DIGITAL FINANCIAL LITERACY AND FINANCIAL WELL-BEING IN DIGITAL INVESTMENT: A SYSTEMATIC LITERATURE REVIEW

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Abstract

The rapid growth of digital investment platforms has increased the importance of digital financial literacy and financial well-being in shaping individual financial behaviour. However, empirical findings on the relationship between these two constructs remain fragmented and context-dependent. This study aims to systematically review the existing literature on digital financial literacy and financial well-being in digital investment contexts.

Using a systematic literature review approach, relevant peer-reviewed journal articles were identified through major academic databases, including Scopus, Web of Science, and Google Scholar. The selected studies were analyzed thematically to examine research trends, conceptualizations, measurement approaches, and key empirical findings.

The review indicates that digital financial literacy is generally associated with higher levels of perceived financial security and control, which are core components of financial well-being. Nevertheless, variations in definitions, measurement instruments, and research contexts contribute to inconsistent results across studies. The findings also suggest that financial well-being may function as a psychological mechanism linking digital financial literacy to investment-related behaviour, although this role remains underexplored.

This study contributes by synthesizing current evidence and identifying key research gaps, providing directions for future research on digital investment behaviour.

Keywords: digital financial literacy, financial well-being, digital investment, investment behaviour

1. INTRODUCTION

The swift development of digital-based financial services has significantly reshaped the investment environment by allowing broader access to diverse investment instruments via online platforms. The presence of mobile apps, fintech innovations, and web-based investment facilities has reduced access limitations and encouraged wider involvement in digital investing. However, this advancement also raises questions about whether individuals possess adequate competence to manage digital financial systems and take well-informed investment decisions.

Digital financial literacy (DFL) is increasingly recognized as an essential skill within the digital finance landscape. It encompasses an individual's capacity to effectively obtain, interpret, analyze, and apply digital financial tools and services responsibly. As investment activities become more dependent on digital platforms, automated systems, and online data, digital financial literacy significantly influences how individuals identify potential risks, evaluate investment prospects, and control their financial assets. Previous research largely indicates that stronger digital financial literacy tends to correlate with improved financial decision-making and performance.

Nonetheless, findings across empirical studies are not yet consistent, especially in relation to digital investment environments.

Beyond technical knowledge and skills, investment behaviour in digital environments is strongly influenced by psychological and subjective factors. Financial well-being (FWB) has emerged as an important construct capturing individuals' perceived financial security, control, and confidence in managing their current and future financial conditions. Rather than reflecting objective financial status alone, financial well-being emphasizes subjective perceptions that shape financial decision-making. Individuals with higher financial well-being tend to exhibit greater confidence and clarity when engaging in financial activities, including investment decisions.

Recent literature increasingly highlights the interconnectedness between digital financial literacy and financial well-being. Digital financial literacy may enhance individuals' sense of financial control and security by reducing uncertainty and improving their ability to manage digital financial risks. Conversely, inadequate digital financial literacy may increase anxiety, perceived vulnerability, and financial stress in digital investment environments. Despite this conceptual linkage, existing studies report varying findings regarding the strength and direction of the relationship between digital financial literacy and financial well-being.

Moreover, the role of financial well-being in digital investment contexts remains underexplored. While some studies treat financial well-being as an outcome of financial knowledge and behaviour, others position it as a mediating mechanism that translates financial capabilities into actual financial decisions. Differences in research context, measurement approaches, and types of digital investment instruments contribute to inconsistencies in the literature. Most existing studies focus on stock markets, fintech adoption, or general financial behaviour, with limited attention given to specific forms of digital investment.

Given the rapid evolution of digital investment platforms and the growing emphasis on individual financial resilience, a systematic synthesis of the literature is needed to clarify how digital financial literacy and financial well-being are conceptualized and linked in digital investment research. Understanding these relationships is essential for advancing behavioural finance and digital finance scholarship, as well as for informing financial education and policy initiatives.

Accordingly, this study conducts a systematic literature review to examine prior research on the relationship between digital financial literacy and financial well-being in digital investment contexts. Specifically, the review aims to identify dominant research themes, theoretical perspectives, measurement approaches, and key findings, as well as to highlight gaps and future research directions in this emerging field.

2. METHODOLOGY

This research employs a systematic literature review (SLR) method to integrate and evaluate existing studies that explore the linkage between digital financial literacy and financial well-being within digital investment settings. The review is conducted through a clearly defined and methodical process to locate, select, and examine pertinent scholarly publications.

2.1 Search Strategy

The literature search was conducted using major academic databases, including Scopus, Web of Science, and Google Scholar. These databases were selected to ensure broad coverage of peer-reviewed studies in finance, management, and behavioral research. The search was performed using combinations of keywords such as "digital financial literacy", "financial well-being", "digital investment", "online investment", and "fintech investment". Boolean operators were applied to refine the search and capture relevant studies.

2.2 Inclusion and Exclusion Criteria

To maintain both relevance and scholarly rigor, specific inclusion and exclusion standards were established. Articles were selected if they: (1) appeared in refereed academic journals; (2) focused on digital financial literacy, financial well-being, or a combination of the two; (3) addressed issues related to digital or online financial services, including digital investment activities; and (4) were written in English. Conversely, publications were omitted if they consisted of non-scholarly sources, conference summaries lacking complete manuscripts, or failed to explicitly examine the connection between digital financial literacy and financial well-being.

2.3 Review Process

The review was carried out in three sequential steps. Initially, the screening focused on study titles and abstracts to eliminate duplicate records and publications that were evidently unrelated to the research topic. Subsequently, the complete texts of the selected articles were examined to determine their suitability in accordance with the established inclusion criteria. Third, the selected studies were analyzed and categorized to identify key themes, theoretical frameworks, research methods, and empirical findings. The final sample consisted of a set of relevant studies that formed the basis for thematic synthesis and discussion.

Tabel 1 PRISMA-Style Screening and Selection Process

Stage	Description	Number of Articles
Identification	Records identified through database searching (Scopus, Web of Science, Google Scholar)	312
Identification	Records after duplicates removed	268
Screening	Records screened by title and abstract	268
Screening	Records excluded (not relevant to DFL, FWB, or digital investment context)	201
Eligibility	Full-text articles assessed for eligibility	67
Eligibility	Full-text articles excluded (conceptual only, unrelated outcomes, or insufficient data)	42
Included	Studies included in the systematic literature review	**25**

3. FINDINGS AND DISCUSSIONS

This section presents the main results of the systematic literature review, focusing on publication trends, conceptualization of digital financial literacy and financial well-being, and the patterns of their relationship in digital investment contexts. To summarize the main patterns identified in the literature, Table 1 presents key themes and findings from prior studies.

3.1 Publication Trends and Research Contexts

The reviewed literature indicates a growing academic interest in digital financial literacy and financial well-being, particularly following the rapid expansion of fintech services and digital investment platforms. Most studies are conducted in emerging and developing economies, reflecting accelerated digital financial adoption in these regions. However, the majority of research focuses on general digital financial services or stock market participation, while studies examining specific digital investment instruments remain relatively limited.

3.2 Conceptualization of Digital Financial Literacy

Across the reviewed studies, digital financial literacy is commonly conceptualized as a multidimensional construct encompassing digital financial knowledge, skills, and risk awareness. While there is broad agreement on its importance, substantial variation exists in how digital financial literacy is measured. Some studies adapt traditional financial literacy instruments, whereas others develop context-specific measures tailored to digital finance environments. This lack of standardization contributes to inconsistencies in empirical findings across studies.

Tabel 1. Summary of Key Themes on Digital Financial Literacy and Financial Well-being in Digital Investment Research

Author(s) & Year	Country / Context	Key Variables	Method	Main Findings
Choung et al. (2023)	Multi-country	DFL, FWB	SEM	Digital financial literacy positively influences financial well-being across contexts
Lone et al. (2025)	India	DFL, FWB	Regression	DFL improves financial well-being; gender moderates the relationship
Rahman et al. (2021)	Malaysia	FL, financial behaviour, FWB	SEM	Financial behaviour serves as an intermediary mechanism through which financial literacy affects financial well-being
Kamble et al. (2024)	Emerging markets	DFL, FWB, investment behaviour	SEM	DFL enhances financial well-being and supports positive investment behaviour
Kumar et al. (2023)	India	DFL, investment decision	SEM	Higher DFL leads to better digital investment decision-making

Author(s) & Year	Country / Context	Key Variables	Method	Main Findings
Yadav & Banerji (2025)	India	DFL, saving & investment behaviour	Regression	DFL positively affects saving and investment behaviour
Jhonson et al. (2023)	Indonesia	DFL, FWB, financial behaviour	SEM	Digital financial literacy enhances financial well-being through an indirect pathway by shaping positive financial behaviour.
Dewi et al. (2024)	Indonesia	DFL, digital financial behaviour, FWB	SEM	Digital financial behaviour strengthens the DFL–FWB relationship
Ravikumar et al. (2022)	India	DFL measurement	Scale validation	A valid and reliable digital financial literacy measurement is developed
Johri et al. (2023)	India	DFL, adoption behaviour	SEM	DFL supports adoption of online investment applications
Tan et al. (2025)	Malaysia	DFL, FWB, digital inclusion	SEM	Digital financial inclusion functions as an intervening factor linking digital financial literacy to financial well-being
Bai (2023)	China	FL, FWB, investment behaviour	SEM	Financial well-being acts as a mediating variable through which financial literacy influences investment behaviour
Chhillar et al. (2025)	India	DFL, financial stress, FWB	SEM	DFL reduces financial stress, thereby improving financial well-being
Panos & Wilson (2020)	Europe	FL, digital financial capability	Conceptual	Digital financial capability is crucial in the fintech investment environment
Other included studies (n = 10)	Various countries	DFL, FWB, investment behaviour	SEM / Regression	A growing body of research consistently indicates a favorable relationship among digital financial literacy, financial well-being, and behaviours related to investment activities across various settings

Source: Authors' synthesis based on the reviewed literature.

3.3 Financial Well-Being in Digital Investment Research

Financial well-being is generally defined as individual's perceived financial security, control, and confidence in managing their current and future financial conditions. Most reviewed studies emphasize subjective measures of financial well-being rather than objective financial indicators. Within digital investment research,

financial well-being is positioned differently across studies, serving either as an outcome of financial capability or as a mediating mechanism linking financial literacy to behavioural outcomes.

3.4 Relationship between Digital Financial Literacy and Financial Well-Being

Most empirical findings demonstrate a favorable link between digital financial literacy and financial well-being, indicating that individuals with stronger digital financial competencies generally show higher levels of financial assurance and stability. However, the magnitude and statistical relevance of this relationship differ across study settings and research designs. A number of studies further reveal that digital financial literacy contributes to financial well-being through indirect pathways, such as better financial practices, lower levels of financial pressure, and increased perceived mastery in managing digital financial activities.

3.5 Implications for Digital Investment Research

The reviewed literature suggests that both digital financial literacy and financial well-being play important roles in shaping digital investment behaviour. Digital financial literacy enhances individuals' ability to evaluate digital investment platforms, while financial well-being influences their willingness and confidence to participate in digital investment activities. Notably, only a limited number of studies explicitly examine financial well-being as a mediating variable, highlighting a significant gap in existing research. These findings support behavioural finance perspectives that emphasize the importance of psychological mechanisms in digital investment decision-making.

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4. CONCLUSION

This systematic literature review integrates existing studies that examine digital financial literacy and financial well-being within the scope of digital investment. The results suggest a strong linkage between digital financial literacy and financial well-being, although the nature and intensity of this association differ depending on study settings, measurement methods, and categories of digital financial services. In general, digital financial literacy is linked to higher levels of financial self-assurance and perceived autonomy, whereas financial well-being significantly influences how individuals participate in digital investment practices.

The review also highlights that financial well-being is not merely an outcome of financial capability but may function as a key psychological mechanism linking digital financial literacy to investment-related behaviour. However, existing studies remain fragmented, with limited consensus on conceptual definitions and measurement instruments. Moreover, empirical research focusing on specific digital investment instruments and emerging market contexts is still relatively scarce.

Overall, this review contributes by providing a structured synthesis of the literature and identifying key research gaps. Future studies are encouraged to adopt more standardized measures of digital financial literacy, examine the mediating role of

financial well-being more explicitly, and explore diverse forms of digital investment to enhance understanding of digital investment behaviour in an evolving financial landscape.

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