

Financial Impact of Instant Loan Apps among Youth in Kerala

Ms. Dhanya K D

Assistant Professor, St. Josephs' College (Autonomous) Irinjalakuda, Thrissur, Kerala

Abstract—The rapid growth of digital financial technologies has transformed borrowing behavior, particularly among young populations. This study investigates the financial impact of instant loan applications on youth in Kerala, focusing on factors effecting usage, frequency of usage and their association with financial stress. A structured questionnaire was administered to 200 respondents, selected by using convenience sampling. Pearson's correlation, revealed a significant positive relationship between frequency of instant loan app use and financial stress ($r = 0.7618$). The findings suggest that frequent reliance on instant loan apps is strongly associated with heightened financial strain, indicating potential risks of debt dependency and reduced financial well-being among youth. The study highlights the need for greater financial literacy, regulatory oversight, and awareness campaigns to mitigate adverse outcomes of digital borrowing.

Index Terms—Instant loan app

I. INTRODUCTION

The rapid growth of digital finance and the heavy reliance on smartphones have brought vast changes in the digital behavior of youth. Especially in Kerala, the high digital literacy rate has accelerated this transformation. This rapid growth has transformed the way young people access credit. Digital lending has grown rapidly in India and Kerala in recent years. Many youths prefer app-based loans over traditional bank loans due to the speed and ease of access. Instant loan apps (digital lending applications) provide quick and easy access to small loans through mobile phones. Instant loan apps have become extremely popular due to their fast approval, minimal documentation and easy accessibility. In Kerala, youth rely heavily on online platforms, making them more exposed to both the advantages and risks of instant loan applications. Although instant loan apps provide quick financial

support, they also create serious financial, psychological, and social challenges, such as high interest rates, hidden charges, data misuse, and harassment by recovery agents. The Reserve Bank of India (RBI) has introduced several guidelines to regulate digital lending. The Kerala government and police have also taken steps to control illegal loan apps and protect users. This study examines the financial impact of these apps among youth in Kerala.

II. STATEMENT OF THE PROBLEM

Kerala has witnessed a growing number of cases where youth fall into debt traps after using instant loan apps. Many borrow for lifestyle expenses, leading to multiple debts, high penalties, mental stress, and social embarrassment. The study explores how these apps affect the financial stability and well-being of the youth of Kerala.

III. OBJECTIVES OF THE STUDY

1. To understand the factors influencing the usage of instant loan apps among youth in Kerala.
2. To identify the financial impact of instant loan apps on youth.
3. To examine relationship between the frequency of instant loan apps usage and level of financial stress among youth.

IV. SCOPE OF THE STUDY

The study is focused on youth living in Kerala who have used instant loan apps. The study covers 200 youth respondents and focuses on factors influencing app usage, financial impact, and relationship between frequency of usage and financial stress. This study

includes app-based loans such as KreditBee, CASHe LazyPay, Kissht, moneyview,slice

V. LIMITATIONS OF THE STUDY

- The study is limited to Kerala and may not represent other states.
- Respondents may hide personal financial details.
- Rapidly changing digital lending regulations may affect relevance over time.

VI. REVIEW OF LITERATURE

Rao (2023) – “Consumer Protection Issues in Digital Lending Apps in India” Rao evaluated regulatory and consumer protection challenges in the digital lending ecosystem. The study revealed that data privacy concerns, non-transparent interest rates, and misleading marketing are common issues. Young borrowers, especially students and new employees, were identified as most at risk.

George & Mathew (2022) – “Psychological Effects of Over-Indebtedness among Indian Youth” George and Mathew explored the psychological consequences of digital borrowing. The study found a strong positive relationship between the frequency of loan app usage and financial stress, including anxiety, repayment pressure, and emotional strain. Youth was most affected due to unstable income patterns

Nair (2021) – “Financial Behaviour of Youth in Kerala in the Age of Fintech” Nair studied the financial habits of youth in Kerala and reported that many young adults depend heavily on digital financial services, including instant loan apps, to manage short-term financial needs. The research concluded that low financial literacy leads to overspending and increased financial vulnerability.

Singh & Mehta (2020) – “Adoption of Digital Lending Platforms in India” Singh and Mehta examined the rapid growth of digital lending apps and found that convenience, quick disbursal, and minimal documentation were the major factors influencing user adoption. The study also highlighted risks such as high interest rates and aggressive recovery practices, particularly affecting young borrowers.

Sharma & Roy (2019) – “Impact of Short-Term Digital Credit on Personal Finance” Sharma and Roy analyzed the financial impact of short-term digital

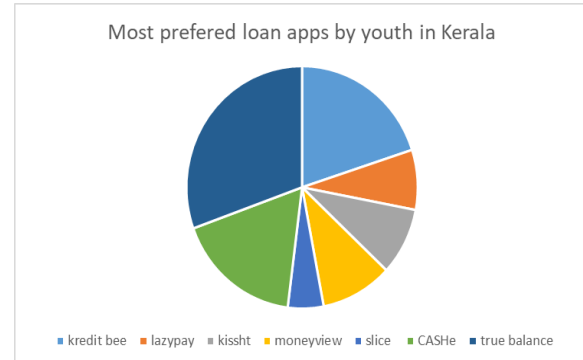
credit among young working professionals. Their results indicated that frequent borrowing from instant loan apps creates a cycle of debt, reduced savings, and financial stress due to hidden charges and high interest rates.

VII. RESEARCH METHODOLOGY

This study follows a descriptive research design. The population for the study comprises young individuals residing in Kerala, and a sample of 200 respondents has been selected using convenience sampling, considering the accessibility and willingness of participants. Both primary and secondary data are used for the study. Primary data is collected through a structured questionnaire designed to capture information on loan app usage, most preferred loan apps, frequency of usage repayment patterns, and financial burden experienced by the youth. Secondary data is sourced from journals, government reports, financial articles, and online publications related to digital lending. The data collected is analyzed using basic statistical tools such as percentages and correlation to interpret the financial effects of instant loan apps.

VIII. DATA ANALYSIS AND FINDINGS

Most preferred instant loan apps by the youth in Kerala



To examine relationship between the frequency of instant loan apps usage and level of financial stress among youth

Correlation value is 0.76 which indicates a strong positive correlation. This means that as the frequency of instant loan app usage increases, financial stress levels also increase significantly. Since the coefficient is positive, the relationship is directed that means higher usage leads to higher stress. In practical terms respondents who frequently rely on instant loan apps are much more likely to report high financial stress.

This strong correlation suggests that instant loan app usage is a major factor contributing to financial stress in Kerala.

Factors influencing usage of instant loan apps and its Financial Impact

The study reveals that most of the respondents prefer instant loan apps because of availability of immediate cash with very less loan procedure. Less documentation, flexible repayment option and no need of collateral securities are other factors

A large portion of respondents are struggled with on-time repayment, leading to penalties. Borrowers reported high interest charges and hidden processing fees. Some Youth in Kerala are increasingly taking multiple small loans through instant loan apps and falling into debt cycles. Harassment and mental stress caused by app authorities and recovery agents are rising day by day. Social media also influences youth to take loans for lifestyle expenses

IX. CONCLUSION

The study concludes that instant loan apps provide fast access to credit but also pose serious financial and psychological risks for youth in Kerala. Many young borrowers face high interest rates, harassment, and debt traps due to irresponsible lending practices and lack of awareness. Stricter regulations, financial education, and responsible borrowing behavior are essential to protect youth from long-term financial instability.