



Impact of Digital Lending Apps on Borrowing Behaviour

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Abstract – This study explores the impact of digital lending applications on borrowing behaviour in India’s rapidly evolving fintech ecosystem. With the increasing popularity of instant loan platforms, access to credit has become faster and more convenient, especially for young and middle-income individuals. However, this ease of access raises important questions about financial discipline and borrowing patterns. Using a quantitative research approach, data was collected from 104 respondents to analyse how factors such as convenience, accessibility, and financial awareness influence borrowing decisions. The findings suggest that while digital lending apps act as a crucial financial safety net during emergencies, they also encourage frequent usage and impulsive borrowing behaviour. The study highlights that digital lending platforms are not just financial tools but behavioural drivers that reshape how individuals perceive and use credit.

Keywords: Digital Lending, Borrowing Behaviour, Financial Stress, Fintech, Impulsive Borrowing, Consumer Finance.

I. INTRODUCTION

The Indian financial ecosystem is undergoing a major transformation with the rise of digital lending platforms. Traditionally, borrowing money involved lengthy procedures, documentation, and strict eligibility criteria. However, digital lending apps have simplified this process by offering instant approvals, minimal paperwork, and quick disbursement of funds.

These platforms are particularly popular among young consumers who prioritize convenience and speed over traditional banking relationships. However, this convenience introduces a critical challenge: Are users borrowing out of necessity or ease?

Unlike traditional loans, digital credit is often just a few clicks away, which reduces the psychological barrier associated with borrowing. This shift has the potential to change borrowing behaviour from planned financial decisions to impulsive actions.

This study aims to understand whether digital lending apps are empowering users financially or encouraging dependency on easy credit.

II. REVIEW OF LITERATURE

The concept of digital lending has been widely studied within the broader domain of financial technology (fintech). Existing research highlights that these platforms significantly improve financial inclusion by providing access to credit for underserved populations.

Recent studies suggest that ease of access and minimal documentation reduce friction in borrowing, leading to increased usage. However, this same convenience may

encourage impulsive borrowing, particularly among younger users.

Additionally, literature indicates that financial literacy plays a crucial role in determining borrowing behaviour. Users who lack a clear understanding of interest rates and repayment structures are more likely to experience financial stress.

Thus, while digital lending platforms solve accessibility issues, they also introduce behavioural risks related to over-borrowing and financial mismanagement.

Objectives of the Study

- To analyse how frequently users engage with digital lending apps
- To understand the types of loans preferred by users
- To identify the primary reasons behind borrowing decisions
- To examine whether borrowing is need-based or convenience-driven
- To evaluate the behavioural impact of easy credit availability

III. RESEARCH METHODOLOGY

1. Research Design

The study follows a descriptive and analytical research design.

2. Sampling Technique

Convenience sampling was used to collect responses.

3. Sample Size

104 respondents

4. Data Collection Tool

Structured questionnaire using a 5-point Likert scale



5. Target Group

Young adults, salaried individuals, and self-employed users

IV. DATA ANALYSIS AND INTERPRETATION

1. Have you ever used a digital lending app?

Response	No. of Respondents	Percentage
Yes	83	79.8%
No	21	20.2%

Interpretation

The data clearly reflects a strong penetration of digital lending apps, with nearly 80% of respondents having used them. This indicates that digital lending is no longer a niche service but has become a mainstream financial tool. This trend suggests that users are increasingly comfortable trusting app-based financial services. However, the high adoption rate also implies that borrowing has become more accessible than ever before, which may reduce the seriousness associated with taking loans.

2. Which type of digital loan have you used?

Loan Type	No. of Respondents	Percentage
Personal Loan	22	21.2%
BNPL	27	26%
Salary Advance	28	26.9%
Instant Loan	18	17.3%
Multiple Types	9	8.7%

Interpretation

The data highlights a clear preference for salary advances and BNPL services, which are typically short-term and consumption-oriented credit options. This suggests that digital lending is being used more as a cash flow management tool rather than for long-term financial planning.

The relatively lower usage of multiple loan types indicates that while most users stick to one category, a segment of users is experimenting with different credit options—potentially increasing their financial exposure.

3. How frequently do you use digital lending apps?

Frequency	No. of Respondents	Percentage
Rarely	30	28.8%
Occasionally	42	40.4%
Frequently	25	24%
Very Frequently	7	6.8%

Interpretation:

The majority of users fall into the “occasional” category, indicating that digital loans are often used as a situational financial solution. However, nearly one-third of users rely on these apps frequently, which signals a growing dependency on digital credit.

This pattern suggests that while digital lending starts as a convenience, it can gradually become a habitual financial behaviour, especially when users face recurring financial gaps.

4. What is your primary reason for borrowing?

Reason	No. of Respondents	Percentage
Emergency	26	25%
Medical	28	26.9%
Lifestyle	25	24%
Education	10	9.6%
Bills	15	14.4%

Interpretation

The data presents a dual nature of borrowing behaviour. On one hand, medical and emergency expenses dominate, showing that digital lending acts as a crucial financial safety net.

On the other hand, a significant portion (24%) of borrowing is driven by lifestyle and shopping needs. This indicates that ease of access to credit encourages discretionary spending.

This balance between necessity-driven and convenience-driven borrowing highlights the core behavioural impact of digital lending apps.

Findings of the Study

The study reveals that digital lending apps are widely adopted due to their convenience and accessibility. Users primarily rely on these platforms for short-term financial needs, but a significant portion also uses them for discretionary spending.

The findings indicate that while digital lending improves financial access, it also influences borrowing behaviour by reducing the psychological barriers associated with taking loans. This leads to increased borrowing frequency and, in some cases, dependency on digital credit.

V. CONCLUSION

The study concludes that digital lending apps play a transformative role in modern financial behaviour. They provide immediate financial support and improve accessibility, making them highly relevant in today’s fast-paced environment.

However, this convenience comes with behavioural consequences. The ease of borrowing encourages impulsive financial decisions and increases reliance on short-term credit solutions.

Thus, digital lending apps act as both an enabler of financial inclusion and a driver of behavioural change. Their long-term impact depends on how responsibly they are used by consumers.



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