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DIGITAL FINANCIAL LITERACY AND PERSONAL FINANCIAL MANAGEMENT IN THE DIGITAL AGE: A NARRATIVE REVIEW

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Abstract:

The rise of digital finance services, fintech platforms, and mobile banking systems has completely revolutionized contemporary personal financial management (PFM). Even though there is a great deal of research on this topic, the available literature is rather fragmented and suffers from inconsistencies in operational definition, sectoral focus, and conceptualization of the processes of conversion of Digital Financial Literacy (DFL) to real-life PFM practices. In response to this situation, the current narrative review synthesizes peer-reviewed literature on this topic found in Scopus between 2020 and 2026. Employing complementary conceptualizations from the Technology Acceptance Model, the Theory of Planned Behavior, and Human Capital Theory, the review analyzes technology adoption, behavioral conversion, and capability building in the context of the DFL-PFM connection. The review conceptualizes DFL as a multifaceted capability involving financial literacy, digital proficiency, and digital risk consciousness, which, in turn, is positively correlated with budgeting behavior, saving behavior, and resistance to digital fraud. Nonetheless, a key contradiction arises in the sense that increased skills in digital financial platforms do not guarantee proper financial management skills since those who are digitally literate can indulge in reckless spending, borrowing, and speculative finances. In this context, this review offers a consolidated theoretical framework to reconcile the dichotomy between personal digital skills and overall market dynamics. From an applied perspective, this review brings out the need for clear digital financial information, relevant spending and risk warnings, and

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financial education in order to enable consumers to make sound financial decisions.

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Keyword:

Digital Financial Literacy, Personal Financial Management, Fintech Adoption, Consumer Financial Behavior, Financial Well-Being, Digital Inclusion, Narrative Review.

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Introduction

The evolution of digital transformation has revolutionized the manner in which people use financial services. The growth in the use of digital financial services such as mobile banking, digital wallets, digital investment tools, P2P loans, and digital fintech applications has brought about numerous opportunities related to financial inclusion and effectiveness. Nonetheless, the introduction of digital technologies has complicated the process of financial decision-making by exposing people to financial risks such as cybercrime, data breach, information distortion, and digital scams. Therefore, financial literacy alone cannot help in making effective financial decisions in a digitally driven environment. Instead, there is need to integrate various capabilities into a holistic concept referred to as digital financial literacy (DFL), which involves financial literacy, digital skills, critical evaluation abilities, and digital financial risks (Koskelainen et al., 2023; Mir & Bushra, 2024; Pak et al., 2026). Due to the integration of digital finance into financial processes, DFL has become a pre-requisite to effective personal financial management. The increasing relevance of DFL is evident through the mounting body of empirical evidence highlighting the positive relationship between DFL and financial management outcomes. Those people who have DFL at high levels are more prone to use digital financial services properly, make financial decisions in an informed manner, control savings and spending and consequently enjoy good financial well-being (Fahlevi et al., 2024; Jose & Ghosh, 2024; Kumar et al., 2023). The recent research has revealed that DFL enhances consumers' evaluation skills when it comes to digital financial products, protects individuals against any kind of fraud and leads to responsible behavior regarding finances among various groups of population (Kaur & Sahni, 2025; Pak et al., 2026; Rai et al., 2026). However, even with all the positive aspects, huge differences still exist between DFL among different population segments including young adults, students, elderly people and those financially vulnerable (Agarwal et al., 2025; Cárdenas Escobar et al., 2025; Putri et al., 2026). Such differences create a serious issue because of the current promotion of digital financial

ecosystems by governments and financial institutions considering that the latter have enough digital financial skills. While there has been significant growth in academic research on DFL over the past few years, it still suffers from serious conceptual fragmentation, failing to provide an integrated view on the matter. The current research uses inconsistent terminology by addressing such notions as digital financial literacy, digital financial capability, fintech literacy, digital financial competence, and financial technology literacy without proper distinction between them (Koskelainen et al., 2023; Putri et al., 2026). Research findings are highly unequal in terms of the sectors and target audiences, with the majority of studies being dedicated to students at universities, millennials or particular countries, whereas little attention is paid to general populations, international comparison, and implementation of the practices (Janani et al., 2026; Jose & Ghosh, 2024). Implementation approaches are also diverse, including educational programs, fintech promotion, digital inclusion initiatives, behaviour change practices and financial capabilities, which makes it hard to give consistent recommendations to all parties concerned (Chhillar et al., 2026; Kamarudin et al., 2024). Accordingly, even with the increasing number of empirical studies conducted, there seems to be minimal conceptual integration concerning how DFL leads to PFM behaviour such as budgeting, spending, saving, debt management, investing, and safe digital financial service usage. Most of these studies have focused on addressing different aspects independently, hence failing to address how the combination of DFL knowledge, skills, and risk awareness contribute to individual PFM in a digital financial world.

These gaps call for a narrative review that will critically evaluate the current status of research and highlight areas of focus going forward. Different from the systematic reviews that normally have well-defined research questions or quantitative information, narrative reviews offer flexibility in conceptual interpretation and integration of knowledge. Narrative reviews are, therefore, appropriate for the study on DFL, an area characterized by ongoing theory development and conceptual inconsistency (Koskelainen et al., 2023; Janani et al., 2026). Accordingly, the current study seeks to conduct a critical review and synthesis of the literature on DFL and PFM to provide an integrated perspective on how DFL manifests itself through financial management behaviors in the digital age and highlighting the main gaps in terms of concept, behavior, demographics and policy issues and providing future directions for research, policy and practice. The structure of the rest of this paper is as follows. First, the methodology used in this narrative review is introduced. Then, the literature on DFL and PFM is reviewed and synthesized, followed by a discussion of emerging issues and research gaps, policy and practice implications, and future research recommendations.

Review Approach

In this paper, the researchers apply the technique of narrative review in order to examine the current body of knowledge related to digital financial literacy and financial management in the digital age. In contrast to systematic reviews that have a very specific goal to provide answers to research questions in an exhaustive way according to a predetermined protocol, narrative reviews allow more room for incorporation of conceptual innovations, theories, and empirical data from various multidisciplinary spheres (Baumeister & Leary, 1997; Ferrari, 2015). This type of literature review is most suitable due to the multidisciplinary nature of digital financial literacy. In order to achieve transparency and academic rigour, the literature search was conducted using a systematic but flexible method based on the guidelines for a good narrative literature review (Ferrari, 2015; Snyder, 2019). The search was done solely through the Scopus database, which contains an extensive body of peer-reviewed articles from high-quality

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business, economics, finance, education, and information technology journals. Scopus database is generally considered one of the largest multidisciplinary citation indexes and is often used in evidence synthesis research due to the great number of indexed journals (Burnham, 2006). The literature search concentrated on articles from 2020 to 2026, which reflected new trends connected with the fast growth of digital financial services, innovations in fintech, and digital transformation, driven by the adoption of technologies in the times of the COVID-19 pandemic. The following Boolean search string was used in the Scopus database:

("digital literacy" OR "financial literacy" OR "media literacy" OR "information literacy") AND ("personal finance" OR "financial management" OR "money management" OR "budgeting") AND ("financial education" OR "financial capability" OR "financial knowledge" OR "financial skills") AND ("technology" OR "digital tools" OR "online resources" OR "mobile applications") AND ("consumer behavior" OR "decision making" OR "spending habits" OR "savings").

The publications that were collected have been filtered out using different filters. Firstly, duplicates were taken off when necessary. Secondly, titles and abstracts have been analyzed in order to assess whether they fit the goals of the review. Thirdly, full texts were evaluated according to the predefined inclusion and exclusion criteria. The included publications were peer-reviewed articles written in English and devoted to digital financial literacy, financial literacy in the digital age, personal financial management, financial behavior, digital financial capability, or other related issues. The excluded studies were the articles dealing with organizational finance, corporate financial management, macroeconomic policy, banking regulation, or purely technical information systems without the financial literacy component. Also, conference papers, editorials, book reviews, dissertations, and non-English publications have been disregarded in order to ensure the same level of evidence quality.

The selection of articles was aimed not at comprehensive overview but at inclusion of those articles that were making a significant contribution to either conceptualization, theoretical elaboration, empirical research, policies, or implementation of digital financial literacy. Such selection approach is consistent with the purpose of narrative reviews that are meant to synthesize the findings conceptually but not statistically (Baumeister & Leary, 1997; Ferrari, 2015).

After the selection of relevant literature, it was further categorized on the basis of themes, namely, the definition of digital financial literacy and its various dimensions, the connection between digital financial literacy and personal financial management, evolving models of implementation of DFL, research gaps at present and future directions of research. This process of searching for relevant literature involved a combination of Boolean Operators along with keyword clusters that would be specifically used to identify literature focusing on the synergy between DFL and PFM. The detailed process of searching has been described in Table 1.

Table 1: Search Strategy

Component	Description
Database	Scopus
Search String	("digital literacy" OR "financial literacy" OR "media literacy" OR "information literacy") AND ("personal finance" OR "financial

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	management" OR "money management" OR "budgeting") AND ("financial education" OR "financial capability" OR "financial knowledge" OR "financial skills") AND ("technology" OR "digital tools" OR "online resources" OR "mobile applications") AND ("consumer behavior" OR "decision making" OR "spending habits" OR "savings")
Publication Timeframe	2020-2026
Inclusion Criteria	Peer-reviewed journal articles; English language; indexed in Scopus; published between 2020 and 2026; focused on digital financial literacy, digital financial capability, personal financial management, financial behaviour, financial education, or related concepts.
Exclusion Criteria	Conference papers, book chapters, editorials, reviews not relevant to the topic, dissertations, non-English publications, studies focused solely on corporate finance, banking operations, macroeconomic policy, or information technology without a digital financial literacy perspective.
Selection Approach	Structured narrative review involving title screening, abstract screening, full-text assessment, and purposive selection of conceptually relevant studies for thematic synthesis.

Conceptual Background

Definitions

For building up an effective theoretical framework in order to analyze the financial behavior of contemporary consumers, the need arises for defining both the concepts of Digital Financial Literacy (DFL) and Personal Financial Management (PFM). DFL can be defined as the extension of traditional financial literacy, i.e., an individual's capacity to manage financial resources by way of using digital technology platforms (Janani et al., 2026; Kamarudin et al., 2024; Mir & Bushra, 2024). The academic definition of DFL involves four interrelated dimensions, namely, basic financial literacy, technical digital competences, awareness of digital security threats, and digital financial experience (Kaur & Sahni, 2025; Pak et al., 2026; Putri et al., 2026; Rai et al., 2026). Traditional financial literacy involves understanding basic economic concepts, such as compound interest, budgeting, saving, and investment valuation, while digital literacy requires certain competences needed for managing one's money using online banking applications, mobile payment technologies, and automated wealth management systems (Chandana et al., 2026; Koskelainen et al., 2023). Importantly, DFL entails a defensive competence, specifically, the awareness of security threats, such as phishing, cybercrime, violation of privacy regulations, and digital fraud (Kaur & Sahni, 2025; Pak et al., 2026).

In turn, Personal Financial Management implies a systematic process of planning, controlling, allocating and optimizing one's funds throughout different phases of life with the aim of maintaining financial stability and well-being (Chhillar et al., 2026; Fahlevi et al., 2024). The major domains of personal finance management are daily expenditure management, regular savings, debts repayment, and investment allocation (Fahlevi et al., 2024; Rai et al., 2026). In the modern digital economy, the practice of PFM depends significantly on DFS, turning the process from traditional static financial decision-making into a dynamic, technologically

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mediated one (Chandana et al., 2026; Koskelainen et al., 2023). Hence, DFL becomes a vital catalyst for the modern approach to PFM, allowing consumers to make more educated decisions, implement financial discipline through automation and reduce risks associated with the use of digital tools while protecting against financial exclusion (Janani et al., 2026; Mir & Bushra, 2024; Pak et al., 2026).

Important Theories and Conceptual Frameworks

Several key theories and conceptual frameworks help us understand the relationship between DFL and PFM. In particular, TAM theory formulated by Davis (1989) states that the acceptance and usage of technology systems depend on two constructs – Perceived Usefulness (PU) and Perceived Ease of Use (PEOU). Applying TAM to the digital personal finance context, we can conclude that high DFL increases an individual's perception of the simplicity of working with fintech tools, which, in turn, makes the digital management system more useful for spending tracking and saving allocation (Chandana et al., 2026; Pak et al., 2026). With increasing digital self-efficacy, the intention of utilizing digital financial tools becomes a continuous digital financial management behavior (Koskelainen et al., 2023).

Adding to the TAM, Ajzen (1991) Theory of Planned Behavior (TPB) offers a psychological basis of the impact of cognitive competencies on financial behaviors. The TPB claims that all human behavior is driven by behavioral attitudes, subjective norms, and perceived behavioral control. In the DFL-PFM theory, cognitive competencies such as digital financial knowledge and risk awareness boost perceived behavioral control in the individual, thereby enabling them to perform digital transactions and manage their portfolios with confidence (Chhillar et al., 2026; Rai et al., 2026). Socialization through peers and families becomes subjective norms that speed up digital financial socialization and positive personal financial behaviors of people of varied demographics (Kaur & Sahni, 2025).

Lastly, Human Capital Theory, from the economic perspective of individual capacity building (Schultz, 1961), perceives DFL as an indispensable intangible asset in the modern world.

Human Capital Theory implies that education, skills, and practical experience lead to increased productivity and improved economic decision-making capacity. Within the realm of the digital economy, gaining DFL becomes an investment in specific human capital which decreases transaction costs, decreases exposure to financial fraud, and increases financial welfare in life (Fahlevi et al., 2024; Mir & Bushra, 2024; Putri et al., 2026). Both theories prove that DFL is an active multi-dimensional capacity that encourages technology use, enhances behavioral control, and improves outcomes of personal financial management.

Thematic Review of Literature

To conduct a systematic synthesis of the expanding literature on digital financial literacy and personal financial management, this section employs a thematic review rather than a conventional narrative review. It is evident that summarizing the literature sequentially fails to provide a coherent understanding of the concepts and trends in the field due to fragmented theoretical analysis; thus, organizing the findings into thematic categories allows for a critical assessment of theoretical relationships, empirical convergences, and research gaps in the literature. In particular, the literature is categorized by four main themes:

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Theme 1 is concerned with the Conceptual Dimensions and Core Competencies of Digital Financial Literacy and sets out the operational parameters and sub-dimensions of the concept; Theme 2 deals with the Behavioral Effects of DFL on Personal Finance Management and assesses the way through which digital competencies affect personal finances in terms of mechanisms and behavior changes; Theme 3 focuses on Digital Inclusion, Demographic Vulnerability and Barriers to Implementation; and finally, Theme 4 delves into the realm of Policy Frameworks, Educational Models and Governance Disconnects.

Theme 1: Conceptual Dimensions and Core Competencies of Digital Financial Literacy

Research on contemporary consumer finance issues has been consolidated into an interdisciplinary approach of DFL as a multiple dimension capability that combines financial literacy with technological skills (Janani et al., 2026; Kamarudin et al., 2024; Mir & Bushra, 2024). The current academic discourse defines DFL not as another version of financial literacy, but as an ecosystem of competencies including traditional financial knowledge (budgeting and interest calculation), technical skills related to the usage of online interfaces, digital risk awareness and practical experience with financial technologies (Kaur & Sahni, 2025; Pak et al., 2026; Putri et al., 2026).

It is important to note that with the shift of PFM from physical cash and traditional brick-and-mortar establishments to algorithm-based and mobile-oriented platforms, the operational dimensions of consumer financial literacy should be necessarily enhanced (Chandana et al., 2026; Koskelainen et al., 2023). Therefore, mere awareness of the basic principles of personal finances is no longer sufficient to ensure efficient decision-making without the necessary digital tools and protocols of secure transaction (Kaur & Sahni, 2025; Rai et al., 2026).

Although there is universal consensus about multifaceted character of the concept, scholars remain divided about hierarchy and operational definitions of DFL components in their various empirical studies. Studies from the behavioral finance perspective suggest that technical skills and navigational competencies are immediate precursors of financial self-efficacy and platform usage (Chandana et al., 2026; Pak et al., 2026). At the same time, those taking risk-mitigation approach claim that security awareness, which refers specifically to consumers' ability to detect various online scams including phishing, data fraud, and unauthorized digital costs, is the core component of DFL (Kaur & Sahni, 2025; Koskelainen et al., 2023). Moreover, although bibliometric analysis aims at unifying all of these approaches into integrated capabilities models (Janani et al., 2026), empirical literature tends to focus on certain sub-dimensions, which leads to different measurement standards across jurisdictions (Chhillar et al., 2026; Putri et al., 2026).

This fragmentation underscores a key conceptual problem within the literature; the lack of a standardized metric to measure DFL in the face of diverse socio-economic settings. With emphasis on certain dimensions such as platform adoption rate rather than risk-mitigation capabilities, current research runs the risk of overestimating the functional level of DFL among tech-savvy individuals who may have a high level of interface literacy but are very vulnerable to digital frauds (Kamarudin et al., 2024; Koskelainen et al., 2023). This conceptual disconnect must be addressed within this literature review as the development of the standardized multi-dimensional framework of DFL will serve as the basis of evaluating downstream impacts of DFL on personal financial management behavior.

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Theme 2: Behavioral Impacts of DFL on Personal Financial Practices

Current literature proves a positive correlation between higher levels of DFL and better financial management behavior (Fahlevi et al., 2024; Jose & Ghosh, 2024; Rai et al., 2026). Based on synthesized studies, those who possess better DFL have better budgetary discipline, use digital tools for monitoring real-time expenses, create liquidity reserves and have higher tendencies to save money (Chandana et al., 2026; Fahlevi et al., 2024). Additionally, better DFL prevents impulse purchases due to real-time bank account and personal finances monitoring through fintech technologies (Jose & Ghosh, 2024; Pak et al., 2026). As a consequence, digital financial literacy acts as an active behavioral determinant that improves quality of decisions, increases financial self-regulation and positively impacts both subjective and objective measures of financial well-being (Chhillar et al., 2026; Mir & Bushra, 2024).

Nevertheless, the comparative review of empirical studies shows that there are several significant differences between researchers regarding indirect mechanisms and mediator variables of this connection. Although some scholars claim that DFL has a direct impact on financial success (Fahlevi et al., 2024; Jose & Ghosh, 2024), others prove that there is an intensive mediation of psychological and social factors like digital financial socialization and digital self-efficacy (Kaur & Sahni, 2025; Kumar et al., 2023). To illustrate, Kaur & Sahni (2025) emphasize that in terms of particular demographic groups, social influence, and family peer learning are indispensable intermediaries that turn the technical form of DFL into the actual process of behavioral change. Furthermore, it is evident from research devoted to investors' behavior that DFL helps to improve risk awareness and may sometimes result in overconfidence that leads to speculation on digital platforms without any fundamental analysis (Rai et al., 2026; Abuselidze et al., 2027).

Most importantly, such differences between the behavioral outcomes of DFL demonstrate the problem associated with the lack of longitudinal studies that examine whether the use of digital platforms results in long-term financial resilience. Most of the current literature uses mainly cross-sectional surveys, which measure the use of financial tools immediately and do not evaluate the lifetime financial stability (Chhillar et al., 2026; Jose & Ghosh, 2024). This review aims to fill the gap and critically analyze boundary conditions for DFL to foster real financial capability rather than the use of the platform itself.

Theme 3: Digital Inclusion, Demographic Vulnerabilities, and Implementation Barriers

Studies analyzing the social distribution of DFL show that despite the democratizing potential of digital financial instruments, structural inequalities reinforce dramatic digital exclusions (Abuselidze et al., 2027; Janani et al., 2026). Specialists note that DFL is an important factor in digital inclusion, making it possible for disadvantaged groups, such as rural families, low-income households, and certain age groups, to benefit from credit, digital payment, and investment tools (Agarwal et al., 2025; Mir & Bushra, 2024). Deficiencies in DFL deepen the socio-economic inequalities, effectively preventing low-literacy consumers from entering cashless economies and becoming victims of digital loaning scams or financial exclusion (Abuselidze et al., 2027; Kamarudin et al., 2024).

Analysis of empirical studies of population-related issues reveals notable paradoxes and contradictions in demographic vulnerability. Traditionally, young generations, who are natives of the digital era, are supposed to cope easily with any technology, yet research findings suggest

that groups like university students and millennials find it difficult to deal with the financial aspects of DFL, being highly active on platforms but weak in financial planning and budgeting (Agarwal et al., 2025; Cárdenas Escobar et al., 2025).

Moreover, gendered assessments have produced contradictory results as some studies show gender differences in digital financial literacy confidence and risk perceptions (Cárdenas Escobar et al., 2025), but there are others which have shown that with gendered digital socialization efforts, there are no such differences in urban and semi-urban areas (Kaur & Sahni, 2025).

This contradiction is reflective of an important gap in literature because there is very little sectoral evidence available on the topic since researchers do not consider the impact of structural factors like regional infrastructure, income equality, and education equality on the topic (Cárdenas Escobar et al., 2025; Kamarudin et al., 2024). It is crucial to highlight these sectoral gaps as it becomes evident that technological solutions cannot solve the problem of digital financial inclusion because it requires educational programs tailored according to the needs of vulnerable demographics.

Theme 4: Policy, Education Models and Governance Gaps

Finally, the last set of themes revolves around national policy frameworks, institutional intervention, and education models for the cultivation of DFL (Cárdenas Escobar et al., 2025; Chandana et al., 2026; Koskelainen et al., 2023). Researchers have concurred on the inadequacy of the traditional financial literacy curricula amid the rapidly evolving fintech environment that calls for immediate policy interventions that would incorporate digital security, algorithmic awareness, and mobile platforms navigation into national strategy plans (Kamarudin et al., 2024; Koskelainen et al., 2023). Effective policy interventions have been established to involve the cooperation of stakeholders, including regulators, educational institutions, and fintech companies, to promote innovation and consumer protection at the same time (Chandana et al., 2026; Putri et al., 2026).

Though there exists an agreement on the general policy approach, there is a wide debate over the channels and ways of delivering DFL intervention programs. One group of scholars insists on using pedagogical interventions that are part of the academic curriculum and will be conducted in secondary and tertiary schools to form the foundation of competencies before economic independence (Cárdenas Escobar et al., 2025). However, practitioners' research findings have indicated that the use of pedagogical interventions is too slow to respond to the dynamics of the fintech industry, thus, supporting micro-learning interventions that would be done within consumer finance applications. In addition, the approaches to regulation can vary widely based on regional jurisdiction, from top-down stringent consumer protection regulations to self-regulation based on the market (Koskelainen et al., 2023; Pak et al., 2026). Such policy environment underscores the mismatch between the rapid development and implementation of fintech solutions on the one hand and their gradual regulation and education on the other. Literature constantly fails to suggest standardised metrics for evaluating the efficiency of policy implementation models depending on different economic national contexts (Kamarudin et al., 2024; Koskelainen et al., 2023). Thus, by bringing together the dispersed policies, the narrative review emphasizes the necessity for the consolidation of the governance and educational model that would balance between fintech innovations and consumers' protection and education.

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To give a holistic representation of the literature under analysis, the key conceptual elements, behavioral effects, structural barriers, and challenges to policy governance are illustrated in Figure 1 below.

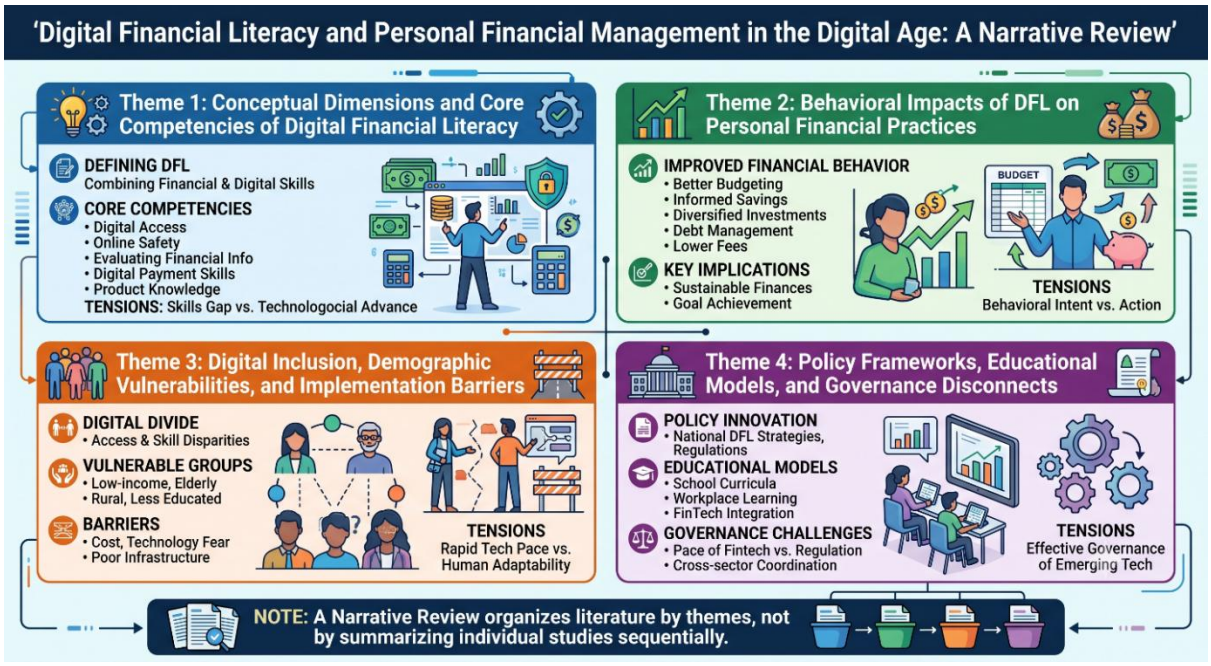


Figure 1: Thematic Review of Literature

Critical Discussion

Agreements in the Literature

A considerable consensus in the current literature base clearly establishes that Digital Financial Literacy (DFL) plays a vital role as one of the indispensable determinants of personal financial management and consumer welfare in today's times (Chhillar et al., 2026; Jose & Ghosh, 2024; Mir & Bushra, 2024). Academicians universally recognize that while DFL goes beyond the traditional form of financial literacy comprising numeracy and budgeting techniques, it also involves the ability to execute digital transactions along with real-time risk awareness and first-hand experience of the fintech ecosystem (Kaur & Sahni, 2025; Pak et al., 2026; Putri et al., 2026). Empirical evidence from different economic and geographic contexts proves that increased DFL results in favorable behavioral outcomes in terms of improved budgeting practices, high utilization of digital financial services, increased savings of liquid cash reserves, and better defensive capability against digital fraud (Chandana et al., 2026; Fahlevi et al., 2024; Rai et al., 2026). Moreover, the scholarly community universally agrees that development of DFL serves as a vital pre-requisite for effective digital financial inclusion that enables socially disadvantaged socio-economic groups to engage safely in cashless economies (Abuselidze et al., 2027; Janani et al., 2026).

This agreement marks a paradigm shift in the theory of financial capabilities by shifting the criterion of financial literacy from mere knowledge accumulation to the use of technological capability to execute that knowledge in practice. The literature establishes that financial knowledge devoid of digital capability leads to suboptimal management of finances in modern

times, therefore highlighting the need for an upgrade in the traditional decision-making models of consumers (Koskelainen et al., 2023; Kumar et al., 2023). Nevertheless, there is also another subtle point of contention in the literature – where researchers agree about the overall significance of DFL, there is much less emphasis on structural market dynamics than on the role of individual agency and cognitive capabilities. By making DFL a panacea for financial vulnerability, existing studies fail to consider the complexities involved in digitization of finance and the assumption that the improvement in individual capability is sufficient to counter the aggressive fintech business practices or predatory digital lending architecture (Kamarudin et al., 2024; Koskelainen et al., 2023).

Disagreements in the Literature

There are major areas of empirical and theoretical disagreement about the way DFL affects personal financial behavior. Another major bone of contention is related to whether DFL impacts one's finances directly or works indirectly via certain psychological and social mediators. While the proponents of direct-effect models assert that gaining digital financial literacy leads to sound financial behavior (Fahlevi et al., 2024; Jose & Ghosh, 2024), others insist that the result is largely determined by certain mediating factors, including digital self-efficacy, financial autonomy, and peer-induced digital socialization (Kaur & Sahni, 2025; Kumar et al., 2023). Moreover, some contradictory data is generated in terms of demographic vulnerability. Though it is traditionally believed that younger generation or "digital natives" has the natural ability to cope with technology-based finance, research proves that the millennial generation and students at universities are characterized by high platform use but also have poor budgeting skills and excessive levels of digital debt (Agarwal et al., 2025; Cárdenas Escobar et al., 2025).

These contradictions are associated with theoretical disputes between different approaches. Thus, technology adoption models, for instance, TAM (Davis, 1989) conflict with behavioral finance frameworks (Abuselidze et al., 2027; Rai et al., 2026). Even though people are highly digitally fluent, that does not automatically imply financial literacy because effortless digital payment platforms can further enhance the effect of behavioral bias, resulting in reckless spending and investments on the part of tech-savvy people (Chandana et al., 2026; Rai et al., 2026). The inconsistency between demographics' research results is also important since it demonstrates an urgent issue overlooked by the majority of existing academic sources, where tech-savvy UI/UX is perceived as digital financial understanding (Koskelainen et al., 2023; Pak et al., 2026).

Gaps in the Literature

The analysis of current studies uncovers three significant gaps that hinder the advancement of this field both theoretically and practically, which include conceptual gap, uneven coverage of sectors, and cross-sectional methodologies. First, conceptual gaps occur because of the absence of a widely accepted and measured definition and index of DFL, as well as its inconsistencies in measures in various countries (Chhillar et al., 2026; Janani et al., 2026; Putri et al., 2026). Secondly, there is a significant imbalance within the sectoral approach, whereby research focuses predominantly on the adoption of retail investment products, mobile banking, and demographics of particular students and not enough on debt management over time, retirement planning, and interaction with the informal economy (Abuselidze et al., 2027; Cárdenas Escobar et al., 2025; Rai et al., 2026). Thirdly, the predominant use of cross-sectional surveys

leads to the methodological deficit in that it captures short-term platform adoption measures, rather than analyzing how DFL affects financial resilience over the course of one's life (Chhillar et al., 2026; Jose & Ghosh, 2024).

Filling those gaps is necessary for future academic research and effective financial policy implementation. Without any standardized long-term measures, scholars will not be able to conclude whether gamified financial technologies help people accumulate money or increase their transactions for commercial purposes (Chandana et al., 2026; Koskelainen et al., 2023). In addition, lack of attention to the household-level dynamics and structural intersectionality, such as the interaction between regional digital development, gender norms, and income instability, makes existing models of DFL too homogeneous (Cárdenas Escobar et al., 2025; Kamarudin et al., 2024; Kaur & Sahni, 2025). This connection will only be made possible through research designs that are longitudinal and mixed method and are designed to study how emerging digital financial capability skills impact the financial security of consumers in different economic cycles.

Implications for Theory, Policy and Practice

The critical insights developed through this literature review have important implications for theoretical research, policymaking, and practice. From a theoretical perspective, the findings highlight the need to move beyond isolated adoption models towards more integrative approaches that consider digital risk perceptions, platform architecture, and social settings (Ajzen, 1991; Chhillar et al., 2026; Schultz, 1961). This may involve integrating the Theory of Planned Behavior and Human Capital Theory with other relevant theoretical approaches. From a policy perspective, the findings suggest that access to digital infrastructure and fintech services alone may not be sufficient to ensure consumer protection. They highlight the importance of algorithmic transparency, digital financial safety, and appropriate regulatory safeguards in protecting consumers within increasingly digital financial environments (Kamarudin et al., 2024; Koskelainen et al., 2023).

From a practical and educational perspective, the findings highlight the limitations of static financial literacy programs in addressing the challenges of digital financial environments. Financial literacy should extend beyond technical knowledge to include individuals' ability to recognize and manage digital financial risks (Cárdenas Escobar et al., 2025; Chandana et al., 2026). The findings also underscore the role of fintech platforms and financial organizations in shaping users' financial behavior through the design and features of digital financial interfaces (Chandana et al., 2026; Pak et al., 2026).

Recommendations for Practice

In order to be responsive to the evolving needs of managing finances in the digital world, financial advisors, educators, and developers of financial technology software need to evolve past traditional text-based programs into capability-building systems (Cárdenas Escobar et al., 2025; Chandana et al., 2026). Micro-learning modules must be designed and embedded into digital banking platforms and mobile applications so that consumers can learn about financial literacy at point of decision when they are conducting financial transactions (Chandana et al., 2026; Kamarudin et al., 2024). Schools and communities should integrate simulation-based training in their financial education curriculum to ensure technical skills, risk awareness, and digital defensive capabilities against phishing and online fraud attempts (Kaur & Sahni, 2025;

Pak et al., 2026). Additionally, developers and UI/UX designers have an ethical obligation to design systems that employ choice architecture and behavioral guardrails to protect consumers from any impulse buying and speculative behavior in the digital space (Chandana et al., 2026; Rai et al., 2026).

Recommendations for Policy or Organizational Use

There is a need for policymakers and financial institutions to devise comprehensive regulatory policies that balance out the rapid pace of fintech innovation and consumer protection (Koskelainen et al., 2023; Putri et al., 2026). At the national level, regulatory agencies must make the fintech companies provide full disclosure on their products through transparency requirements including cost structures and terms of agreements (Kamarudin et al., 2024; Koskelainen et al., 2023). In order to overcome such gaps, government agencies should collaborate with banks and financial firms to fund initiatives aimed at providing digital literacy training and building digital infrastructure in rural and poor areas (Abuselidze et al., 2027; Janani et al., 2026). Moreover, organizational entities such as financial industry associations and consumer protection agencies must develop a set of metrics to measure digital financial literacy and gauge the overall progress towards ensuring that digital financial services help consumers build resilience instead of becoming involved in debt traps (Chhillar et al., 2026; Jose & Ghosh, 2024).

Future Directions of Research

Future research should be focused on addressing the shortcomings of existing research in order to promote further theoretical maturation of the field. Specifically, researchers should concentrate on developing an effective multidimensional Digital Financial Literacy Index that would unite all three components of digital financial literacy into one tool (Janani et al., 2026; Kumar et al., 2023; Putri et al., 2026). In terms of methodology, researchers need to move from cross-sectional survey methods to longitudinal and multi-method approaches able to measure how the digital financial literacy capabilities affect household wealth accumulation and debt management over extended economic periods (Chhillar et al., 2026; Jose & Ghosh, 2024). Lastly, researchers should look at new areas in their work such as long-term retirement planning in cashless economies, intersectionality of gender and infrastructure in regions, as well as ethical issues related to artificial intelligence and algorithms in personal financial management (Abuselidze et al., 2027; Cárdenas Escobar et al., 2025; Koskelainen et al., 2023).

Conclusion and Limitations

Conclusion

The narrative review discusses the emerging literature on digital financial literacy (DFL) and personal financial management (PFM) in the digital era, proving the importance of DFL as a multi-faceted capability that combines traditional financial literacy and practical skills of using various fintech tools (Janani et al., 2026; Kaur & Sahni, 2025; Pak et al., 2026). The critical analysis of empirical literature presented above highlights that higher DFL levels are associated with positive behavioral changes such as disciplined budgeting, better savings and defensive mechanisms against digital fraud and, thus, contribute to increased financial well-being and digital financial inclusion (Chhillar et al., 2026; Fahlevi et al., 2024; Mir & Bushra, 2024). The primary contribution of this review is in disentangling the fragmented literature, resolving

contradictory definitions and bringing into the light different theoretical perspectives; Technology Acceptance Model, Theory of Planned Behavior and Human Capital Theory into a conceptual framework to understand consumer financial behavior in modern times (Ajzen, 1991; Davis, 1989; Schultz, 1961). As financial landscapes tend to be more automated, seamless and algorithmic, developing digital financial literacy is not just an educational opportunity anymore, but an absolute necessity to ensure financial resilience in a digitally transformed world.

Limitations

There are certain limitations of this review that need to be taken into consideration. First, the selection of literature was limited only to the Scopus database during the particular period (2020-2026), despite being exhaustive, might have overlooked peer-reviewed articles indexed in other major databases such as Web of Science, PubMed or any other regional repository. Second, the review was limited to English literature and therefore could introduce a publication and language bias by excluding relevant literature available in the local language. Third, there are significant sectoral and geographic discrepancies with an excessive number of empirical studies concerning the adoption of retail investments, mobile banking, and students and relatively insufficient attention paid to the long-run household debt issues, retirement savings, and informal economy (Abuselidze et al., 2027; Cárdenas Escobar et al., 2025; Rai et al., 2026). Fourth, consistent conceptual overlaps and lack of common terminology among different research (for example, mixing of "digital financial literacy", "fintech capability" and "digital financial skills") hampered the comparison of research findings (Chhillar et al., 2026; Putri et al., 2026). Finally, as a narrative review, the thematic extraction and synthesis process inherently relies on qualitative appraisal and scholarly interpretation rather than quantitative meta-analytic statistical pooling (Green et al., 2006; Snyder, 2019).

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