Information Management and Business Review (ISSN 2220-3796)
Vol. 18, No. 4(S), pp. 129-133, 2026

The Impact of Digital Financial Inclusion on Financial Decision-Making and Economic Well-Being

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Abstract: Digital financial inclusion has improved accessibility to financial services, which can improve financial decision-making and economic well-being. DFI lowers traditional barriers to formal finance and fosters broader participation in economic activities, particularly among underserved groups. This study examines the impact of digital financial inclusion on financial decision-making and economic well-being. Data collection was conducted in Klang Valley and analyzed using regression analysis. A total of 265 valid responses were obtained from individuals with experience using digital financial services, including mobile banking, e-wallets, and online payment platforms. Analysis results indicate that higher digital financial inclusion enhances individuals' financial decision-making and economic well-being. The findings suggest that access to digital financial services enables individuals to obtain financial information, monitor transactions, manage spending, support saving and improve financial planning. In addition, digital financial inclusion contributes to financial security and resilience by facilitating easier payments, savings and access to financial services. The findings of this study inform policy by bridging the knowledge gap, enhancing digital and financial literacy, creating robust consumer protection and regulatory frameworks and ensuring universal access to reliable and affordable digital infrastructure.

Keywords: *Digital financial inclusion, Financial decision-making, Economic well-being*

1. Introduction

Digital transformation affects financial services as people manage money, make their own financial decisions, and plan their finances. According to Ozili (2021), digital platforms make financial transactions more convenient and cost-effective and reduce structural barriers as compared to traditional banking models. The adoption of digital technologies such as smartphones and other fintech innovations collectively expands households' access to formal financial products and services, thus increasing financial inclusion and inclusive economic growth (Demirgüç-Kunt et al., 2022). Digital financial inclusion (DFI) enables more people to use and access digital financial services easily and at minimal cost.

Digital financial inclusion influences how people make financial decisions. These decisions include budgeting, savings, borrowing and managing financial risks (Lusardi & Mitchell, 2014). According to Klapper & Ansar (2021), individuals use digital financial platforms to monitor their transaction records, receive reminders, and use automated tools to improve financial decision-making. DFI enhances the cognitive and behavioral processes involving individual financial decision-making as well as the accessibility of financial services.

Being part of economic well-being, financial inclusion comprises income adequacy, financial security, resilience to shocks, and individuals' subjective perceptions of their financial circumstances. (Netemeyer et al., 2018). With digital finance it makes spending smoother, enables faster fund transfers and improves money and income generation (Suri & Jack, 2016). World Bank (2022) recognizes DFI as a tool in reducing poverty and promoting shared prosperity. Nevertheless, besides the advantages, digital finance presents several challenges such as digital disparities, cybersecurity risks and the risk that easy access to digital credit may encourage excessive borrowing and unsustainable debt accumulation (Bazarbash & Beaton, 2020).

Malaysia's financial system and economic life have increasingly integrated with digital finance. Malaysians now incorporate digital technologies into their everyday lives. For instance, 95% of Malaysians utilize e-wallet apps, while 73% of Malaysian consumers have adopted digital banking services. This performance in the digital

economy is supported by strong ICT usage and sophisticated digital infrastructure. DFI in Malaysia has a strong basis in both supply-side and demand-side advancements.

However, despite DFI growth, there are currently insufficient empirical studies on the relationship between DFI and financial decision-making and economic well-being. Fewer studies looking into the aspect of how digital inclusion influences people's financial behavior and well-being because most of the studies focus on adoption factors or macro- level effects. This study aims to investigate whether a higher level of DFI is associated with better financial decision-making and improved economic well-being.

2. Literature Review

DFI impacts economic outcomes by improving financial capabilities. Digital finance enhances individuals' ability to manage resources efficiently by minimizing transaction frictions and expanding choice. DFI enhances progress by extending market reach, augmenting operational efficiency, streamlining transactions, maximizing the value of financial activities, and expanding access to funding (Tandilino et al., 2025). Owning a financial account and using digital payments leads to better money management and more savings (Klapper and Ansar, 2021). Fintech users in Asia demonstrated superior financial management skills and enhanced financial satisfaction (Morgan et al., 2019).

This is supported by Behavioral Finance Theory (Statman, 1999) that explained how individuals make financial decisions under limited knowledge with cognitive constraints and behavioral biases. From the context of DFI, this theory gives insights into how people's financial decision-making may be impacted by digital access to financial services.

Financial digital services can change decision-making contexts. Real-time account balances and transactions can support efficient budgeting (Klapper & Ansar, 2021). Goal-based savings and automated payments can reduce delayed payments and increase self-control (Thaler, 2021). Third, digital records enable people to trace past choices and make future plans.

3. Methodology

This is a quantitative study using a structured self-administered questionnaire by applying non-probability purposive sampling to collect data in Klang Valley. The target population is individuals with experience using digital financial services such as mobile banking, e-wallets, and online payments. A total of 265 valid questionnaires were retained. The questionnaire items were developed based on established literature and were measured on a five-point Likert scale (1 = strongly disagree; 5 = strongly agree). Nine DFI measurement items were adopted from Naumenkova et al. (2019). Measurement items for FWB (3 items) and EDM (3 items) were adopted from Al-Afeef and Alsmadi (2025).

Internal consistency reliability of each construct was assessed using Cronbach's alpha as shown in Table 1. All constructs exceeded the recommended threshold of 0.70 as recommended by Hair et al. (2019), supporting content validity. The data analysis technique used was Ordinary Least Squares (OLS).

Table 1: Cronbach Alpha

Construct	Cronbach Alpha
Digital financial inclusion	0.774
Financial decision making	0.816
Economic well-being	0.843

4. Findings and Results

Table 2 presents the demographic characteristics of the respondents in the study. This overview offers a clearer understanding of the participants' background and sample composition.

Table 2: Demographic Analysis (N=265)

	Frequency	Percent (%)
Gender		
Female	149	56.2
Male	116	43.8
Age		
20 - 29 years old	152	57.4
30 - 39 years old	58	21.9
40 - 49 years old	36	13.6
50 - 59 years old	16	6.0
60 years old and above	3	1.1
Education Level		
Primary school	1	0.4
Secondary school	25	9.4
Diploma	53	20.0
Bachelor degree	164	61.9
Postgraduate	22	8.3
Household Monthly Income		
less than RM3000	79	29.8
RM3001 - RM5000	82	30.9
RM5001 - RM7000	37	14.0
RM7001 - RM9000	16	6.0
RM9000 - RM11000	25	9.4
More than RM11000	26	9.8

Table 3 presents the descriptive statistics of the variables in the study. The results indicate that the level of Digital Financial Inclusion is relatively high, suggesting extensive access to and use of digital financial services. There is also considerable variation in the constructs of financial decision-making and economic well-being.

Table 3: Descriptive statistics

	Range	Minimum	Maximum	Mean	Standard deviation
DFI	4.00	1.00	5.00	4.2708	0.56600
EWB	4.00	1.00	5.00	3.8025	0.79561
FDM	4.00	1.00	5.00	3.7887	0.75196

Notes: DFI is digital financial inclusion, EWB is economic well-being, FDM is financial decision-making

The results of the correlation matrix of variables are shown in Table 4. The correlation coefficients between variables are less than 0.8, suggesting no severe multicollinearity.

Table 4: Correlation matrix

	EWB	FDM	DFI
EWB	1	.749**	.510**
FDM	.749**	1	.456**
DFI	.510**	.456**	1

** Correlation is significant at the 0.01 level (1-tailed)

Table 5 presents the results of an Ordinary Least Squares (OLS) regression on the impact of digital financial inclusion on financial decision-making and economic well-being. Financial Inclusion (DFI) has a statistically significant positive impact on Environmental Well-Being and Financial Decision-Making (FDM) with p-value < 0.001.

Table 5: Regression Analysis

Relationship	Std beta	t-value	p-value	CI LB	CI UB	R^2
DFI → EWB	0.510	9.624	p<0.001	0.571	0.864	0.260
DFI → FDM	0.456	8.311	p<0.001	0.462	0.749	0.208

The results show that digital financial inclusion has a significant positive impact on financial decision-making, indicating that well-accessed digital financial services lead to better financial decisions. Digital financial platforms enhance financial decision-making by providing individuals with better access to financial information, making transactions easier, and enabling them to monitor their finances in real time. Digital technologies such as e-wallets and mobile banking can help with budgeting, savings, and spending, improving financial discipline and planning. This can help people become more disciplined and plan better.

The findings also indicate that digital financial inclusion has a significant positive impact on economic well-being. High levels of digital financial inclusion are associated with increased financial security, income sufficiency, and resilience to financial shocks. This means that digital financial services not only change how people handle their money but also improve the economy.

This outcome aligns with the view that digital financial inclusion reduces transaction costs, expands access to savings and payment mechanisms, and enhances financial resilience. By facilitating timely payments, emergency transfers, and savings accumulation, digital financial services contribute to improved financial stability and overall economic well-being.

This supports the idea that digital financial inclusion lowers transaction costs, increases savings and payment options, and boosts financial resilience. Digital financial services improve financial stability and economic well-being by making it easier to make payments on time, transfer emergency funds, and save.

5. Conclusion and Recommendations

The empirical findings show that digital financial inclusion significantly enhances financial decision-making and economic well-being. The results imply that DFI is a tool that can help people better manage their money and feel more secure in their finances. These findings align with theories of financial inclusion and behavioral finance that access to financial resources and information enhances decision-making quality and economic outcomes.

However, the cross-sectional nature of the data limits causal inference. While the results demonstrate strong associations, future research could employ longitudinal data or experimental designs to further validate the causal pathways between digital financial inclusion and economic well-being.

Acknowledgement: The paper is supported by the internal faculty grant 600-TNCPI 5/3/DDF (FPP) (038/2024) endowed by the Faculty of Business Management, University Technology MARA, Puncak Alam, Selangor.

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