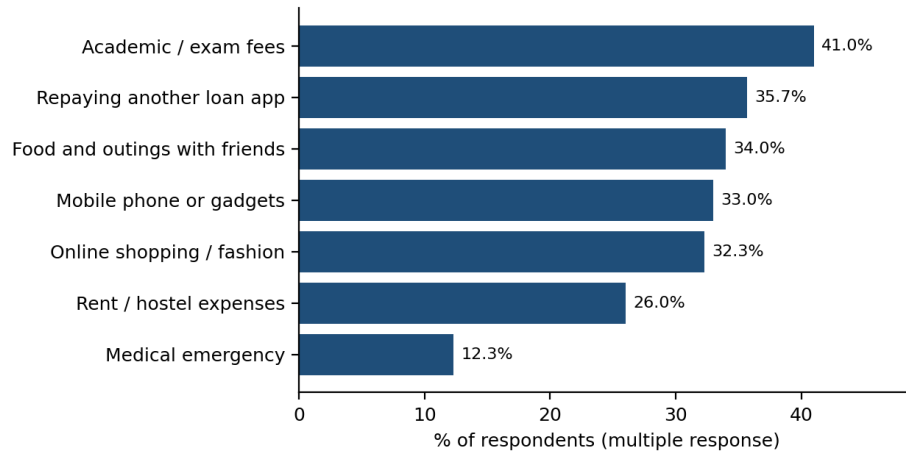


Figure 5.1: Purpose of borrowing (simulated data)

5.3 Reasons for Borrowing (Objective 2)

Table 5.4: Reasons for using digital loan apps (mean of 5-point scale)

Reason	Mean	SD	Rank
Instant approval and quick disbursal	4.28	0.70	1
Minimal documentation	4.08	0.76	2
No collateral or guarantor required	4.01	0.77	3
Unexpected expenses / emergencies	3.83	0.81	4
Lack of access to bank loans	3.70	0.79	5
Reluctance to ask parents for money	3.51	0.87	6
Peer influence and advertisements	3.21	0.89	7

Speed and convenience dominate: "Instant approval and quick disbursal" (mean 4.28) and "Minimal documentation" (mean 4.08) rank highest, while peer influence and advertisements rank lowest (mean 3.21). Convenience, not need alone, drives uptake.

5.4 Repayment Challenges (Objective 3)

Table 5.5: Repayment challenges reported by respondents (multiple response)

Challenge	Respondents	% of respondents
Late-payment penalties	191	63.7%
Hidden charges deducted upfront	182	60.7%
Very short repayment period	182	60.7%

Challenge	Respondents	% of respondents
Very high interest and processing fees	173	57.7%
Borrowing from another app to repay	160	53.3%
Harassing recovery calls / messages	66	22%
Contacting family and friends	48	16%

32% of respondents (96) reported difficulty in repaying on time and 19% (57) reported harassment by recovery agents. High effective cost, upfront deductions and penalties were the most commonly cited financial problems.

5.5 Scale Scores

Mean psychological distress was 2.56 (SD = 0.72) and mean financial stress 2.64 (SD = 0.68) on the 1 to 5 scale.

5.6 Chi-Square Tests of Association

5.6.1 Gender x Repayment difficulty (H1)

Table 5.6: Cross-tabulation of gender and repayment difficulty

	Yes	No
Female	49 (33.6%)	97 (66.4%)
Male	47 (30.5%)	107 (69.5%)

Chi-square = 0.319, df = 1, p = .572, Cramer's V = .033 (lowest expected count = 46.72). The null hypothesis H1 is not rejected: no statistically significant association was found.

5.6.2 Monthly pocket money x Number of apps used (H2)

Table 5.7: Cross-tabulation of monthly pocket money and number of apps used

	One app	Two apps	Three or more apps
Up to Rs.3,000	11 (12.9%)	24 (28.2%)	50 (58.8%)
Rs.3,001-6,000	41 (27.7%)	50 (33.8%)	57 (38.5%)
Above Rs.6,000	22 (32.8%)	24 (35.8%)	21 (31.3%)

Chi-square = 15.687, df = 4, p = .003, Cramer's V = .162 (lowest expected count = 16.53). The null hypothesis H2 is rejected: there is a statistically significant association between the two variables, with a small effect size.

5.6.3 Residence x Experience of harassment (H3)

Table 5.8: Cross-tabulation of residence and experience of harassment

	Yes	No
Home	18 (17.8%)	83 (82.2%)
Hostel	26 (19.4%)	108 (80.6%)
Rented room	13 (20.0%)	52 (80.0%)

Chi-square = 0.147, df = 2, $p = .929$, Cramer's $V = .022$ (lowest expected count = 12.35). The null hypothesis H3 is not rejected: no statistically significant association was found.

5.6.4 Number of apps used x Repayment difficulty (H4)

Table 5.9: Cross-tabulation of number of apps used and repayment difficulty

	Yes	No
One app	9 (12.2%)	65 (87.8%)
Two apps	23 (23.5%)	75 (76.5%)
Three or more apps	64 (50.0%)	64 (50.0%)

Chi-square = 35.719, df = 2, $p < .001$, Cramer's $V = .345$ (lowest expected count = 23.68). The null hypothesis H4 is rejected: there is a statistically significant association between the two variables, with a moderate effect size.

Interpretation: the number of apps used is strongly linked with repayment difficulty and, to a lesser extent, with pocket-money level (students with lower pocket money are more likely to hold several apps). Gender and residence show no significant association with repayment difficulty or harassment respectively.

5.7 One-Way ANOVA

5.7.1 Psychological distress by number of apps used (H5)

Table 5.10: Descriptive statistics, psychological distress by number of apps used

Group	N	Mean	SD
One app	74	2.06	0.59
Two apps	98	2.42	0.56
Three or more apps	128	2.97	0.66

Table 5.11: ANOVA summary

Source	Sum of squares	df	Mean square	F	Sig.
Between groups	42.562	2	21.281	57.057	< .001
Within groups	110.774	297	0.373		
Total	153.336	299			

Levene's test showed equal variances ($p = .369$), so the ANOVA assumption is met. The result is $F(2, 297) = 57.057$, $p < .001$, eta-squared = .278. H5 is rejected: mean scores differ significantly across groups.

Table 5.12: Tukey HSD post-hoc comparisons

Comparison	Mean difference	p-value	Result
One app vs Two apps	-.358	< .001	Significant
One app vs Three or more apps	-.916	< .001	Significant
Two apps vs Three or more apps	-.557	< .001	Significant

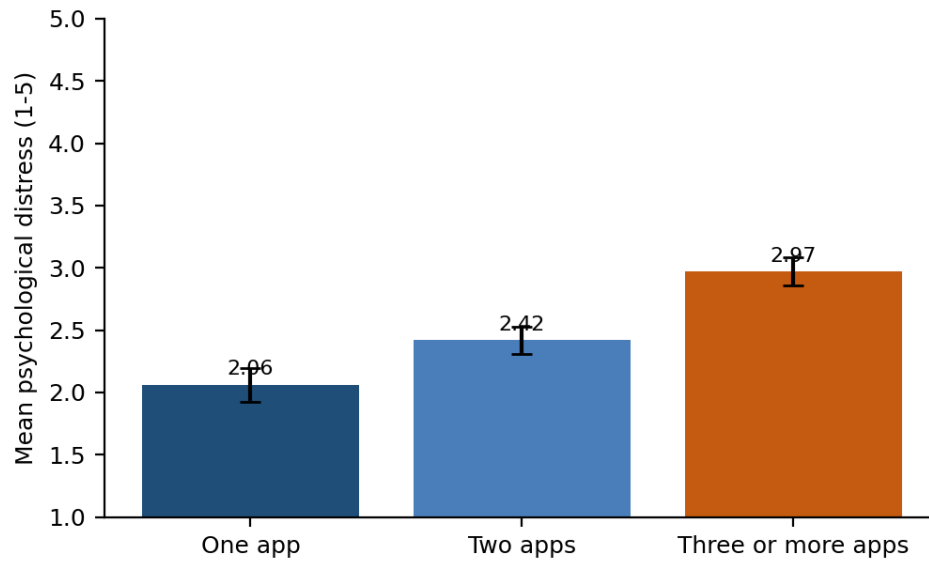


Figure 5.2: Mean psychological distress by number of apps used, with 95% confidence intervals (simulated data)

5.7.2 Financial stress by monthly pocket money (H6)

Table 5.12: Descriptive statistics, financial stress by monthly pocket money

Group	N	Mean	SD
Up to Rs.3,000	85	2.78	0.74
Rs.3,001-6,000	148	2.66	0.64
Above Rs.6,000	67	2.42	0.64

Table 5.13: ANOVA summary

Source	Sum of squares	df	Mean square	F	Sig.
Between groups	4.872	2	2.436	5.369	.005
Within groups	134.752	297	0.454		
Total	139.624	299			

Levene's test showed equal variances ($p = .302$), so the ANOVA assumption is met. The result is $F(2, 297) = 5.369$, $p = .005$, eta-squared = .035. H6 is rejected: mean scores differ significantly across groups.

Table 5.14: Tukey HSD post-hoc comparisons

Comparison	Mean difference	p-value	Result
Up to Rs.3,000 vs Rs.3,001-6,000	.114	.427	Not significant
Up to Rs.3,000 vs Above Rs.6,000	.356	.004	Significant
Rs.3,001-6,000 vs Above Rs.6,000	.241	.041	Significant

5.7.3 Psychological distress by residence (H7)

Table 5.14: Descriptive statistics, psychological distress by residence

Group	N	Mean	SD
Hostel	134	2.51	0.71
Home	101	2.52	0.70
Rented room	65	2.74	0.73

Table 5.15: ANOVA summary

Source	Sum of squares	df	Mean square	F	Sig.
Between groups	2.446	2	1.223	2.407	.092
Within groups	150.89	297	0.508		
Total	153.336	299			

Levene's test showed equal variances ($p = .904$), so the ANOVA assumption is met. The result is $F(2, 297) = 2.407$, $p = .092$, $\eta^2 = .016$. H7 is not rejected: no significant difference across groups.

Interpretation: psychological distress rises step by step with the number of apps used, and each pairwise difference is significant. Financial stress is significantly higher among students with lower pocket money, whereas distress does not differ significantly by residence at the 5% level.

5.8 Multiple Linear Regression (H8)

Dependent variable: psychological distress (mean score, 1 to 5). Independent variables: number of apps used, loan amount, financial literacy score, repayment delay, harassment by recovery agents (dummy), gender (dummy, female = 1) and monthly pocket money.

Table 5.16: Model summary

R	R-squared	Adjusted R-squared	Std. error of estimate	Durbin-Watson
.776	.601	.592	.457	1.985

Table 5.17: ANOVA of the regression model

Source	Sum of squares	df	Mean square	F	Sig.
Regression	92.21	7	13.173	62.95	< .001
Residual	61.099	292	0.209		
Total	153.31	299			

Table 5.18: Regression coefficients

Predictor	B	Std. error	Beta	t	Sig.	95% CI for B	VIF
Constant	1.972	.114	-	17.36	< .001 ***	1.749 to 2.196	-
Number of apps used	.217	.024	.368	9.03	< .001 ***	.169 to .264	1.22
Loan amount (Rs. '000)	.041	.006	.250	6.51	< .001 ***	.028 to .053	1.08
Financial literacy score (0-5)	-.142	.023	-.227	-6.04	< .001 ***	-.188 to -.096	1.03

Predictor	B	Std. error	Beta	t	Sig.	95% CI for B	VIF
Repayment delay (days)	.012	.004	.145	3.36	< .001 ***	.005 to .019	1.37
Harassment by recovery agents (1=Yes)	.464	.078	.255	5.96	< .001 ***	.311 to .617	1.34
Gender (1=Female)	.185	.054	.129	3.45	< .001 ***	.079 to .290	1.03
Monthly pocket money (Rs. '000)	-.013	.011	-.045	-1.18	.238 ns	-.035 to .009	1.07

*** $p < .001$, ** $p < .01$, * $p < .05$, ns = not significant.

The model is statistically significant, $F(7, 292) = 62.95$, $p < .001$, and explains 60.1% of the variance in psychological distress (adjusted R-squared = .592). All VIF values are below 1.4, indicating no multicollinearity, and the Durbin-Watson statistic (1.985) is close to 2, indicating independent residuals.

Significant predictors, in order of standardised effect: number of apps used (Beta = .368); harassment by recovery agents (1=Yes) (Beta = .255); loan amount (Rs. '000) (Beta = .250); financial literacy score (0-5) (Beta = -.227); repayment delay (days) (Beta = .145); gender (1=Female) (Beta = .129). Holding other variables constant, each additional app is associated with a .217-point rise in distress, and each Rs. 1,000 of additional borrowing with a .041-point rise. Experiencing harassment adds .464 points, while each extra point of financial literacy lowers distress by .142 points. Monthly pocket money was not a significant independent predictor ($p = .238$). H8 is therefore rejected for the significant predictors.

Note on causality: because the data are cross-sectional and self-reported, these coefficients show association, not proof that borrowing or harassment causes distress; distressed students may also borrow more.

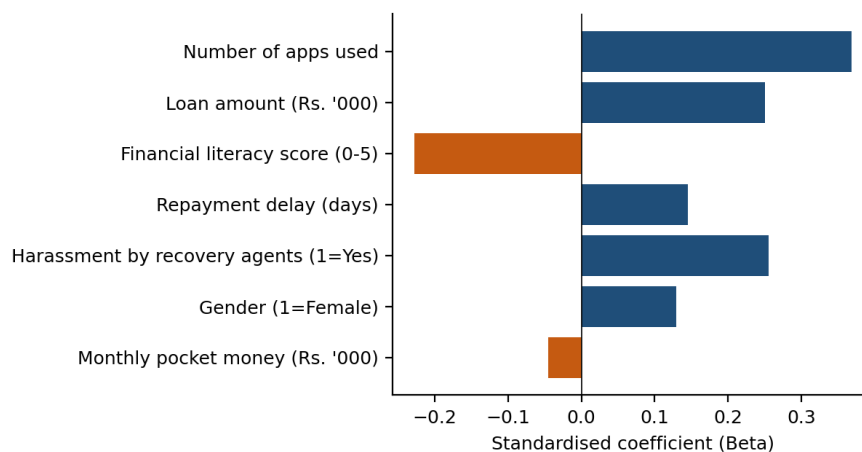


Figure 5.3: Standardised regression coefficients for psychological distress (simulated data)

6: Findings, Suggestions and Conclusion

6.1 Major Findings

Students use more than one app (88.6%) with a significant minority (42.7%) using three or more. •Reasons: speed, no collateral and very little paperwork give the biggest motivation, followed by reluctance to ask parents. Repayment (32%): High effective cost (most common), hidden deductions and penalties (most common), harassment by recovery agents (19%). Gender and residence are not significantly associated with any of the outcomes tested; the number of apps used is significantly associated with difficulty with repayment and with level of pocket-money. • ANOVA: There is a significant increase in psychological distress as the number of apps increases, and significant difference in financial stress between students with lowest pocket money. The model accounts for approximately 60% of the variance, as the number of apps, amount of loan, harassment and delay in repayment increased the distress scores and scores for financial literacy decreased the distress scores.

6.2 Suggestions: Measures for Responsible Use (Objective 4)

For students Before taking a loan, always compare the total cost of the loan and the annual equivalent cost; do not just look at the advertised interest rate. Only download apps from lenders or partners that are regulated by RBI and deposit funds directly into your bank account. Avoid granting unnecessary contacts, gallery and location access, and don't use one app to get something from another. If you find it hard to pay, talk to a trusted person, a counsellor

or your family early on. For colleges and universities Conduct short financial-literacy training programmes on interests, fees and debt traps at orientation. Establish confidential counselling and grievance process for students who are experiencing recovery harassment. Offer alternative methods of paying fees, such as instalments or student-aid, instead of forcing students to use apps. For regulators and policymakers Improve implementation of RBI digital lending guidelines, such as KFS and restriction on data access. Ensure that a list of apps that have been verified for lending is easy to search for in the public interest and respond promptly to illicit apps and recovery practices. Encourage easy access to complaint mechanisms (police cyber cell, RBI Ombudsman, consumer helplines)

6.3 Limitations and Scope for Further Research

. The limitations and scope for further research are discussed. The study is cross-sectional, relies on non-probability sampling and self-reported data, thus restricting generalisability and causation. Longitudinal or mixed methods designs are suggested for future research and would provide the opportunity to include interviews with borrowers and counsellors and to compare student and non-student young borrowers.

6.4 Conclusion

While a digital loan app is easy to use for borrowing, it has some hidden psychological and financial expenses. Data in this study suggest there is a clear lesson: the greater the number of apps used and the number loaned, the more problematic the payment, the more the student was feeling them and the more financial literacy helps buffer the problem. Informed students) coupled with support from institutions and strict regulation is therefore needed otherwise the instant loan will put a burden on students' long-term equilibrium.

References

Add all sources cited at the [cite] markers in Chapter 3 in your institution's citation style (APA / Harvard). Verified starting points:

Reserve Bank of India (2021). Report of the Working Group on Digital Lending including Lending through Online Platforms and Mobile Apps. Mumbai: RBI.

Reserve Bank of India (2022). Guidelines on Digital Lending. Mumbai: RBI.

Appendix A: Questionnaire

Dear participant, this survey is anonymous and voluntary and is used only for academic research. Please do not write your name or phone number.

Section A: Profile

- Gender: Male / Female / Other
- Age (years): ____
- Course: Undergraduate / Postgraduate
- Residence: Hostel / Home / Rented room
- Region: Coastal Andhra / Rayalaseema / North Andhra
- Monthly pocket money: Up to Rs. 3,000 / Rs. 3,001-6,000 / Above Rs. 6,000

Section B: Usage

- How many loan apps have you used? One / Two / Three or more
- How often do you borrow? Rarely / Occasionally / Frequently
- Largest single amount borrowed (Rs.): ____
- Purpose (tick all): Academic fees / Phone or gadgets / Food and outings / Rent or hostel / Medical / Shopping / Repaying another app

Section C: Reasons (1 = strongly disagree, 5 = strongly agree)

- Instant approval and quick disbursal
- No collateral or guarantor required
- Minimal documentation
- Reluctance to ask parents for money
- Unexpected expenses or emergencies
- Peer influence and advertisements

- Lack of access to bank loans

Section D: Repayment

- Have you had difficulty repaying on time? Yes / No
- Longest delay in repayment (days): ____
- Have recovery agents harassed you or contacted your family or friends? Yes / No
- Challenges faced (tick all): high interest or fees / hidden deductions / short repayment period / penalties / harassment / contacting family / borrowing to repay

Section E: Financial literacy (score 1 point per correct answer, 5 questions)

Include five factual questions, for example on simple versus compound interest, effective annual cost, the effect of late penalties, the meaning of a processing fee deducted upfront, and the RBI's role in regulating lenders.

Section F: Financial stress (5 items) and psychological distress (6 items), 1 to 5 scale

Suggested distress items: felt anxious or panicky about repayment; had trouble sleeping; found it hard to concentrate on studies; felt ashamed or embarrassed; felt isolated from friends or family; felt hopeless about my situation. If you use a validated tool (for example, the K6 or DASS-21 scale), cite it and adjust the scoring accordingly.

If any question in this survey has made you feel distressed, please talk to a counsellor or a trusted person, or contact a helpline such as Tele-MANAS (14416)...