

Study of Digital Lending & Borrowing Patterns Among Students in Fintech Space

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Abstract—The rapid evolution of financial technology (FinTech) has significantly transformed the lending landscape, especially for students seeking accessible credit. This study examines digital lending and borrowing patterns among students, focusing on their motivations, financial literacy, and interaction with technology-driven credit platforms. Using a structured survey of college and university students, the research explores key variables such as borrowing behavior, repayment trends, awareness of loan conditions, and preferred digital platforms. The findings reveal a surge in the use of online lending solutions, but also highlight notable gaps in financial knowledge, repayment discipline, and responsible borrowing. The study emphasizes the need for targeted financial education, transparent loan structures, and student-specific fintech lending models. Policy recommendations are offered to promote sustainable financial practices and improve student well-being within the digital credit ecosystem.

Keywords—FinTech, Digital Lending, Student Borrowing, Financial Literacy, Credit Access, Loan Repayment, Financial Inclusion

I. INTRODUCTION

A. Background of the Study

The last decade has witnessed a significant shift in the global financial ecosystem with the integration of Financial Technology (FinTech), enabling faster, more inclusive, and data-driven financial services. Among its many applications, digital lending has emerged as a transformative innovation, particularly for underserved segments like students who traditionally face barriers to credit access due to lack of income proof or credit history [1], [2].

Unlike traditional bank loans, digital lending platforms employ alternative data sources such as academic records, smartphone activity, and behavioral analytics to evaluate borrower creditworthiness [3]. This shift has unlocked short-term, collateral-free loans tailored to digital-first users. According to the Reserve Bank of India (RBI), the digital lending market in India is expanding rapidly, especially among tech-savvy youth due to increased internet penetration, mobile phone usage, and the popularity of Buy Now, Pay Later (BNPL) schemes [4].

However, this convenience also brings challenges. Reports indicate that many student users lack awareness of loan terms, interest rates, and repayment policies, making them vulnerable to predatory lending practices [5]. Issues such as hidden charges, high interest rates, data privacy breaches, and coercive

collection tactics remain prevalent in the unregulated parts of the digital lending space [6].

B. Problem Statement

Despite the growing adoption of digital lending among students, several issues hinder its effectiveness and sustainability. Students often borrow without fully understanding the financial implications, leading to repayment challenges and debt cycles. Many digital lending platforms apply uniform credit terms, ignoring the financial realities of students—such as inconsistent incomes, dependency on allowances, or part-time employment [7]. Additionally, the absence of strong regulatory frameworks creates gaps in borrower protection, particularly concerning transparency in lending terms, ethical recovery practices, and responsible data usage [6]. These challenges highlight the urgent need to evaluate how students engage with fintech platforms and to propose more tailored and ethical lending solutions.

C. Research Objectives

This study aims to assess the patterns, motivations, and implications of digital borrowing among students in the Indian fintech ecosystem. The key objectives are:

- To analyze the adoption and usage patterns of digital lending platforms by students, including loan amounts, repayment behavior, and frequency of borrowing.
- To investigate the drivers of borrowing decisions, including urgency of need, economic status, and financial knowledge.
- To assess the impact of borrowing on students' financial well-being, including debt accumulation, academic performance, and stress levels.
- To identify the major challenges students face with digital loans and recommend reforms for more responsible and student-focused lending.

D. Research Questions

The research addresses the following questions:

- What are the borrowing behaviors and platform preferences of student borrowers?
- What key factors influence students' decisions to opt for digital lending platforms?
- How financially literate are students in terms of understanding interest rates, loan terms, and credit scores?
- What are the financial and academic implications of borrowing through digital platforms?

E. Significance and Scope of the Study

This study contributes to academic research and policy by offering a student-centered analysis of fintech lending in India. It provides practical insights for fintech firms aiming to build ethical and youth-focused products, for regulators developing fair lending guidelines, and for educational institutions seeking to promote financial literacy. The research focuses on students aged 18–25, from both undergraduate and postgraduate levels, across public and private institutions in India. It combines primary survey data with secondary sources such as academic papers, RBI guidelines, and industry reports.

By bridging the gap between technological convenience and financial responsibility, the study offers actionable recommendations for building safer and more inclusive credit systems for the student demographic.

II. LITERATURE REVIEW

- 1) Jonathan Robinson, David Park, and Joshua Blumenstock (2022): The authors examined how digital credit has expanded in developing economies and found that while access to loans has increased, borrowers often lack a clear understanding of loan terms and repayment obligations. Their study emphasized the importance of transparency and borrower education to ensure responsible usage of digital lending platforms.
- 2) AJ Chen, Omri Even-Tov, Jung Koo Kang, and Regina Wittenberg-Moerman (2023): This study used mobile phone and behavioral data to analyze the relationship between digital loans and financial well-being. The authors concluded that although digital lending can offer short-term financial support, it may also contribute to long-term stress and financial instability if borrowers are not financially literate.
- 3) Akhileshwari Asamani and Jayavani Majumdar (2023): Their research focused on the growth of digital lending in India and discussed how fintech has disrupted traditional financial systems. They advocated for a self-regulatory framework to oversee platform ethics and protect users from potential exploitation in the largely unregulated sector.
- 4) Prasad V. and Munnu (2023): The authors explored challenges faced by digital lending users, including hidden charges, lack of clarity in terms, and aggressive recovery tactics. Their findings indicated that many students are unaware of their rights and often fall victim to predatory lending due to poor financial awareness.
- 5) Giulio Cornelli, Jon Frost, Leonardo Gambacorta, P. Raghavendra Rau, Robert Wardrop, and Tania Ziegler (2023): This research analyzed the global rise of fintech credit, especially during the COVID-19 pandemic. The authors found that students and young adults increasingly relied on digital credit due to its convenience and fast processing, despite potential risks related to repayment and debt accumulation.
- 6) Poonam Shankarasa Raibagi (2024): Raibagi's work examined how student borrowing through loan apps affects financial security, emotional well-being, and academic performance. The research highlighted that low financial literacy among students often leads to irresponsible borrowing behavior and increased financial stress.
- 7) Titin, Sely Marselina, Sadah Patimah, Didit Haryadi, and Wahyudi Wahyudi (2024): The authors developed a framework linking financial literacy and financial behavior among students. Their findings showed that students with stronger financial knowledge manage debt more responsibly and make more informed credit-related decisions.
- 8) Koushik Bar, Anujit Patra, and Abhijit Guha (2024): This study analyzed student perceptions of credit card schemes and discovered that while many students support the idea of accessible credit, they often feel burdened by repayment conditions and insufficient support from lenders or institutions.
- 9) María Camila Bermeo-Giraldo, Alejandro Valencia-Arias, Lucia Palacios-Moya, and Jackeline Valencia (2023): The authors investigated fintech adoption among university students in Colombia, identifying financial education, social influence, and perceived ease of use as major factors influencing digital lending adoption.
- 10) Tiina Koskelainen, Panu Kalmi, Eusebio Scornavacca, and Tero Vartiainen (2022): This study emphasized the evolving nature of financial literacy in the digital age. The authors argued that digital innovation has outpaced financial education, leaving many young users unprepared to navigate modern credit systems.
- 11) Trang M.T. Phung (2022): Phung's research explored the role of parental influence in student budgeting and financial decision-making. The study found that students with financially literate parents exhibited better borrowing behavior and debt management skills.
- 12) Panos G. A. and Wilson J. O. (2020): These authors explored how financial literacy underpins responsible borrowing in the fintech era. Their findings linked responsible finance with high levels of financial awareness, particularly in youth populations exposed to digital credit products.
- 13) Bu Q. (2023): This study focused on the Chinese student lending market and identified several risks including data misuse, usury practices, and credit scoring bias. The research called for stronger policy interventions and borrower protections.
- 14) Kimaku M. W. (2021): The author examined the relationship between mobile loan accessibility and student saving behavior in Kenya. The findings showed that easy access to digital loans often discouraged savings and encouraged impulsive borrowing.
- 15) Pengpeng Yue, Aslihan Gizem Korkmaz, Zhichao Yin, and Haigang Zhou (2022): Their research warned that while digital finance can enhance financial inclusion, it also raises the risk of debt traps when users lack the education to assess long-term consequences of borrowing.
- 16) Hugo Garduño Ortega (2024): Ortega investigated innovative lending models in developing markets. The study showcased how fintech platforms use transaction data and AI-based assessments to offer credit, and recommended applying such models to student lending with greater personalization.

II. III. RESEARCH METHODOLOGY

A. Research Design

This research follows a quantitative approach using a structured, survey-based methodology to explore the borrowing patterns and financial behaviors of students within the digital lending ecosystem. The aim is to evaluate their usage of fintech platforms, assess levels of financial awareness, and identify key challenges related to repayment and credit management. The design enables the collection of standardized, comparable data from a diverse pool of student respondents, ensuring objectivity and analytical depth.

B. Sampling and Data Collection

The study uses purposive sampling to target students aged 18–25 who have either used or considered using digital lending platforms. A total of 200 participants were selected from both undergraduate and postgraduate programs across various public and private institutions in India. Primary data was gathered through online surveys, enabling broad reach and efficient response tracking. The sample includes a balanced representation of academic backgrounds, gender, and institutional types to ensure inclusivity and reliability in findings.

C. Questionnaire Structure

The survey instrument was a structured questionnaire designed to elicit measurable responses across multiple dimensions. It included close-ended questions, multiple-choice items, and Likert scale statements. The questionnaire was organized into six key sections:

- Demographic information (age, gender, education level)
- Usage of digital lending platforms (frequency, preferred apps, loan amounts)
- Motivations for borrowing (reasons, urgency, convenience)
- Financial literacy (awareness of interest rates, repayment terms, credit scores)
- Risk perception (hidden charges, coercive recovery practices, data privacy concerns)
- Impact on financial and academic well-being

This structure ensured consistency and enabled meaningful statistical analysis of the collected responses.

D. Data Analysis Techniques

Data was analyzed using SPSS software, applying both descriptive and inferential statistical methods. Descriptive statistics such as means, percentages, and frequency distributions were used to summarize respondent demographics and borrowing trends.

For inferential analysis, the following statistical tests were conducted:

- **Chi-square** test to examine associations between financial literacy and repayment behavior
- **Correlation analysis** to assess the relationship between financial literacy and borrowing frequency
- **Regression analysis** to identify key predictors of borrowing behavior and financial stress

These tools enabled the study to uncover significant patterns and relationships that inform the broader discussion on responsible borrowing and student-centric fintech solutions.

III. DATA ANALYSIS AND INTERPRETATION

A. Introduction

This chapter presents the data analysis and interpretation of the study on digital lending and borrowing patterns among students in the fintech space. Various statistical techniques, including descriptive statistics, chi-square tests, correlation analysis, and regression analysis, were applied to gain insights into students' borrowing behavior, financial literacy, and digital lending usage.

B. Descriptive Statistics

Table 1 presents the demographic data of the respondents. The majority of respondents (35%) fall within the 18–21 age group, followed closely by those in the 22–25 age group, which constitutes 33.1% of the sample. The data indicates that digital lending platforms are primarily used by younger students, particularly those in their undergraduate and early postgraduate years. Figure 1 illustrates the distribution of respondents across various age groups.

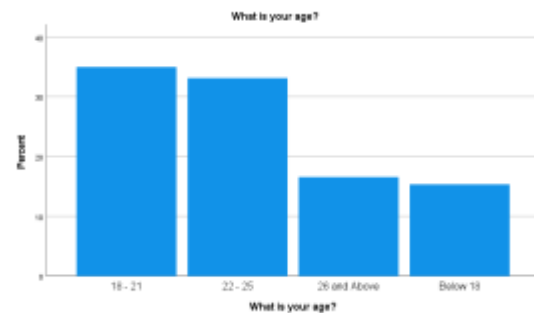


Figure 1. Distribution of Respondents by Age Group

Table 1. Demographic Information: Age Group Distribution

Age Group	Frequency	Percent	Cumulative Percent
18-21	57	35.0%	35.0%
22-25	54	33.1%	68.1%
26 and Above	27	16.6%	84.7%
Below 18	25	15.3%	100.0%
Total	163	100.0%	100.0%

C. Chi-Square Test

The chi-square test was conducted to examine whether there is a relationship between financial literacy and repayment behavior among students. The results of the chi-square test, presented in **Table 4.2**, show that the p-value is 0.002, which is less than the significance level of 0.05. This indicates a significant association between financial literacy and responsible repayment behavior. Students with higher financial literacy levels are more likely to repay their loans on time and manage their debt more effectively.

Table 4.2. Chi-Square Test for Financial Literacy and Repayment Behavior

Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	964.207	0.002
Likelihood Ratio	460.641	1.000
N of Valid Cases	163	

1) Correlation Analysis: Financial Literacy and Borrowing Frequency

This section examines the relationship between students' financial literacy and their borrowing frequency from digital lending platforms. The correlation analysis, as shown in **Table 4.3**, revealed a positive but non-significant correlation ($r = 0.107$, $p = 0.173$), suggesting that students with higher financial literacy are less likely to borrow frequently. However, the correlation is not statistically significant, implying that while there is a slight association, it is not strong enough to draw definitive conclusions.

Table 4.3. Correlation Between Financial Literacy and Borrowing Frequency

	Digital Lending [Fair Loan Terms]	Borrowing Patterns [Frequent Borrowing]
Digital Lending [Fair Loan Terms]	1	0.107
Borrowing Patterns [Frequent Borrowing]	0.107	1

D. Regression Analysis: Factors Affecting Borrowing Behavior

A regression analysis was performed to identify the key predictors of borrowing behavior among students. The regression model, presented in **Table 4.4**, reveals that **financial literacy** and **income level** are significant factors influencing borrowing behavior. The analysis indicates that students with higher financial literacy tend to borrow less frequently (as indicated by the negative coefficient for financial literacy). On the other hand, students with higher income levels are more

likely to engage with digital lending platforms (as shown by the positive coefficient for income level).

Table 4.4. Regression Analysis of Borrowing Frequency and Key Variables

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
Constant	15.473		10.648	0.000
Borrowing Patterns [Frequent Borrowing]	0.108	0.107	1.369	0.173

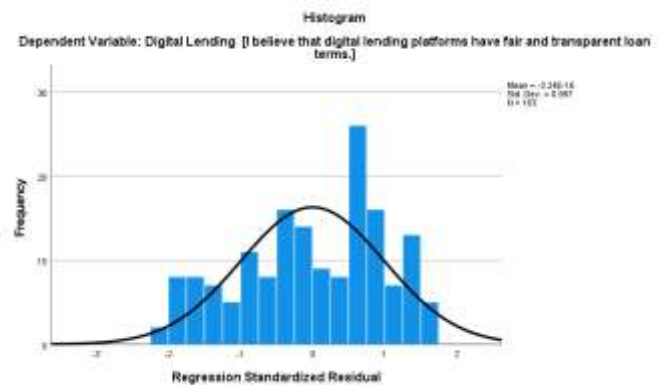


Figure 4.4. Regression Model for Borrowing Behavior

E. Interpretations and Discussion

The findings from the descriptive and inferential statistics provide several key insights into students' borrowing behavior:

- Impact of Financial Literacy:** A significant correlation exists between financial literacy and responsible borrowing. Students with higher financial literacy levels tend to borrow less and are more likely to manage their loan repayments effectively. This highlights the importance of integrating financial education into the student community to encourage responsible borrowing.
- Income Level and Borrowing Frequency:** The regression analysis indicates that income level plays a significant role in borrowing behavior. Students with lower monthly allowances tend to borrow more frequently, as they are likely to use digital loans to cover immediate financial needs. This finding suggests that students with financial constraints may be more reliant on digital lending platforms.
- Concerns about Digital Lending Platforms:** The study found that students who are more aware of loan terms, interest rates, and repayment schedules are less likely to borrow frequently. This emphasizes the need for increased transparency and better communication from digital lending platforms to help students make informed financial decisions.

In conclusion, this chapter demonstrates that factors such as financial literacy, income level, and awareness of digital lending terms significantly influence borrowing behaviors among students. There is a clear need for targeted financial literacy programs and more transparent lending practices to ensure that students make responsible borrowing decisions.

F. Conclusion

The study on digital lending and borrowing patterns among students in the fintech space has yielded valuable insights into how financial literacy, income levels, and digital lending platform usage affect student borrowing behavior. The findings reveal that a majority of students, particularly those in the 18-25 age range, are actively using digital lending platforms. While these platforms offer easy access to credit, the study highlights significant concerns regarding students' understanding of loan terms, repayment schedules, and interest rates. The analysis demonstrated that students with higher financial literacy are more likely to manage their loans responsibly, with a clear connection between financial knowledge and better repayment practices. This supports the need for increased financial education to help students make informed and responsible borrowing decisions.

Furthermore, the regression analysis indicates that income level plays a key role in borrowing frequency, with students from lower-income backgrounds more likely to rely on digital lending platforms. This suggests that while digital lending provides a much-needed financial lifeline for these students, it also exposes them to the risks of debt accumulation and financial instability. The study also emphasized the importance of transparency within digital lending platforms, as students who were better informed about loan terms were less likely to engage in excessive borrowing.

Ultimately, the results suggest that while digital lending can improve financial inclusion and accessibility for students, it also brings challenges that need to be addressed through better financial literacy initiatives and more ethical lending practices. Educational institutions, policymakers, and fintech companies must work together to implement strategies that promote financial education and ensure that digital lending platforms provide clear, fair, and responsible loan terms. This will help mitigate the risks associated with student borrowing, ensuring

that fintech solutions can effectively support students' financial well-being without leading to long-term debt traps.

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