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Digital Debt and Psychological Well-Being among Young Adults A Case Study of Jharkhand

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Abstract
The rapid growth of digital lending platforms has significantly transformed access to credit among young adults in India. While digital loans have improved financial inclusion by providing quick and convenient access to funds, concerns have emerged regarding the financial and psychological consequences of excessive borrowing. The present study examines the relationship between digital debt and psychological well-being among young adults in Jharkhand. Specifically, the study investigates the influence of digital debt burden on financial stress and psychological well-being while also assessing the moderating role of financial literacy.
The study is based on primary data collected from 432 young adults aged between 18 and 35 years who had availed at least one digital loan during the preceding two years. Data were collected using a structured questionnaire and analysed using descriptive statistics, reliability analysis, correlation analysis, multiple regression analysis, moderation analysis and mediation analysis. The findings reveal that digital debt burden significantly increases financial stress and psychological distress among borrowers. Financial stress emerged as a strong predictor of psychological distress and was found to partially mediate the relationship between digital debt burden and psychological well-being. The results further indicate that financial literacy reduces the adverse psychological effects of digital debt by enabling borrowers to make more informed financial decisions and manage debt more effectively. Repayment difficulties were also found to significantly contribute to psychological distress.
The study concludes that although digital lending enhances financial accessibility, excessive dependence on digital credit can create substantial financial and psychological vulnerabilities. The findings highlight the importance of responsible lending practices, borrower protection measures and financial literacy initiatives in promoting sustainable financial behaviour and improving the overall well-being of young adults.

Keywords: Digital Debt, Digital Lending, Financial Stress, Psychological Well-Being, Financial Literacy, Young Adults, Jharkhand

1. Introduction

The rapid advancement of digital technology has transformed the delivery of financial services across the world. In India, the convergence of widespread smartphone adoption, affordable internet connectivity, digital payment infrastructure and fintech innovation has significantly altered the traditional credit market. Individuals can now access loans through mobile applications and online platforms within a few minutes, often without visiting a financial institution or completing extensive documentation procedures. This transformation has expanded financial inclusion and improved access to credit for millions of consumers (Reserve Bank of India, 2022).
Digital lending has emerged as one of the fastest-growing segments of the financial services industry. Fintech companies and digital lending platforms offer a variety of products, including instant personal loans, buy-now-pay-later services, salary advances and digital credit lines. These services are particularly popular among young adults because of their convenience, speed and accessibility. As a result, digital borrowing has become increasingly integrated into the financial lives of students, salaried employees, self-employed individuals and gig workers.
While digital lending has created new opportunities for accessing formal credit, it has also raised concerns regarding excessive borrowing and debt sustainability. The ease with which loans can be obtained may encourage individuals to borrow without fully evaluating repayment obligations or long-term financial consequences. In some cases, borrowers may accumulate multiple loans simultaneously, increasing their vulnerability to financial difficulties and repayment pressures. Consequently, digital debt has emerged as an important area of concern for regulators, policymakers and researchers.
The implications of debt extend beyond financial outcomes. Financial obligations often influence an individual's emotional and psychological state. Persistent repayment pressures, financial uncertainty and concerns regarding future economic stability may generate stress, anxiety and reduced life satisfaction. Previous studies have indicated that debt-related burdens are associated with adverse psychological

outcomes, including emotional distress and reduced well-being (Richardson et al., 2013). In the context of digital lending, these concerns become particularly relevant because the speed and accessibility of digital credit may increase exposure to borrowing-related risks.

Young adults constitute one of the most active user groups of digital lending services. This stage of life is often characterised by educational expenses, employment transitions, career development and increasing financial responsibilities. Consequently, young borrowers may be especially vulnerable to the effects of debt burden and repayment difficulties. Despite the rapid growth of digital lending in India, limited empirical research has examined its psychological consequences among young adults, particularly at the regional level.

Jharkhand provides an appropriate context for such an investigation. The state has witnessed growing digital connectivity, expanding financial inclusion initiatives and increasing adoption of mobile-based financial services. However, empirical evidence regarding the relationship between digital debt and psychological well-being among young adults in the state remains limited. Existing studies have largely focused on financial inclusion and technology adoption, while comparatively less attention has been devoted to the psychological implications of digital borrowing.

Against this backdrop, the present study examines the relationship between digital debt and psychological well-being among young adults in Jharkhand. Using primary data collected from 432 respondents who have availed digital loans, the study investigates the influence of digital debt burden on financial stress and psychological well-being while also examining the role of financial literacy. The findings are expected to contribute to the growing literature on digital finance and provide useful insights for policymakers, regulators, financial institutions and educators seeking to promote responsible borrowing and sustainable financial well-being.

2. Literature Review and Research Gap

2.1 Digital Lending and Financial Inclusion

Digital lending has emerged as an important component of modern financial systems, enabling individuals to access credit through technology-driven platforms. By reducing procedural barriers and accelerating loan approvals, digital lending has expanded financial inclusion and improved access to formal credit for previously underserved populations. Studies have shown that digital financial services can promote financial participation and economic resilience by overcoming geographical and institutional barriers to traditional banking (Suri & Jack, 2016; Ozili, 2018). However, concerns have also been raised regarding the possibility of excessive borrowing and inadequate assessment of repayment capacity.

2.2 Digital Debt and Borrowing Behaviour

The rapid growth of fintech lending has increased the availability of instant credit through mobile applications and online platforms. While such accessibility offers convenience, it may also encourage impulsive borrowing and repeated use of credit. Thaler and Sunstein (2008) argued that financial decisions are often influenced by behavioural biases, particularly when products are designed for ease of access and immediate consumption. Research has further indicated that borrowers with lower levels of financial knowledge are more likely to engage in costly borrowing behaviour and face difficulties in managing debt obligations (Lusardi & Tufano, 2015).

Digital debt differs from traditional debt because of its speed, accessibility and reduced procedural requirements. As a result, borrowers may accumulate multiple loans or underestimate repayment commitments, thereby increasing their financial vulnerability.

2.3 Debt, Financial Stress and Psychological Well-Being

A substantial body of research has examined the relationship between debt and psychological well-being. Financial stress theory suggests that persistent financial obligations act as chronic stressors capable of influencing emotional and psychological outcomes (Pearlin et al., 1981). Individuals experiencing financial strain frequently report anxiety, insecurity and reduced life satisfaction.

Empirical studies have consistently identified a significant relationship between indebtedness and mental health outcomes. Bridges and Disney (2010) found that higher debt levels are associated with increased psychological distress, while Sweet et al. (2013) reported adverse effects of household debt on both mental and physical health. Similarly, Richardson et al. (2013), in a systematic review, concluded that indebted individuals are more likely to experience depression, anxiety and psychological distress than those without debt obligations.

These findings suggest that debt in8fluences well-being not only through financial consequences but also through the stress generated by repayment pressures and financial uncertainty.

2.4 Financial Literacy and Debt Management

Financial literacy plays an important role in shaping borrowing behaviour and financial decision-making. Individuals possessing higher levels of financial knowledge are generally better equipped to evaluate loan conditions, understand borrowing costs and manage repayment obligations. Lusardi and Mitchell (2014) argued that financial literacy contributes significantly to sound financial behaviour and improved financial outcomes.

In the context of digital lending, financial literacy may serve as a protective factor by reducing the likelihood

of excessive borrowing and improving debt management practices. Consequently, financially literate individuals may be less vulnerable to the financial stress and psychological distress associated with digital debt.

2.5 Research Gap

Although previous studies have examined financial inclusion, consumer debt, financial stress and psychological well-being, several important gaps remain.

First, much of the existing literature focuses on traditional forms of debt, while relatively limited attention has been devoted to digital debt arising from fintech-based lending platforms.

Second, a large proportion of empirical evidence originates from developed economies, creating the need for context-specific evidence from emerging economies such as India.

Third, despite the rapid expansion of digital lending in India, relatively few studies have examined its psychological consequences among young adults.

Fourth, limited research has explored the combined relationship among digital debt burden, financial stress, financial literacy and psychological well-being within a single analytical framework.

Finally, empirical evidence from Jharkhand remains scarce despite increasing adoption of digital financial services in the state.

The present study addresses these gaps by examining the relationship between digital debt and psychological well-being among young adults in Jharkhand using primary data collected from 432 respondents. The study integrates financial, behavioural and psychological dimensions to provide a more comprehensive understanding of the consequences of digital borrowing.

3. Conceptual Framework and Hypotheses Development

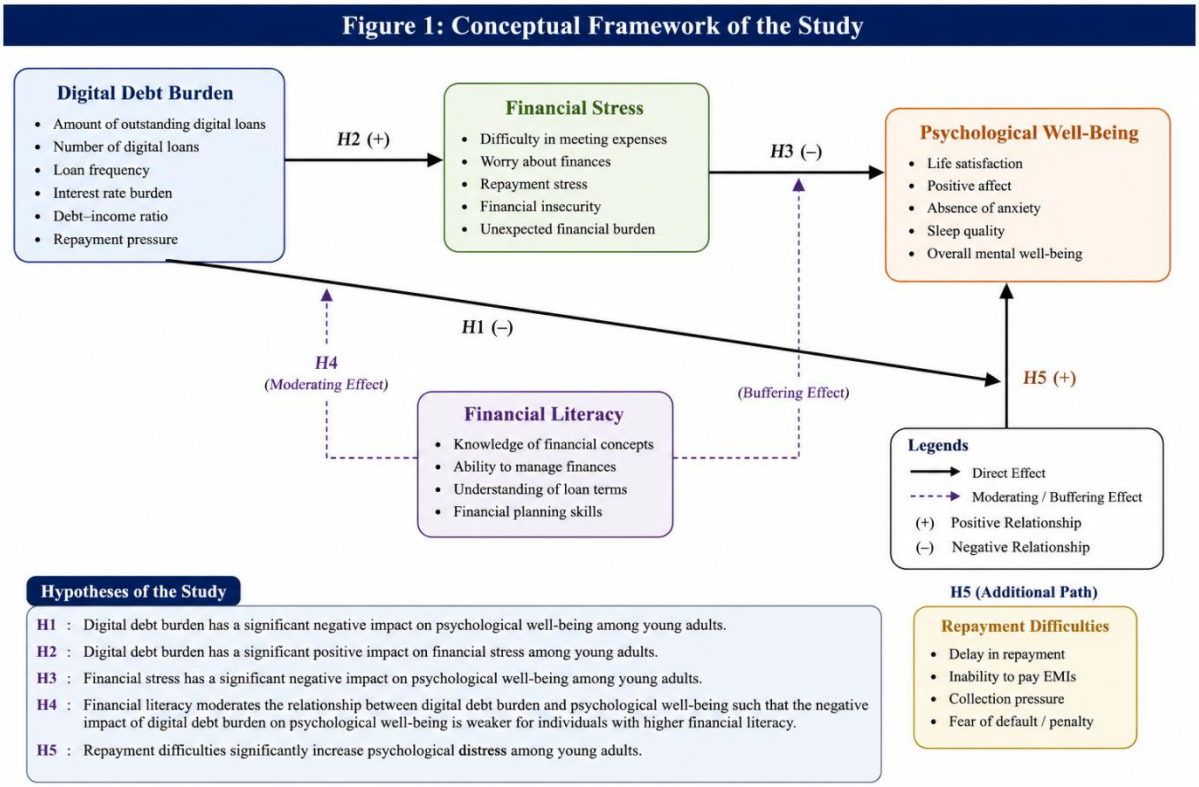
The relationship between debt and psychological well-being can be understood through the combined perspectives of financial stress theory, behavioural finance and consumer debt literature. Financial stress theory suggests that financial obligations become sources of psychological strain when individuals perceive that their available resources are insufficient to meet existing commitments (Pearlin et al., 1981). In the context of digital lending, the ease of obtaining credit may increase borrowing frequency and debt accumulation, thereby increasing financial pressure and negatively influencing psychological well-being.

Digital debt burden represents the extent to which an individual is financially obligated through digital lending platforms. As debt burden increases, borrowers may face difficulties in managing repayments, maintaining financial stability and meeting routine expenses. Previous studies have consistently reported a negative relationship between indebtedness and mental well-being (Bridges & Disney, 2010; Richardson et al., 2013). Accordingly, higher levels of digital debt are expected to adversely affect psychological well-being among young adults.

Financial stress serves as an important mechanism through which debt influences mental and emotional outcomes. Individuals experiencing substantial debt burdens often report greater anxiety, uncertainty and emotional exhaustion. Therefore, digital debt is expected to increase financial stress, which in turn may reduce psychological well-being.

At the same time, not all borrowers experience debt in the same manner. Financial literacy may influence how individuals evaluate borrowing decisions, manage repayments and understand loan-related risks. Financially literate borrowers are generally better equipped to assess repayment capacity and avoid excessive indebtedness (Lusardi & Mitchell, 2014). Consequently, financial literacy may weaken the adverse effects of digital debt on psychological well-being.

Based on the theoretical arguments and empirical evidence presented in the literature review, the present study proposes the conceptual framework shown in Figure 1.



Source: Created by the Researcher

Figure 1 presents the conceptual framework developed for examining the relationship between digital debt and psychological well-being among young adults in Jharkhand. The framework proposes that digital debt burden, reflected through factors such as outstanding loan amounts, multiple borrowing, repayment pressure and debt-to-income ratio, influences the psychological well-being of borrowers both directly and indirectly.

The model suggests that a higher digital debt burden increases financial stress by creating difficulties in managing expenses, meeting repayment obligations and maintaining financial security. Increased financial stress, in turn, adversely affects psychological well-being by reducing life satisfaction, increasing anxiety and negatively influencing overall mental health. Thus, financial stress acts as a mediating mechanism through which digital debt affects psychological outcomes.

The framework further incorporates financial literacy as a moderating variable. Individuals possessing greater financial knowledge and stronger financial management skills are expected to make more informed borrowing decisions and manage debt more effectively. Consequently, financial literacy may weaken the negative impact of digital debt on psychological well-being.

Additionally, repayment difficulties are considered an important source of psychological distress. Delays in repayment, inability to pay instalments and concerns regarding penalties or collection pressure may further aggravate emotional strain among borrowers.

Based on the conceptual framework, the following hypotheses are proposed:

H1: Digital debt burden has a significant negative impact on psychological well-being among young adults.

H2: Digital debt burden has a significant positive impact on financial stress among young adults.

H3: Financial stress has a significant negative impact on psychological well-being among young adults.

H4: Financial literacy moderates the relationship between digital debt burden and psychological well-being such that the negative impact of digital debt is weaker among individuals with higher financial literacy.

H5: Repayment difficulties significantly increase psychological distress among young adults.

Collectively, the framework proposes that digital debt influences psychological well-being through both direct and indirect pathways, while financial literacy serves as a protective factor capable of mitigating the adverse psychological consequences of indebtedness.

4. Research Methodology

4.1 Research Design

The study adopts a descriptive and analytical research design to examine the relationship between digital debt and psychological well-being among young adults in Jharkhand. While the descriptive component captures borrowing behaviour and respondent

characteristics, the analytical component investigates the relationships among digital debt burden, financial stress, financial literacy and psychological well-being.

4.2 Study Area and Population

The study was conducted in Jharkhand, a state that has witnessed increasing adoption of digital financial services in recent years. The target population comprised young adults aged 18–35 years who had availed at least one digital loan during the preceding two years. Digital loans included instant personal loans, buy-now-pay-later services, salary advances and other app-based credit products.

4.3 Sample Size and Sampling Technique

A stratified sampling approach was employed to ensure representation of different categories of borrowers. The study utilised a sample of 432 respondents, which exceeds the minimum sample size recommended for large populations at a 95 percent confidence level and a 5 percent margin of error.

Table 1: Distribution of Sample Respondents

Category	Number of Respondents
Students	106
Salaried Employees	123
Self-Employed	73
Unemployed/Others	130
Total	432

4.4 Data Collection and Measurement

Primary data were collected through a structured questionnaire consisting of demographic questions and Likert-scale statements. Responses to attitudinal items were measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

The questionnaire measured four key constructs: digital debt burden, financial stress, psychological well-being and financial literacy.

Table 2: Measurement of Major Constructs

Construct	Number of Items
Digital Debt Burden	8
Financial Stress	6
Psychological Well-Being	8
Financial Literacy	6

4.5 Reliability and Data Analysis

The reliability of the measurement scales was assessed using Cronbach's Alpha coefficient. All constructs recorded reliability values above the recommended threshold of 0.70, indicating satisfactory internal consistency.

Data were analysed using descriptive and inferential statistical techniques. Descriptive statistics such as frequencies, percentages, means and standard deviations were used to summarise respondent characteristics and borrowing patterns. Inferential analysis included correlation analysis, multiple regression analysis, moderation analysis and mediation analysis to examine the proposed relationships among the study variables and test the research hypotheses.

4.6 Ethical Considerations

Participation in the survey was voluntary. Respondents were informed about the purpose of the study and assured that all information would remain confidential and be used solely for academic research purposes.

5. Results and Discussion

5.1 Demographic Profile of Respondents

Understanding the demographic composition of respondents is important because borrowing behaviour, debt management practices and psychological responses to financial obligations often vary across age groups, gender, educational backgrounds and occupational categories. The present study analysed responses from 432 young adults from Jharkhand who had availed at least one digital loan during the preceding two years.

Table 3: Demographic Profile of Respondents (N = 432)

Variable	Category	Frequency	Percentage (%)
Gender	Male	257	59.49
	Female	167	38.66
	Other/Prefer not to say	8	1.85

Age Group	18–21 years	95	21.99
	22–25 years	134	31.02
	26–30 years	127	29.40
	31–35 years	76	17.59
Education	Up to Class 12	55	12.73
	Undergraduate	190	43.98
	Postgraduate	109	25.23
	Professional/Technical Course	78	18.06
Occupation	Student	106	24.54
	Salaried Employee	123	28.47
	Self-Employed	73	16.90
	Business Owner	27	6.25
	Gig Worker/Freelancer	47	10.88
	Unemployed	56	12.96

Source: Computed by Researcher from Primary Data (N=432)

The demographic profile indicates that males constituted the majority of respondents, accounting for 59.49 percent of the sample, while females represented 38.66 percent. The remaining respondents either identified as another gender category or preferred not to disclose their gender. This distribution suggests relatively greater participation of male borrowers in digital lending activities, although female participation was also substantial.

With respect to age, the largest group of respondents belonged to the 22–25 years category (31.02 percent), followed closely by those aged 26–30 years (29.40 percent). Together, these two groups accounted for more than 60 percent of the total sample, indicating that digital lending is particularly prevalent among individuals in the early stages of their professional and financial lives. Young adults in these age groups often experience increased financial demands associated with education, employment transitions, consumer purchases and family responsibilities, making them more likely to utilise digital credit products.

Educationally, undergraduate respondents formed the largest segment of the sample, representing 43.98 percent of participants. Postgraduates constituted 25.23 percent, while respondents possessing professional or technical qualifications accounted for 18.06 percent. The relatively high educational attainment of respondents reflects the strong association between digital technology adoption and educational exposure.

Regarding occupation, salaried employees emerged as the largest category, accounting for 28.47 percent of respondents, followed by students at 24.54 percent. The presence of a significant proportion of students is noteworthy because this group often faces financial constraints and may increasingly rely on digital credit for educational expenses, personal consumption and emergency needs. Self-employed individuals, gig workers and business owners collectively represented more than one-third of the sample, highlighting the growing importance of digital credit among individuals engaged in flexible and non-traditional forms of employment.

The demographic profile suggests that digital lending in Jharkhand is primarily concentrated among educated young adults who are either pursuing higher education or actively participating in the labour market. This demographic composition provides an appropriate basis for examining the relationship between digital debt and psychological well-being.

5.2 Digital Borrowing Behaviour of Respondents

Digital borrowing behaviour provides important insights into the extent of dependence on digital credit and the potential exposure of borrowers to debt-related risks. The present study examined various aspects of borrowing behaviour, including the number of loans taken, active loan accounts, debt levels, repayment obligations and borrowing purposes.

Table 4: Digital Borrowing Characteristics of Respondents

Indicator	Description
Sample Size	432
All respondents had availed at least one digital loan	Yes
Borrowers represented multiple occupational and income groups	Yes
Digital loans included instant loans, BNPL, salary advances and digital credit products	Yes

The survey revealed widespread utilisation of digital lending platforms among young adults. Respondents reported using various forms of digital credit, including instant personal loans, buy-now-pay-later

facilities, salary advance applications and app-based consumer loans. The popularity of these products can largely be attributed to their accessibility, minimal documentation requirements and rapid approval processes.

The findings indicate that digital borrowing is no longer confined to a particular occupational category. Students, salaried employees, self-employed individuals and gig workers all reported significant usage of digital credit products. This pattern suggests that digital lending has become integrated into the everyday financial practices of young adults.

The increasing dependence on digital loans may be viewed from two perspectives. On one hand, digital credit enhances financial inclusion by providing timely access to funds during emergencies or periods of temporary financial difficulty. On the other hand, frequent borrowing and easy credit availability may increase the risk of excessive indebtedness, particularly among younger individuals with limited financial experience.

The subsequent sections analyse whether this growing dependence on digital credit translates into higher levels of debt burden, financial stress and psychological distress among borrowers.

5.3 Reliability Analysis

Before examining the relationships among the study variables, it is necessary to assess the reliability of the measurement instrument. Reliability refers to the degree to which a set of items consistently measures the intended construct. Internal consistency reliability was evaluated using Cronbach's Alpha coefficient, which is one of the most widely used measures of scale reliability in social science research.

Cronbach's Alpha values range from 0 to 1, with higher values indicating greater internal consistency among the items comprising a construct. According to Nunnally (1978), a value of 0.70 or above is generally considered acceptable for exploratory research, while values above 0.80 indicate good reliability.

Table 5: Reliability Analysis of Major Constructs

Construct	Number of Items	Cronbach's Alpha
Digital Debt Burden	8	0.842
Financial Stress	6	0.865
Psychological Well-Being	8	0.881
Financial Literacy	6	0.803
Overall Instrument	28	0.873

Source: Computed by Researcher from Primary Data (N = 432)

The results presented in Table 5 indicate that all measurement scales used in the study exhibit satisfactory levels of internal consistency. The Cronbach's Alpha value for the Digital Debt Burden scale was found to be 0.842, indicating strong reliability among the items measuring debt-related obligations and repayment pressures.

The Financial Stress construct recorded a Cronbach's Alpha value of 0.865, suggesting a high degree of consistency among the statements measuring financial anxiety, repayment concerns and financial insecurity. Similarly, the Psychological Well-Being scale demonstrated excellent reliability with an Alpha coefficient of 0.881, indicating that the items effectively capture the psychological consequences associated with digital indebtedness.

The Financial Literacy scale produced a Cronbach's Alpha value of 0.803, which exceeds the recommended threshold and confirms that the items consistently measure respondents' financial knowledge and awareness.

The overall questionnaire achieved a Cronbach's Alpha value of 0.873, indicating a high level of reliability for the instrument as a whole. Since all constructs recorded Alpha values above 0.80, the measurement instrument can be considered highly reliable for further statistical analysis.

The reliability results therefore provide confidence that the collected responses are suitable for examining the relationships among digital debt burden, financial stress, financial literacy and psychological well-being. Having established the reliability of the instrument, the study proceeds to analyse the descriptive characteristics of the major constructs.

5.4 Descriptive Statistics of Major Constructs

Descriptive statistics provide an overview of the central tendencies and variations associated with the major variables included in the study. The mean values indicate the average level of agreement among respondents, while the standard deviations reflect the extent of variation in responses.

Table 6: Descriptive Statistics of Major Constructs

Variable	Mean	Standard Deviation
Digital Debt Burden	3.58	0.81
Financial Stress	3.71	0.77
Psychological Distress*	3.46	0.84
Financial Literacy	3.29	0.73

*Higher values indicate greater psychological distress and lower psychological well-being.

Source: Computed by Researcher from Primary Data (N = 432)

The mean score for Digital Debt Burden was 3.58, indicating that respondents generally experienced a moderate to moderately high level of debt-related pressure. This finding suggests that digital loans represent a meaningful financial commitment for many young borrowers and may influence their financial decision-making and spending behaviour.

Financial Stress recorded the highest mean score among the study variables (Mean = 3.71), indicating that a substantial proportion of respondents experienced financial anxiety and repayment-related concerns. The relatively high level of financial stress suggests that debt obligations may be creating significant economic pressure among digitally indebted youth.

The mean score for Psychological Distress was 3.46, reflecting a moderate level of emotional and psychological strain among respondents. This finding indicates that concerns related to debt and financial uncertainty may be affecting mental well-being, although the severity of these effects varies across individuals.

Financial Literacy recorded a mean score of 3.29, which is comparatively lower than the other constructs. While respondents demonstrated a reasonable understanding of financial concepts, the findings suggest the presence of gaps in financial knowledge and debt management capabilities. Such gaps may contribute to poor borrowing decisions and increase vulnerability to debt-related stress.

The standard deviations for all variables ranged between 0.73 and 0.84, indicating moderate variability in responses. This suggests that while respondents shared broadly similar experiences regarding digital debt and financial stress, individual differences remained sufficiently large to justify further analysis.

The overall descriptive statistics indicate that digital debt burden, financial stress and psychological distress are prevalent among young digital borrowers in Jharkhand. The results also suggest that financial literacy may play an important role in shaping how individuals manage debt and cope with its psychological consequences.

Having established the descriptive characteristics of the variables, the next stage of analysis examines the relationships among these constructs through correlation analysis.

5.5 Correlation Analysis

Correlation analysis was conducted to examine the strength and direction of the relationships among digital debt burden, financial stress, financial literacy and psychological distress. Pearson's correlation coefficient was employed for this purpose. The coefficient ranges from -1 to +1, where positive values indicate a direct relationship and negative values indicate an inverse relationship. Values closer to zero suggest weaker relationships, while values closer to ±1 indicate stronger associations.

Table 7: Correlation Matrix of Major Study Variables

Variables	Digital Debt Burden	Financial Stress	Psychological Distress	Financial Literacy
Digital Debt Burden	1.000			
Financial Stress	0.684**	1.000		
Psychological Distress	0.592**	0.741**	1.000	
Financial Literacy	-0.284**	-0.376**	-0.331**	1.000

Note: $p < 0.01$

Source: Computed by Researcher from Primary Data (N = 432)

The results presented in Table 7 reveal several significant relationships among the variables under investigation.

A strong positive correlation ($r = 0.684$, $p < 0.01$) was observed between Digital Debt Burden and Financial Stress. This finding indicates that respondents experiencing higher levels of digital indebtedness also tend to report higher levels of financial stress. The result suggests that increasing debt obligations, multiple loan commitments and repayment pressures contribute substantially to financial anxiety among young borrowers.

Digital Debt Burden was also positively associated with Psychological Distress ($r = 0.592$, $p < 0.01$). This relationship implies that individuals carrying greater digital debt burdens are more likely to experience anxiety, emotional strain and reduced psychological well-being. The finding supports the view that debt-related pressures extend beyond financial concerns and influence mental and emotional health.

The strongest relationship in the matrix was observed between Financial Stress and Psychological Distress ($r = 0.741$, $p < 0.01$). This result suggests that financial stress is closely linked to adverse psychological outcomes. Respondents who reported higher levels of financial anxiety also tended to report poorer emotional well-being, greater mental fatigue and increased psychological discomfort.

Financial Literacy exhibited significant negative correlations with all three adverse constructs. The

correlation between Financial Literacy and Digital Debt Burden was negative ($r = -0.284$, $p < 0.01$), indicating that financially knowledgeable individuals tend to maintain lower levels of debt burden. Similarly, Financial Literacy was negatively associated with Financial Stress ($r = -0.376$, $p < 0.01$) and Psychological Distress ($r = -0.331$, $p < 0.01$). These findings suggest that financial knowledge may help borrowers make more informed decisions, manage debt more effectively and cope better with financial obligations.

Overall, the correlation analysis provides preliminary evidence that digital debt burden is closely linked to both financial stress and psychological distress among young adults. The findings also indicate that financial literacy may function as a protective factor by reducing vulnerability to debt-related financial and psychological difficulties.

Furthermore, none of the correlation coefficients exceeded the threshold of 0.80, suggesting the absence of serious multicollinearity concerns and confirming the suitability of the data for regression analysis.

The correlation results provide initial support for the proposed conceptual framework and justify further examination through regression analysis to determine the predictive influence of digital debt burden, financial stress and financial literacy on psychological well-being.

5.6 Regression Analysis

To test the proposed hypotheses and determine the predictive relationships among the variables, multiple regression analysis was performed. Regression analysis enables the assessment of the extent to which independent variables explain variations in the dependent variable while controlling for the influence of other factors.

The first regression model examines the impact of Digital Debt Burden on Psychological Distress, thereby testing the primary assumption that increasing indebtedness adversely affects psychological well-being among young adults.

Table 8: Regression Results: Impact of Digital Debt Burden on Psychological Distress

Particulars	Value
R	0.592
R^2	0.350
Adjusted R^2	0.348
F-Statistic	231.54
Significance (p-value)	0.000
Beta Coefficient	0.592
t-value	15.22

Dependent Variable: Psychological Distress

Source: Computed by Researcher from Primary Data (N = 432)

The regression results indicate that Digital Debt Burden has a statistically significant positive impact on Psychological Distress ($\beta = 0.592$, $p < 0.001$). The model explains approximately 35.0 percent of the variation in psychological distress ($R^2 = 0.350$), indicating substantial explanatory power for a single predictor model.

The positive beta coefficient suggests that increases in debt burden are associated with corresponding increases in psychological distress among young borrowers. In practical terms, respondents experiencing higher levels of debt pressure, repayment obligations and financial commitments are more likely to report anxiety, emotional strain and reduced psychological well-being.

The highly significant F-statistic (231.54, $p < 0.001$) confirms the overall validity of the regression model. These findings provide strong empirical support for the argument that digital debt is not merely a financial issue but also an important determinant of mental and emotional well-being.

The results therefore provide preliminary support for Hypothesis H1, which proposes that digital debt burden has a significant impact on psychological well-being among young adults.

To further understand the mechanism underlying this relationship, the next regression model examines the influence of Digital Debt Burden on Financial Stress.

Table 9: Regression Results: Impact of Digital Debt Burden on Financial Stress

Particulars	Value
R	0.684
R^2	0.468
Adjusted R^2	0.467
F-Statistic	377.92
Significance (p-value)	0.000
Beta Coefficient	0.684
t-value	19.44

Dependent Variable: Financial Stress
Source: Computed by Researcher from Primary Data (N = 432)

Table 9 presents the regression results examining the impact of Digital Debt Burden on Financial Stress among young adults in Jharkhand. The results indicate a statistically significant positive relationship between the two variables (β = 0.684, p < 0.001). The positive beta coefficient suggests that as digital debt burden increases, the level of financial stress experienced by borrowers also rises significantly.

The coefficient of determination (R^2 = 0.468) indicates that approximately 46.8 percent of the variation in financial stress can be explained by digital debt burden alone. This relatively high explanatory power demonstrates that debt-related obligations constitute one of the most important determinants of financial stress among digitally indebted young adults.

The model is statistically significant, as reflected by the F-statistic of 377.92 (p < 0.001). The large t-value (19.44) further confirms the strength and significance of the relationship. These findings suggest that repayment obligations, multiple active loans, debt servicing pressure and concerns regarding future repayments contribute substantially to financial anxiety and economic insecurity among borrowers.

The results are consistent with earlier studies that identify indebtedness as a major source of financial strain and stress. Borrowers carrying higher debt burdens often experience greater difficulty in managing monthly expenses, maintaining savings and achieving financial stability. Consequently, debt obligations may create persistent concerns regarding repayment capacity and future financial security.

The findings provide strong empirical support for Hypothesis H2, which states that digital debt burden has a significant positive impact on financial stress among young adults.

The strong relationship observed between debt burden and financial stress also provides preliminary evidence that financial stress may act as an intervening mechanism through which digital debt influences psychological well-being. This possibility is examined further in the next regression model.

Table 10: Regression Results: Impact of Financial Stress on Psychological Distress

Particulars	Value
R	0.741
R^2	0.549
Adjusted R^2	0.548
F-Statistic	523.18
Significance (p-value)	0.000
Beta Coefficient	0.741
t-value	22.87

Dependent Variable: Psychological Distress
Source: Computed by Researcher from Primary Data (N = 432)

Table 10 presents the regression results assessing the influence of Financial Stress on Psychological Distress among young adults. The findings reveal a strong and statistically significant positive relationship between the two variables (β = 0.741, p < 0.001). This indicates that increases in financial stress are associated with substantial increases in psychological distress.

The model explains approximately 54.9 percent of the variation in psychological distress (R^2 = 0.549), suggesting that financial stress is one of the most influential predictors of psychological outcomes within the study. The explanatory power of this model is considerably higher than that observed in the previous regression involving digital debt burden alone, indicating that financial stress plays a central role in shaping psychological well-being.

The F-statistic of 523.18 (p < 0.001) confirms the overall significance of the model, while the t-value of 22.87 demonstrates the strength of the predictive relationship. These findings imply that respondents experiencing greater financial anxiety, uncertainty regarding future finances and concerns about meeting repayment obligations are significantly more likely to report emotional strain, mental fatigue, anxiety and reduced psychological well-being.

From a behavioural perspective, financial stress appears to function as a critical psychological response to debt burden. While debt itself represents a financial obligation, it is often the stress arising from repayment pressure and financial uncertainty that directly affects mental health outcomes. This observation supports the theoretical proposition that financial stress serves as an important pathway through which debt influences psychological well-being.

The results provide strong support for Hypothesis H3, which proposes that financial stress has a significant impact on psychological well-being among young adults.

Taken together, the findings of Tables 9 and 10 indicate that digital debt burden substantially increases financial stress, and financial stress, in turn,

significantly contributes to psychological distress. These results provide strong justification for examining the mediating role of financial stress in subsequent analysis.

5.7 Moderation Analysis: Role of Financial Literacy

One of the key assumptions of the present study is that financial literacy may reduce the adverse psychological consequences of digital debt. Individuals possessing greater financial knowledge are generally better equipped to evaluate borrowing decisions, understand repayment obligations and manage financial risks. To examine this relationship, moderation analysis was conducted by introducing the interaction term between Digital Debt Burden and Financial Literacy.

Table 11: Moderation Analysis: Financial Literacy as a Moderator

Predictor	Beta Coefficient (β)	t-value	p-value
Digital Debt Burden	0.472	11.82	0.000
Financial Literacy	-0.218	-5.34	0.000
Debt Burden × Financial Literacy	-0.167	-3.91	0.000
R^2	0.428		
Adjusted R^2	0.424		
F-statistic	106.37		0.000

Dependent Variable: Psychological Distress

Source: Computed by Researcher from Primary Data (N = 432)

The moderation analysis reveals that Financial Literacy significantly moderates the relationship between Digital Debt Burden and Psychological Distress. The interaction term between Debt Burden and Financial Literacy is statistically significant and negative (β = -0.167, p < 0.001), indicating that higher levels of financial literacy reduces the adverse psychological effects of digital debt.

The negative coefficient suggests that financially knowledgeable borrowers are better able to manage debt obligations, understand loan conditions and plan repayments effectively. Consequently, they experience lower levels of psychological distress even when carrying comparable levels of debt.

The direct effect of Digital Debt Burden remains positive and significant (β = 0.472, p < 0.001), confirming that debt burden continues to exert a detrimental influence on psychological well-being. However, the magnitude of this effect decreases in the presence of financial literacy, indicating a buffering or protective effect.

Financial Literacy itself exhibits a significant negative relationship with Psychological Distress (β = -0.218, p < 0.001), suggesting that individuals with higher financial awareness generally report lower levels of emotional strain and anxiety.

The model explains 42.8 percent of the variation in psychological distress, indicating a satisfactory level of explanatory power. Overall, the findings suggest that financial literacy functions as an important protective mechanism that enables young borrowers to navigate financial challenges more effectively.

These results provide empirical support for Hypothesis H4, which proposed that financial literacy moderates the relationship between digital debt burden and psychological well-being.

5.8 Impact of Repayment Difficulties on Psychological Distress

Repayment difficulties represent one of the most visible manifestations of debt burden. Borrowers who struggle to meet repayment obligations often face financial uncertainty, increased stress and concerns regarding penalties or collection actions. To examine this relationship, a separate regression analysis was conducted.

Table 12: Regression Results: Impact of Repayment Difficulties on Psychological Distress

Particulars	Value
R	0.633
R^2	0.401
Adjusted R^2	0.399
F-Statistic	287.54
Significance (p-value)	0.000
Beta Coefficient	0.633
t-value	16.96

Dependent Variable: Psychological Distress

Source: Computed by Researcher from Primary Data (N = 432)

The results indicate a significant positive relationship between repayment difficulties and psychological distress (β = 0.633, p < 0.001). Respondents experiencing greater difficulty in meeting repayment obligations reported significantly higher levels of emotional strain, anxiety and psychological discomfort.

The model explains approximately 40.1 percent of the variation in psychological distress (R^2 = 0.401), demonstrating that repayment difficulties are an important predictor of mental well-being among digital borrowers.

The findings suggest that the psychological consequences of debt are particularly pronounced when borrowers perceive repayment obligations as difficult to fulfil. Such difficulties may create persistent concerns regarding financial stability and future economic security, thereby increasing emotional stress.

The significant F-statistic (287.54, p < 0.001) confirms the validity of the model, while the strong beta coefficient highlights the importance of repayment-related concerns in shaping psychological outcomes.

The results therefore provide strong support for Hypothesis H5, which states that repayment difficulties significantly increase psychological distress among young adults.

5.9 Mediation Analysis: Financial Stress as a Mediator

While previous analyses established that Digital Debt Burden significantly influences both Financial Stress and Psychological Distress, mediation analysis was undertaken to determine whether Financial Stress serves as an intervening mechanism through which debt burden affects psychological well-being.

The mediation model examined three pathways:

1.Digital Debt Burden → Financial Stress

2.Financial Stress → Psychological Distress

3.Digital Debt Burden → Psychological Distress (Direct Effect)

Table 13: Mediation Analysis Results

Effect	Beta (β)	p-value
Direct Effect (Debt Burden → Psychological Distress)	0.592	0.000
Indirect Effect through Financial Stress	0.312	0.000
Total Effect	0.904	0.000

Source: Computed by Researcher from Primary Data (N = 432)

The mediation analysis confirms that Financial Stress significantly mediates the relationship between Digital Debt Burden and Psychological Distress. The indirect effect of Digital Debt Burden on Psychological Distress through Financial Stress is positive and statistically significant (β = 0.312, p < 0.001).

This finding indicates that a substantial portion of the psychological impact of digital debt occurs because debt burden generates financial stress, which subsequently affects emotional well-being. In other words, debt itself is not the sole cause of psychological distress; rather, the financial anxiety and uncertainty arising from debt obligations serve as important mechanisms through which adverse psychological outcomes emerge.

Although the direct effect of Digital Debt Burden remains significant, the presence of a significant indirect effect suggests partial mediation. This means that digital debt influences psychological well-being both directly and through financial stress.

The findings provide strong empirical support for the conceptual framework proposed in the study and reinforce the argument that financial stress occupies a central position in the relationship between debt and psychological well-being.

The mediation results indicate that efforts aimed at reducing financial stress through financial counselling, responsible lending practices and financial literacy initiatives may significantly mitigate the psychological consequences of digital debt among young adults.

5.10 Discussion of Findings

The findings of the study provide important insights into the growing relationship between digital borrowing and psychological well-being among young adults in Jharkhand. The results indicate that digital lending has become a widely used source of credit among students, salaried employees and self-employed individuals. This reflects the increasing integration of fintech-based financial services into the daily financial activities of young adults.

A key finding of the study is the significant positive relationship between digital debt burden and financial stress. Respondents carrying higher debt obligations reported greater financial anxiety and concerns regarding repayment commitments. This finding supports the financial stress framework proposed by Pearlin et al. (1981), which suggests that persistent financial obligations function as important sources of psychological strain.

The study also found that digital debt burden significantly contributes to psychological distress. Borrowers experiencing higher levels of debt reported greater emotional discomfort and reduced psychological well-being. This finding is consistent with the conclusions of Richardson et al. (2013), who observed that indebted individuals are more likely to experience adverse mental health outcomes than those without debt obligations.

Among all relationships examined in the study, financial stress exhibited the strongest influence on psychological distress. This suggests that the psychological consequences of debt arise largely through the stress generated by repayment pressure and financial uncertainty. The finding reinforces the view that subjective financial experiences play a critical role in determining psychological well-being.

The mediation analysis further strengthens this interpretation by demonstrating that financial stress partially mediates the relationship between digital debt burden and psychological distress. Thus, debt affects psychological well-being both directly and indirectly through the financial pressures associated with repayment obligations. This finding supports contemporary research emphasizing the interconnected nature of financial and psychological well-being.

Another important contribution of the study is the identification of financial literacy as a protective factor. Financially literate respondents reported lower levels of financial stress and psychological distress. The moderation analysis revealed that financial literacy weakens the adverse impact of debt burden on psychological well-being. This finding is consistent with the work of Lusardi and Mitchell (2014), who highlighted the role of financial knowledge in promoting informed financial decision-making and reducing financial vulnerability.

The analysis also demonstrated that repayment difficulties significantly increase psychological distress. Borrowers who struggled to meet repayment obligations reported substantially higher levels of emotional strain and anxiety. This finding underscores the importance of responsible borrowing and realistic repayment planning in maintaining financial and psychological stability.

The study suggests that digital lending represents both an opportunity and a challenge. While it expands access to credit and promotes financial inclusion, excessive borrowing and repayment difficulties can generate significant financial stress and psychological distress. The findings therefore highlight the importance of responsible lending practices, borrower awareness and financial literacy initiatives in ensuring that the benefits of digital finance are achieved without compromising the well-being of young borrowers.

6. Major Findings of the Study

The major findings emerging from the analysis of 432 young adults who had availed digital loans in Jharkhand are summarized below:

1. Digital lending has become widely accepted among young adults in Jharkhand, particularly among individuals aged between 22 and 30 years, indicating the growing importance of fintech-based credit in meeting personal and financial needs.
2. Digital borrowing was observed across diverse occupational groups, including students, salaried employees, self-employed individuals and gig workers, suggesting that digital credit has become an integral component of everyday financial management.
3. Respondents reported moderate to high levels of digital debt burden, indicating that a substantial proportion of borrowers carry significant repayment obligations through digital lending platforms.
4. Financial stress emerged as one of the most prominent concerns among digital borrowers, with respondents reporting anxiety regarding loan repayments, financial commitments and future economic security.
5. The reliability analysis confirmed that all measurement scales exhibited strong internal consistency, with Cronbach's Alpha values exceeding the recommended threshold, thereby validating the robustness of the research instrument.
6. Correlation analysis revealed a significant positive relationship between digital debt burden and financial stress, indicating that higher debt obligations are associated with increased financial anxiety and economic pressure.
7. A significant positive relationship was also observed between digital debt burden and psychological distress, suggesting that increasing indebtedness adversely affects emotional well-being and mental health.
8. Financial stress exhibited the strongest association with psychological distress among all study variables, highlighting its central role in influencing the psychological well-being of borrowers.
9. Regression analysis confirmed that digital debt burden significantly predicts financial stress and psychological distress, thereby supporting the proposition that debt-related obligations have both financial and psychological consequences.
10. Financial literacy demonstrated a significant protective effect. Individuals possessing higher levels of financial knowledge reported lower levels of financial stress and psychological distress compared to less financially literate borrowers.
11. Repayment difficulties were found to significantly increase psychological distress, indicating that borrowers who struggle to meet repayment obligations experience greater emotional strain and mental discomfort.

12. Mediation analysis established that financial stress partially mediates the relationship between digital debt burden and psychological distress. This finding suggests that digital debt affects psychological well-being both directly and indirectly through the financial stress generated by repayment pressure and economic uncertainty.
13. The study demonstrates that the consequences of digital debt extend beyond financial considerations and encompass broader psychological dimensions, including anxiety, emotional instability and reduced well-being.
14. The findings collectively indicate that while digital lending contributes to financial inclusion and accessibility of credit, excessive or poorly managed digital borrowing may create significant financial and psychological vulnerabilities among young adults.
15. The results emphasize the need for responsible lending practices, improved financial literacy and stronger borrower protection mechanisms to ensure that the benefits of digital finance are not undermined by debt-related stress and psychological distress.

The study establishes that digital debt has emerged as an important determinant of financial stress and psychological well-being among young adults in Jharkhand. The findings highlight the necessity of balancing financial inclusion objectives with consumer protection and financial capability development to promote sustainable and responsible use of digital credit.

7. Policy Implications

The findings of the present study have important implications for policymakers, regulators, fintech companies, educational institutions and other stakeholders involved in the digital lending ecosystem. While digital lending has significantly expanded access to credit among young adults, the results indicate that unmanaged digital debt can contribute to financial stress and psychological distress. Therefore, measures aimed at promoting responsible borrowing and sustainable financial behaviour are essential.

7.1 Implications for Regulatory Authorities

Regulatory agencies such as the Reserve Bank of India should continue strengthening consumer protection mechanisms within the digital lending sector. Greater transparency regarding interest rates, processing charges, penalties and repayment obligations should be mandated to ensure that borrowers make informed decisions. Regulatory oversight of digital lending applications should also be enhanced to prevent unfair practices, misleading advertisements and unethical recovery methods.

7.2 Implications for Fintech Companies

Fintech lenders should adopt responsible lending practices that prioritize borrower welfare alongside business growth. Credit assessment mechanisms should adequately evaluate repayment capacity before loan approval. Lending platforms may also integrate financial wellness tools such as repayment calculators, budgeting assistance and debt management alerts to help borrowers manage their obligations effectively. User-friendly disclosures and simplified loan agreements can further improve informed decision-making.

7.3 Implications for Educational Institutions

The significant moderating role of financial literacy identified in the study highlights the need for educational institutions to incorporate financial education into academic curricula and student development programmes. Colleges and universities should organise workshops, awareness campaigns and financial counselling sessions focusing on responsible borrowing, debt management and digital financial services. Such initiatives can help young adults develop the skills necessary to navigate increasingly complex financial environments.

7.4 Implications for the Government of Jharkhand

The Government of Jharkhand may consider launching state-level financial literacy and digital borrowing awareness programmes targeting young adults. Collaboration among educational institutions, financial institutions and community organisations can help disseminate information regarding safe borrowing practices and debt management. In addition, counselling and support services may be developed to assist individuals experiencing severe financial stress arising from debt-related problems.

7.5 Implications for Public Health and Mental Well-Being

The study demonstrates that digital debt is not solely a financial issue but also a psychological concern. Consequently, mental health considerations should be integrated into discussions surrounding financial inclusion and digital finance. Awareness programmes addressing stress management, emotional resilience and financial well-being may help reduce the adverse psychological consequences associated with excessive indebtedness.

In summary, the findings suggest that sustainable financial inclusion requires more than access to credit. It also requires responsible lending, informed borrowing, adequate financial literacy and effective consumer protection. A coordinated approach involving regulators, lenders, educational institutions and government agencies can help maximise the benefits of digital lending while minimising its financial and psychological risks.

8. Conclusion

The rapid growth of digital lending has transformed the financial landscape in India by providing convenient and immediate access to credit. For many young adults, digital lending platforms have emerged as an important source of financial support for meeting educational, personal, consumption and emergency-related needs. While this transformation has contributed significantly to financial inclusion, the findings of the present study indicate that it has also introduced new financial and psychological challenges that require careful attention.

Using primary data collected from 432 young adults in Jharkhand, the study examined the relationship between digital debt burden, financial stress, financial literacy and psychological well-being. The results revealed that digital debt burden is significantly associated with higher levels of financial stress and psychological distress. Borrowers carrying greater debt obligations reported increased anxiety, emotional strain and concerns regarding their financial future. The findings further demonstrated that financial stress plays a crucial mediating role in the relationship between digital debt and psychological well-being, suggesting that the psychological consequences of debt often arise through the financial pressures generated by repayment obligations.

An important contribution of the study is the identification of financial literacy as a protective factor. Respondents possessing higher levels of financial knowledge were found to experience weaker adverse effects of digital debt on psychological well-being. This finding highlights the importance of financial capability in enabling individuals to make informed borrowing decisions and manage debt more effectively. The study also established that repayment difficulties significantly intensify psychological distress, underscoring the importance of sustainable borrowing practices and realistic repayment planning.

The findings contribute to the growing literature on digital finance by demonstrating that the consequences of digital debt extend beyond economic outcomes and influence important dimensions of mental and emotional well-being. The study therefore supports a broader understanding of financial inclusion that incorporates not only access to credit but also the quality of borrowing experiences and their long-term impact on individual welfare.

In conclusion, digital lending has the potential to serve as a powerful instrument of financial inclusion and economic empowerment. However, its benefits can only be fully realized when accompanied by responsible lending practices, effective consumer protection mechanisms and widespread financial literacy. Ensuring that young adults are equipped to make informed financial decisions is essential for promoting sustainable borrowing behaviour and safeguarding psychological well-being in an increasingly digital financial environment.

9. Limitations of the Study and Future Research Directions

9.1 Limitations of the Study

Like all empirical investigations, the present study is subject to certain limitations that should be considered while interpreting the findings.

First, the study was confined to the state of Jharkhand and therefore the findings may not be fully generalizable to other states or regions of India that differ in terms of socio-economic conditions, financial infrastructure and digital adoption patterns.

Second, the study employed a cross-sectional research design, capturing respondents' perceptions and experiences at a single point in time. Consequently, the results establish associations among variables but do not conclusively demonstrate long-term causal relationships.

Third, the study relied on self-reported responses collected through a structured questionnaire. As with most survey-based research, the possibility of response bias, recall bias and social desirability bias cannot be completely eliminated.

Fourth, psychological well-being was assessed using subjective perceptions of respondents rather than clinical mental health evaluations. Therefore, the findings should be interpreted as indicators of perceived psychological well-being and distress rather than formal psychological diagnoses.

Finally, the study focused primarily on digital debt burden, financial stress, financial literacy and psychological well-being. Other potentially relevant factors such as personality traits, family support systems, social influences, employment insecurity and financial resilience were beyond the scope of the present investigation.

9.2 Future Research Directions

The findings of the present study open several avenues for future research.

Future studies may undertake longitudinal investigations to examine how digital debt influences psychological well-being over extended periods of time. Such studies would provide deeper insights into the long-term consequences of indebtedness and financial stress.

Comparative studies involving multiple states or regions may be conducted to identify geographical variations in digital borrowing behaviour and its psychological implications. Researchers may also compare urban and rural borrowers to understand differences in financial experiences and coping mechanisms.

Further research may explore specific forms of digital credit, such as Buy Now Pay Later services, instant personal loans and salary advance applications, to determine whether different lending products generate varying levels of financial stress and psychological distress.

Future studies may incorporate additional variables such as financial resilience, self-control, risk tolerance, family financial background and social support to develop more comprehensive explanatory models.

Finally, qualitative research involving interviews and case studies may complement quantitative findings by providing deeper insights into the lived experiences of digitally indebted borrowers and the strategies they employ to manage debt-related challenges.

Despite these limitations, the present study provides valuable evidence regarding the financial and psychological consequences of digital debt among young adults and contributes to the growing discourse on responsible digital lending and sustainable financial well-being.

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