

ASSESSING THE ROLE OF DIGITAL BANKING IN ENHANCING FINANCIAL LITERACY AMONG CONSUMERS

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Abstract

Digital banking has revolutionized the world of finance, providing consumers with increased convenience, efficiency, and access to financial services. As more financial transactions move online, it is crucial to know how digital banking affects financial literacy. This research looks at the effects of digital banking on financial literacy, with emphasis on how it increases consumers' knowledge of financial matters, decision-making ability, and general financial behavior. Using Malkapur urban consumers as a subject of study, this study investigates the relationship between digital banking usage and the levels of financial literacy. The study also determines other challenges like digital literacy hurdles, cyber security issues, and accessibility obstacles that can thwart the success of digital banking in enhancing financial understanding. The results indicate that although digital banking has an important role to play in enhancing financial literacy through real-time financial information and interactive applications, efforts should be made to fill the digital gap, improve security consciousness, and promote more extensive use of digital financial education. The research concludes by providing policy recommendations for policymakers, financial institutions, and online banking platforms to enhance financial literacy via online initiatives and make digital banking innovations accessible to all demographic segments.

Keywords: *Digital Banking, Financial Literacy, Consumer Behavior, Financial Decision-Making, Digital Literacy, Urban Banking*

Introduction

The growing digitization of financial services has profoundly altered the way consumers engage with banking and financial products. With the development of digital banking services such as mobile banking applications, online banking, and digital payment systems, consumers have better access to financial tools that have the potential to improve their financial literacy. Nevertheless, even with this access, financial literacy rates are still unequal among various demographic groups, leaving one to wonder whether digital banking is effective in informing consumers on financial management.

Financial literacy, defined as the capacity of an individual to comprehend and utilize financial knowledge, is important for personal financial well-being. The financially literate consumer is able to make sound choices in the areas of budgeting, saving, managing credit, and investing. Computer-based banking with its engaging characteristics like in-the-moment expenditure monitoring, automatic savings, and availability of money-management learning sources has the capability of enhancing the financial literacy and decision-making capacity of consumers. Yet, limitations in digital literacy, security issues, and the absence of knowledge regarding features offered can restrict its influence. The present study seeks to gauge the effect of digital banking on urban consumers' financial

literacy in Malkapur by measuring the correlation between digital banking adoption and the level of financial literacy and determining the impediments that restrain it.

Literature review

Chattopadhyay and Das (2015) The Role of Mobile Banking in Financial Inclusion: Evidence from India.

The research examined the role of mobile banking payment systems in making it easy for the unbanked populations to utilize financial services. According to their research, the acquisition of digital banking facilitates bridging access to finance gap which provides an avenue to develop financial knowledge within these groups.

Research by Agarwal and Chakraborty (2017) Digital Banking and Its Impact on Consumer Financial Management in India.

Examines the behavioral changes resulting from digital banking adoption. The study found that consumers who regularly use digital banking tools demonstrate better financial management skills, such as budgeting and saving. The ease of tracking expenses and managing accounts online is seen as a key factor that positively influences consumers' financial literacy.

Verma and Sinha (2018) Security Concerns and Trust Issues in Digital Banking: Implications for Financial Literacy.

Study examined how fears regarding the safety of transactions using tools of digital banking affects people's trust in the digital platform. So, for the elderly and the uneducated consumers, these fears might impede the use of the digital banking services so that they may not be able to improve their financial literacy but security and trust issues related to the transactions using digital banking also relate to the level of financial literacy.

Mishra and Singh (2019) Consumer Awareness and Perceptions of Digital Banking Tools in India.

The Indian context of Mishra and Singh research is the meeting point of the two literacies; digital and financial literacy. It has been shown in their work, that while there are tools embedded in digital banking that may boost financial literacy, a large section of the populace does not have the requisite digital literacy skills to access these services. It is observed that this digital gap leads to differential financial literacy results, mostly in rural areas and older population

Kumar and Gupta (2020) Consumer Awareness and Perceptions of Digital Banking Tools in India.

The emphasis was on consumer understanding and attitude towards the tools for digital banking. Their analysis revealed the paradox that consumers are well informed on the existence of digital banking products, but they are never aware of how to plan and manage their finances using these products. The authors conclude that the use of financial education programs should be combined with the use of digital education programs targeting maximum adoption of digital banking.

Singh and Srivastava (2020) Government Initiatives and Their Role in Promoting Digital Banking and Financial Literacy in India.

Assessed the learning effects of government programs–Digital India and Pradhan Mantri Jan Dhan Yojana (PMJDY) concerning the adoption of digital banking and financial awareness. They observe that these initiatives have enhanced there ach of banking services towards a larger section of the economy-the lower classes. The use of digital banking mode under these schemes and programs has improved the level of financial literacy to a little extent, particularly about the basic financial concepts. Nevertheless, the research also points out that further training and assistance is necessary to enable the new clients to fully harness the benefits of the digital banking mechanism.

Rani and Mehrotra (2021) Gender Disparities in Digital Banking and Financial Literacy in India: A Study of Rural and Urban Women.

Focused on the roles of gender in the adoption of digital banking and it simplifications for financial literacy. It was revealed that men tend to use more digital banking services than women because of their economic strength and greater digital knowledge. Such a deficiency adds to the already low level of financial literacy among women in the rural areas. The researchers propose that addressing the gender gap requires not only offering women specific financial literacy programs but also raising their level of digital literacy.

Financial literacy and financial capability among the urban street vendors by S, Nikitha Neelappa (2022)

This research delves into the economic difficulties of street vendors in the informal economy, who make an important contribution to the economy but have poor financial resources owing to poor education and financial knowledge. It explores how financial education and access contribute to enhancing their financial ability, with a focus on their economic space and how inclusive finance influences their financial ability and skills.

Role of financial literacy and digital financial inclusion on sustainable development among the maonaga tribe of northeast India by K, Katini (2023)

This research explores the influence of financial literacy and digital financial inclusion on sustainable development of the Mao-Naga tribe in Northeast India. Based on PLS-SEM analysis using data from 1,147 adults in SMART-PLS 4.0, the results show that both have significant positive effects on sustainable economic development.

A study one mergence of digital financial services DFS its literacy and usage in Gujarat Ranpariya, Tushar B. (2024)

This 2024 research by Ranpariya Tushar B., guided by Aarti Joshi of RK University, investigates the genesis, use, and literacy of Digital Financial Services (DFS) in Gujarat. It looks into adoption, awareness, and challenges, with an emphasis on Digital India, fintech resources, and technology acceptance models. The study identifies DFS's potential for financial inclusion and economic empowerment in Gujarat.

Research Methodology

Objectives:

- To assess how digital banking affects consumers' understanding of basic financial concepts.

- To compare levels of financial literacy across various ages through digital banking.
- To analyze the effect of use of digital banking on financial literacy by income status.
- To examine variations in financial literacy attributed to digital banking adoption.

Data collection method:

1. Primary Method of Data Collection:-

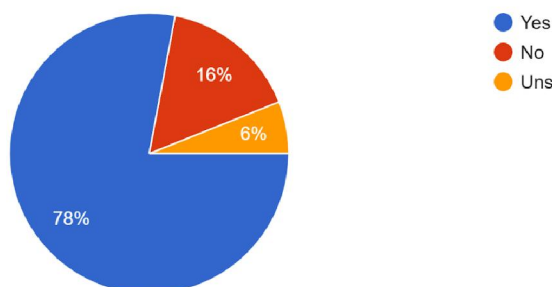
- Questionnaire method

2. Secondary Method of Data Collection:-

- Corporate website
- Internet/Books/Journals and other written data about company and Topics
- ✓ **Research type:** Descriptive type of research
- ✓ **Sample size:-**100
- ✓ **Sampling Techniques:** Simple random sampling
- ✓ **Collection of data through:** Google forms

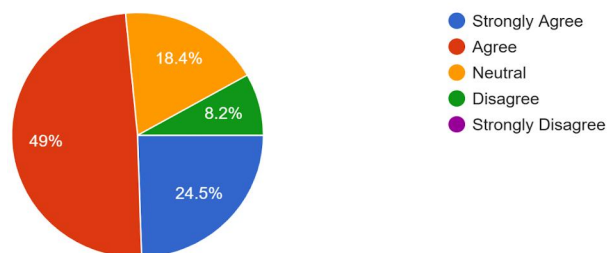
Analysis and Interpretation:

1. Do You feel that digital banking has improved your understanding of basic financial concepts like saving, interest or loan?



The findings of the survey reveal that 78% of the people find that digital banking has better equipped them to grasp financial concepts such as saving, interest, and loans, describing its role in increasing financial literacy. Yet 16% acknowledge that digital banking has done nothing for their knowledge of finance, and 6% are uncertain. This implies that although digital banking is mainly effective, some people are still unable to comprehend financial concepts through digital channels. These results confirm the premise that digital banking is an important tool for financial education but also indicate a call for enhanced accessibility and awareness.

2. Do you feel that the more you use digital banking, the better your financial literacy becomes?



Results of the survey indicate 73.5% of the respondents feel that greater utilization of digital banking enhances financial literacy, with 49% in agreement and 24.5% agreeing strongly. However, 18.4% of them are neutral and 8.2% disagree. The dominant opinion is that digital banking contributes towards enhancing knowledge of finance. Nevertheless, the inclusion of neutral and disagreeing options hints that there are some people who might not receive a complete benefit as a result of digital illiteracy or personal bank choices.

Conclusion:

This research investigates the contribution of digital banking to financial literacy among consumers. Survey results indicate that 78% are of the opinion that digital banking enhances their knowledge of financial matters, and 73.5% concur that regular usage increases financial literacy. Variations, however, occur depending on age and income, with some respondents being uncertain or disagreeing. Although digital banking contributes positively to financial awareness, issues such as digital literacy deficits and accessibility persist. In order to reap its full benefits, financial institutions need to enhance digital learning and make platforms easier. Generally, digital banking is an important financial literacy tool, but there is a need to make it inclusive and effective.

Reference:

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