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The Impact of Financial Literacy and Social Media on Fintech Usage

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ABSTRACT

Financial technology (fintech) has changed the way people pay, save, borrow and invest, and in India the growth of UPI, mobile banking and investment apps has brought millions of first-time users into the digital financial system. Whether a person actually adopts and keeps using these services, however, depends on more than access to a smartphone. This paper examines how two factors, financial literacy and social media, influence the usage of fintech services. It follows a descriptive and analytical design based on primary data collected through a structured questionnaire from 21 respondents in Financial literacy is measured through knowledge, behaviour and attitude items, social media through exposure to and trust in financial content, and fintech usage through the frequency and range of services used. Reliability is checked with Cronbach's alpha, and the relationships are examined through descriptive statistics, correlation and multiple regression. Financial literacy and fintech usage are both high among the respondents (mean scores of 3.94 and 3.83 out of 5), while social media influence is moderate (3.45). Social media influence is positively and significantly related to fintech usage ($\beta = 0.56$, $p = 0.019$), whereas financial literacy shows no significant effect once social media is taken into account ($\beta = -0.09$, $p = 0.690$); the two factors together explain 28.4 per cent of the variation in fintech usage.

Keywords: financial literacy, social media, fintech usage, digital payments, UPI, technology adoption, primary data.

1. Introduction

Fintech refers to the use of digital technology to deliver financial services such as payments, lending, savings, insurance and investment. Over the last decade, mobile payments, online banking, digital wallets and stock-trading apps have moved from being a convenience to being part of daily life, particularly among young adults. India is a prominent example, where real-time digital payments now sit alongside traditional banking for a very large number of users.

Even so, the pace at which people take up these services is uneven. Two factors are often mentioned in this context. The first is financial literacy, which is the ability to understand and apply basic financial concepts such as interest, inflation, risk and budgeting. A person who understands these ideas is likely to be better placed to judge the benefits and risks of a financial app. The second is social media, which has become a major source of information, opinion and peer influence. Short videos, finance influencers, discussion groups and advertisements introduce many people to fintech products long before they visit a bank branch.

This paper looks at both factors together. Its purpose is to find out how far financial literacy and social media are associated with the use of fintech services among Gen Z respondents aged 18–29, most of them students and young earners, and which of the two is the stronger influence.

2. Statement of the Problem

Fintech services are widely available, but access does not guarantee informed or regular use. Some people use only one or two basic services, while others use payments, investment and lending apps together. At the same time, social media exposes users to a mix of genuine education, product promotion and unreliable advice. Where financial literacy is low, heavy reliance on social media may lead people to adopt products they do not fully understand; where it is high, they may use the same platforms more selectively. Existing evidence usually treats financial literacy and social media separately. It is therefore worth testing, with primary data, how each of them relates to fintech usage and whether they matter more together than alone.

3. Review of Literature

Financial literacy has been studied extensively as a driver of financial behaviour. Lusardi and Mitchell (2014) reviewed the evidence and concluded that people with higher financial literacy tend to plan better, take part more in financial markets and make sounder decisions, while low literacy is widespread across countries. Klapper and Lusardi (2020) reported similar patterns worldwide and linked financial literacy to resilience when

households face financial shocks. For India, Agarwalla et al. (2015) studied the working young in urban areas and found that levels of financial literacy were modest, which suggests that many new users of financial services may not fully understand what they use.

On the technology side, Gomber et al. (2018) described the fintech revolution as a shift in which digital innovation reshapes payments, investment and other financial services. Models of technology acceptance help explain why people adopt such services. Davis (1989) showed that perceived usefulness and ease of use shape the intention to use a technology, and Venkatesh et al. (2003) added social influence, that is, the extent to which people believe others important to them expect them to use a system, as a further determinant in the unified theory of acceptance and use of technology.

Social media is the channel through which much of this social influence now operates. Kaplan and Haenlein (2010) defined social media as internet-based applications that allow users to create and exchange content, which explains why peers, creators and brands can all shape how people view financial products. The Global Findex database (Demirgüç-Kunt et al., 2022) documents the global rise of digital payments and account ownership, giving the wider context in which these influences operate.

Taken together, these studies suggest that financial knowledge and social influence can both affect whether people adopt digital financial services.

4. Research Gap

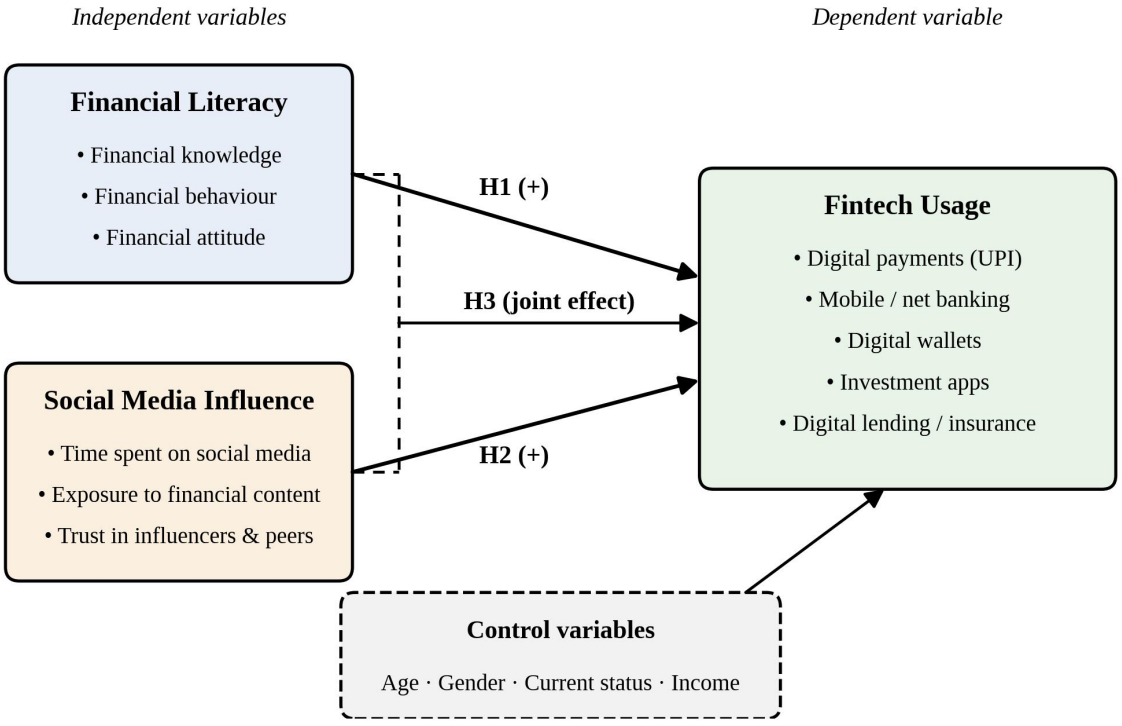
Most earlier work examines financial literacy and financial behaviour, or technology acceptance and intention to use, but treats social media only as a background influence. Few studies place financial literacy and social media in the same model to see how each is related to actual fintech usage. This paper attempts to address part of that gap by testing both factors together using primary data from Gen Z respondents.

5. Conceptual Framework

The framework of this study connects two independent variables with one dependent variable, as shown in Figure 1. The first independent variable is financial literacy, covering financial knowledge, financial behaviour and financial attitude. The second is social media influence, covering the time spent on social media, exposure to financial content, and trust in what is shared by influencers, peers and pages. The dependent variable is fintech usage, which is measured by how often a respondent uses digital payments, mobile or net banking, digital wallets, investment apps and digital lending or insurance services.

The underlying assumption is that people with greater financial understanding will be more confident and more willing to use fintech services, and that people who are more exposed to financial content on social media will be more aware of such services and more likely to try them. Age, gender, current status and income are treated as control variables.

Figure 1: Conceptual Framework of the Study



6. Objectives of the Study

- To measure the level of financial literacy of the respondents.
- To examine the extent of social media use for financial information among the respondents.
- To assess the level and pattern of fintech usage among the respondents.
- To analyse the impact of financial literacy on fintech usage.
- To analyse the impact of social media on fintech usage.
- To suggest measures that promote safe and informed use of fintech services.

7. Hypotheses

H1: Financial literacy has a significant positive effect on fintech usage.

H2: Social media influence has a significant positive effect on fintech usage.

H3: Financial literacy and social media influence together have a significant effect on fintech usage.

8. Research Methodology

8.1 Research design

The study is descriptive and analytical. It describes the level of financial literacy, social media influence and fintech usage among the respondents, and then tests the relationships between them.

8.2 Sample and sampling

The population consists of Gen Z respondents (aged 18–29), mainly students and young earners, A sample of 21 respondents is selected through convenience sampling. Only respondents who use a smartphone and at least one social media platform are included.

8.3 Data source

Primary data are collected through a structured online questionnaire. It has four sections: (a) demographic profile, (b) financial literacy, (c) social media influence and (d) fintech usage. Items in sections (b) to (d) are measured on a five-point Likert scale, where 1 means strongly disagree (or never) and 5 means strongly agree (or very often). Secondary data on fintech growth are drawn from published reports and journals. Financial literacy is measured with six items, social media influence with six items and fintech usage with four items.

8.4 Variables and measurement

Variable	Type	Measured through
Financial literacy	Independent	Knowledge of interest, inflation and risk; budgeting and saving behaviour; attitude towards planning
Social media influence	Independent	Time spent, exposure to financial content, trust in influencers and peers
Fintech usage	Dependent	Frequency and range of UPI/payments, banking apps, wallets, investment apps, digital lending/insurance
Age, gender, current status, income	Control	Demographic questions

Source: Prepared by the researcher.

8.5 Tools of analysis

Data are analysed with SPSS or an equivalent package. The following tools are used: (i) Cronbach's alpha to test the reliability of each scale, with 0.70 taken as the acceptable level; (ii) frequencies, percentages, means and standard deviations for the profile and descriptive analysis; (iii) Pearson's correlation to study the association between the variables; and (iv) multiple linear regression to test the hypotheses, using the model:

$FU = \beta_0 + \beta_1(FL) + \beta_2(SM) + \beta_3(Controls) + \varepsilon$

where FU is fintech usage, FL is financial literacy and SM is social media influence. Each variable is taken as the average of its scale items. Hypotheses are tested at the 5 per cent level of significance. Because of the small sample, Table 5 reports the model with the two main predictors only; the control variables are used to describe the respondents in Table 1.

8.6 Scope

The findings describe patterns among the sampled respondents. Because the study uses cross-sectional survey data, it reports association and does not claim to prove that one variable causes another.

9. Data Presentation

Table 1: Demographic Profile of Respondents

Characteristic	Category	Frequency	Per cent
Gender	Male	8	38.1
	Female	13	61.9
Age	18–20	10	47.6
	21–23	9	42.9
	24–26	1	4.8
	27–29	1	4.8
Current status	Student	11	52.4
	Working	5	23.8
	Student + Working	2	9.5
	Other	3	14.3
Monthly income / allowance	No personal income	13	61.9
	Below ₹5,000	1	4.8
	₹5,001–₹10,000	1	4.8
	₹10,001–₹20,000	1	4.8
	Above ₹20,000	5	23.8

Source: Primary data (n = 21). Percentages may not add up to 100 because of rounding.

Table 2: Reliability of the Scales

Variable	No. of items	Cronbach's alpha
Financial literacy	6	0.893
Social media influence	6	0.927
Fintech usage	4	0.806

Source: Primary data (n = 21). A value of 0.70 or above is taken as acceptable.

Table 3: Descriptive Statistics

Variable	Mean	Std. deviation	Interpretation
Financial literacy	3.94	0.76	High
Social media influence	3.45	0.93	Moderate
Fintech usage	3.83	0.83	High

Source: Primary data (n = 21). Mean interpretation: 1.00–2.33 low; 2.34–3.66 moderate; 3.67–5.00 high.

10. Data Analysis and Interpretation

10.1 Correlation analysis

Table 4: Correlation Matrix

Variable	1	2	3
1. Financial literacy	1	0.402 (p = 0.071)	0.138 (p = 0.552)
2. Social media influence	0.402 (p = 0.071)	1	0.527* (p = 0.014)
3. Fintech usage	0.138 (p = 0.552)	0.527* (p = 0.014)	1

*Source: Primary data (n = 21); p-values in brackets. * Significant at the 5 per cent level.*

Social media influence has a moderate positive correlation with fintech usage that is significant at 5 per cent (r = 0.527, p = 0.014). Financial literacy has only a weak, non-significant positive correlation with fintech usage (r = 0.138, p = 0.552). Financial literacy and social media influence are moderately related (r = 0.402), but this falls just short of significance at 5 per cent (p = 0.071).

10.2 Regression analysis

Table 5: Multiple Regression Results (Dependent Variable: Fintech Usage)

Predictor	Beta	t-value	Sig.
Financial literacy	−0.088	−0.405	0.690
Social media influence	0.562*	2.583	0.019

*Model summary: $R^2 = 0.284$; Adjusted $R^2 = 0.205$; $F = 3.573$; Sig. = 0.049 (n = 21). * Significant at the 5 per cent level. Source: Primary data.*

Social media influence has the larger standardised beta (0.562) and is significant at 5 per cent, while financial literacy has a small negative beta (−0.088) that is not significant. Together the two predictors explain 28.4 per cent of the variation in fintech usage (adjusted R^2 = 20.5 per cent), and the overall model is significant, although only just (p = 0.049). The variance inflation factor is 1.19, so overlap between the two predictors is not a concern.

10.3 Hypothesis testing

Table 6: Summary of Hypotheses

Hypothesis	Statement	Result
H1	Financial literacy → fintech usage	Rejected (p = 0.690)
H2	Social media influence → fintech usage	Accepted (p = 0.019)
H3	Both together → fintech usage	Accepted (p = 0.049)

Source: Primary data.

11. Findings and Discussion

The main findings are given below, one for each objective of the study.

- Profile: Of the 21 respondents, 61.9 per cent are female and 38.1 per cent male; 90.5 per cent are aged 18–23; 52.4 per cent are students, and 61.9 per cent report no personal income.
- Financial literacy is high (mean 3.94). The strongest item is the importance of saving for future needs (mean 4.43), and the weakest is having enough knowledge to make one's own financial decisions (3.76), so awareness of saving is stronger than confidence in decision-making.
- Use of social media for financial information is moderate (mean 3.45). Only 43 per cent of respondents (9 of 21) agree or strongly agree that they regularly get financial information on social media, and the same share consider it before making financial decisions; item means lie in a narrow range of 3.33 to 3.52.
- Fintech usage is high (mean 3.83). Frequent use of UPI, wallets and online banking is the most common pattern (mean 4.24; 76 per cent agree), followed by a preference for digital over traditional banking (3.81) and use of apps to monitor spending (3.71); the view that digital payment apps make managing money easier scores lowest (3.57). The questionnaire measures general usage, not individual services.
- Financial literacy has no significant effect on fintech usage ($\beta = -0.09$, $p = 0.690$), so H1 is rejected.
- Social media influence has a significant positive effect on fintech usage ($\beta = 0.56$, $p = 0.019$) and is clearly the stronger of the two factors, so H2 is accepted. The model as a whole is significant ($F = 3.57$, $p = 0.049$), so H3 is accepted.

The role of social media is consistent with the technology acceptance literature, in which social influence is a determinant of use (Venkatesh et al., 2003), and with the view that peers and creators shape how people see financial products (Kaplan & Haenlein, 2010). The literacy result differs from the expectation, drawn from Lusardi and Mitchell (2014), that higher literacy goes with fuller participation in financial services. One possible reason is that everyday payment apps such as UPI can be used without much financial knowledge; this study does not test that explanation. Literacy scores are also high and vary little (SD 0.76) in a small sample, which makes an effect harder to detect. The data cannot show whether heavy social media exposure combined with low literacy leads people to follow misleading advice, but the positive link between social media and usage makes the quality of financial content on these platforms a practical concern.

12. Limitations of the Study

- The study is based on a small sample of 21 respondents from, so the findings cannot be generalised to all fintech users.
- The data are self-reported and may be affected by respondents' own perceptions or by recall.
- The cross-sectional design shows association at one point in time and cannot establish cause and effect.
- Only financial literacy and social media are examined; other factors such as trust, security concerns and perceived ease of use are not included.
- Fintech usage is measured through reported frequency and not through actual transaction records.

13. Suggestions and Recommendations

The following suggestions are offered in light of the results above:

- Institutions and regulators should promote financial education programmes, particularly for young and first-time users, so that people understand the services they use.
- Fintech providers should explain fees, risks and terms in simple language inside their apps.
- Users should verify financial tips seen on social media against official or regulated sources before acting on them.
- Platforms and regulators should encourage clear disclosure of paid promotions in financial content.
- Colleges can include short digital finance modules that cover safe use of payment and investment apps.

Future studies could cover larger and more varied samples, add variables such as trust and perceived risk, and use structural equation modelling to test the relationships in a single model.

14. Conclusion

Fintech is now a regular part of financial life, and understanding what drives its use is important for users, providers and policymakers. This study set out to examine how financial literacy and social media are related to fintech usage. Among the 21 respondents, social media influence is significantly and positively related to fintech usage, while financial literacy is not once social media is taken into account, and the two together explain about 28 per cent of the variation in usage. The study concludes that social media influence is the stronger correlate of fintech usage in this sample, and that both informed users and responsible information on social media are needed for the safe growth of fintech services.

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