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A Study on Impact of Financial Literacy on Adaptability of Mobile Banking

Riya Modi, Raj Galinde, Krishna Patowary, Ayushi Khaitan, Pranav Patil Anadi Gupta,
Mayuresh Dilip Ghorpade

Dnyaan Prasad Global University, School of Management and Research, Pune Maharashtra, India

ABSTRACT: Financial literacy and its effect on the adaptability of mobile banking have been studied in this dissertation. As it is known, financial literacy encompasses budgeting skills, savings, investments, as well as financial planning knowledge, which play an important role in encouraging people to adopt digital banking technologies. In view of the rapidly increasing popularity of mobile banking in India, an investigation of the effect of financial literacy on customers' behavior becomes necessary. For conducting the research, the author used primary data obtained from 201 participants by means of questionnaires. To examine the relationship between financial literacy and mobile banking adaptation, the author applied descriptive research design and quantitative research method. The statistical analysis comprised frequency distribution, correlation coefficient, and hypothesis testing techniques. As a result of research, it was concluded that high levels of financial literacy contribute to the widespread adoption of mobile banking services. The effect of demographic factors, such as age, education level, and income of the customer on his financial behavior, has also been discovered.

KEYWORDS: Financial Literacy, Mobile Banking, Digital Banking, Financial Inclusion, Investment Awareness, Banking Services, User Behaviour, Financial Decision-Making, Technology Adoption, Security Awareness

I. INTRODUCTION

The development of modern economic conditions has led to the increasing importance of financial literacy in one's life, which involves using various financial tools and making decisions about finance issues every day. Financial literacy implies financial knowledge that will help people deal with budgets, investments, savings, and debt management. Such skills enable a person to have better control over their financial situation and make the best decisions when faced with a need for some additional cash. The growing variety of financial instruments and services has also contributed to the growing significance of financial literacy in today's economy.

Another sphere where changes have taken place during the last decade is the banking sector, which has been affected by digitalization processes. One of the most widespread ways to conduct business with banks via the Internet is mobile banking that enables people to manage bank accounts online using mobile applications. It has made services more convenient for consumers who do not need to go to their bank anymore but just use their mobile phones to complete transactions.

Financial literacy becomes an essential aspect that affects how well individuals can embrace mobile banking services. Financially literate individuals tend to be more comfortable navigating the internet for transactional purposes and understanding various financial instruments. In addition, financially literate individuals are aware of the risks involved in digital banking and can handle these issues comfortably. The opposite happens when financially illiterate individuals try to use mobile banking services; there is the risk of low trust and security concerns.

Additionally, financial inclusion, whose goal is to include all individuals in financial institutions, is related to financial literacy and mobile banking. Mobile banking becomes a useful tool for enhancing financial inclusion. However, its effectiveness is influenced by the level of knowledge of the user about mobile banking services. Various factors such as age, educational background, income levels, and technological know-how affect financial literacy and mobile banking usage.



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This study is therefore concerned with examining how financial literacy influences the adaptability of mobile banking for consumers. The objective of this research is to evaluate the extent of financial knowledge and mobile banking usage and the correlation between the two. Through such an assessment, this research will be able to give insight that will inform future financial literacy programs and encourage effective usage of mobile banking services.

PROBLEM STATEMENT

With the advent of online banking and other forms of digital banking, mobile banking has become one of the most accessible ways of conducting financial transactions. However, despite the availability of the service, its use and efficiency cannot be said to be equally accessible by all individuals. The primary barrier that can be attributed to the phenomenon of non-use and inefficient use of mobile banking is related to the lack of financial literacy. There are various other personal attributes like age, education, income level, and even familiarity with technology that affect the ease with which one can adopt and use mobile banking services. Despite their easy access, a large proportion of users have trouble effectively making use of mobile banking services. Hence, this research will investigate the effect of financial literacy on the adaptation of mobile banking services.

II. LITERATURE REVIEW

In the last few years, much research has been done on financial literacy and mobile banking adoption. Researchers have studied the connection among financial literacy, digital literacy, and mobile banking.

For instance, an empirical study titled *“The Role of Customer Relationship Management and Financial Literacy in Online Banking Adoption”* conducted by **Asif, M., & Sarwar, F. (2023)** investigated the impact of financial literacy and customer relationship management on user behavior related to the adoption of online banking service. In this research study, TAM was employed and it was found that financial literacy has significant impacts on user attitudes and usefulness and usability perceptions toward using digital banking service.

An additional article *“The Impact of Interactivity of Mobile Banking Applications on Consumer Engagement”* authored by **Amit Shankar (2022)** investigated the role of mobile banking application interactivity on user engagement. Using the Stimulus-Organism-Response (S-O-R) model, it was discovered that higher interactivity contributes to increased user engagement and satisfaction. On the other hand, security issues have been identified as a factor that hinders user engagement, thus indicating the necessity to earn consumer’s trust within a digital environment.

Finally, the paper *“The Role of Financial and Digital Literacy in Adopting Mobile Banking”* conducted by **Varania Pambago Sabila and Hasnawati (2024)** addressed the effect of literacy in finance and technology on mobile banking. According to the findings of the research, consumers who have higher levels of financial and digital literacy view mobile banking as more convenient and valuable for their needs.

An additional significant study entitled *“Mediating Effect of Financial Literacy on Mobile Banking Adoption for Financial Inclusion”* conducted by **M. Bhuvana and S. Vasantha in 2020** analyzed the mediating effect of financial literacy on the mobile banking adoption process, particularly in rural settings. It was found that financial literacy serves as a decisive variable that increases the level of mobile banking adoption and contributes to financial inclusion through mediating technological and user gaps.

From the review of previous literature, it becomes clear that financial literacy and digital literacy serve as decisive variables in mobile banking adoption processes. At the same time, not much attention has been devoted to studying their joint effect together with demographic characteristics.

OBJECTIVE OF THE STUDY

- To study the level of financial literacy among individuals.
- To analyse the awareness and usage of mobile banking services.
- To examine the relationship between financial literacy and mobile banking adaptability.
- To study the impact of demographic factors such as age, education, and income on financial literacy and mobile banking usage.



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III. RESEARCH METHODOLOGY

The research utilizes a systematic method to evaluate the effect of financial literacy on the flexibility of mobile banking. The methodology used involves research design, data gathering, sample size, and data reliability.

RESEARCH DESIGN

In order to conduct the study, a descriptive research design will be used. The purpose of adopting a descriptive research design for the study will be to describe and understand the connection between financial literacy and use of mobile banking services. Descriptive research does not manipulate variables but simply examines their behavior, attitude, and preferences.

DATA COLLECTION

This study is based on primary data gathering. Data was collected through a questionnaire that was developed to determine the level of financial literacy, awareness, and use of mobile banking services.

Data gathering was done through two different approaches:

- Direct personal interviews, where there is direct interaction between the researcher and respondents
- Online survey using Google Forms, where there is convenience and wider access

A total of 201 data entries were collected for this research.

SAMPLING

Convenience sampling approach was applied for selecting participants in the study. It is a form of non-probability sampling where respondents were picked based on availability.

Participants came from diverse demographics including age, education, and income group among others. The approach was effective in ensuring fast collection of information from the respondents although it had some limitations.

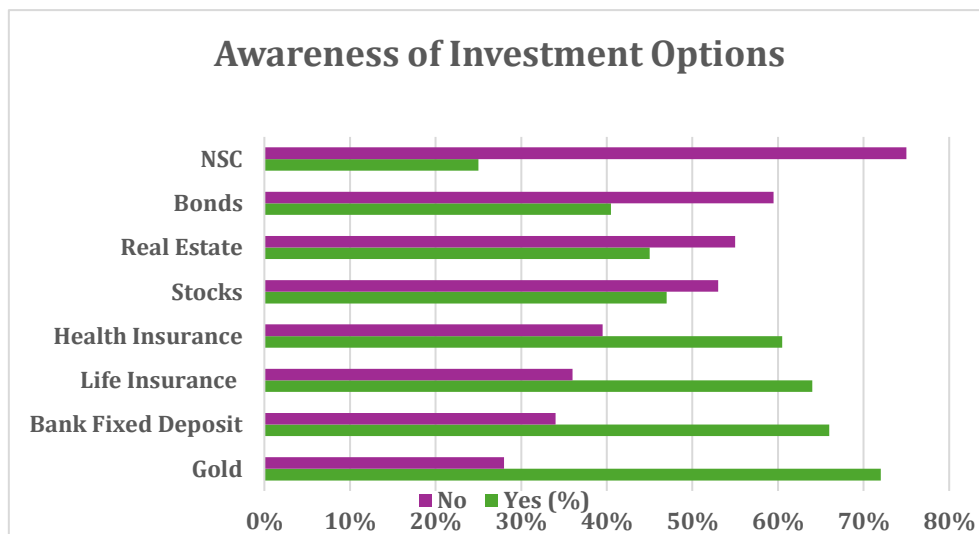
RELIABILITY

The validity of the data is assured by the employment of a standardized questionnaire. The questions have been framed in an unambiguous manner to ensure correct answers.

Furthermore, a sizable sample size (201) and application of quantitative tools such as frequency distribution, correlation, and hypothesis testing have contributed to the reliability and validity of the results.

IV. DATA ANALYSIS AND INTERPRETATION

1. Awareness of Investment Avenues





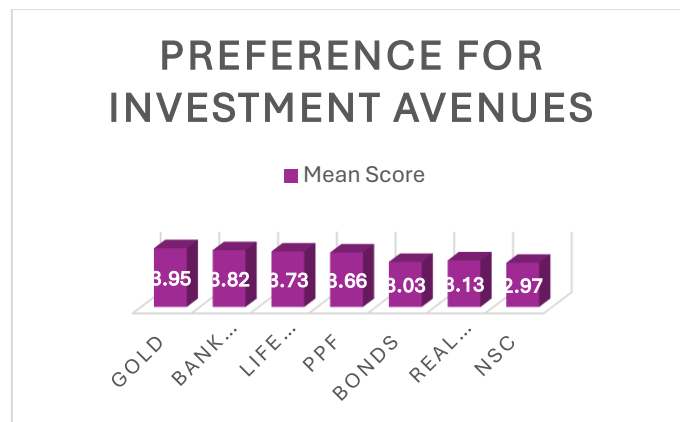
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Awareness of Investment Options		
Investment Avenues	Yes (%)	No (%)
Gold	72%	28%
Bank Fixed Deposit	66%	34%
Life Insurance	64%	36%
Health Insurance	60.50%	39.50%
Stocks	47%	53%
Real Estate	45%	55%
Bonds	40.50%	59.50%
NSC	25%	75%

Interpretation: According to the graph, people are well aware of the investments options like gold (72%) and savings from banks (66%), followed by the awareness about life and health insurance. The level of awareness about other forms of investments like bonds (40.5%) and National Saving Certificates (25%) is extremely low. This suggests that people have higher knowledge about safe investment schemes but lack knowledge regarding diverse investment tools.

2. Preference for Investment Avenues



Preference for Investment Avenues	
Investment Avenues	Mean Score
Gold	3.95
Bank FD	3.82
Life Insurance	3.73
PPF	3.66
Bonds	3.03
Real Estate	3.13
NSC	2.97

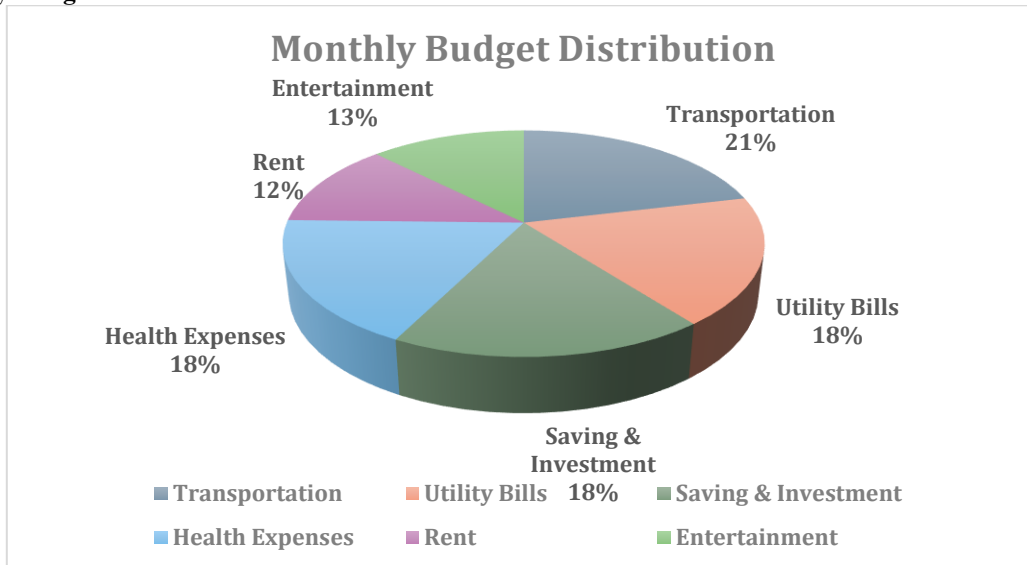
Interpretation: As per the graph, it can be seen that gold and fixed deposits with banks receive the most preferred status, as they have the highest mean ratings. Other investments which receive some level of preference include life insurance and Public Provident Fund (PPF). However, investments such as bonds, real estate, and National Savings Certificates do not receive much preference from the survey respondents



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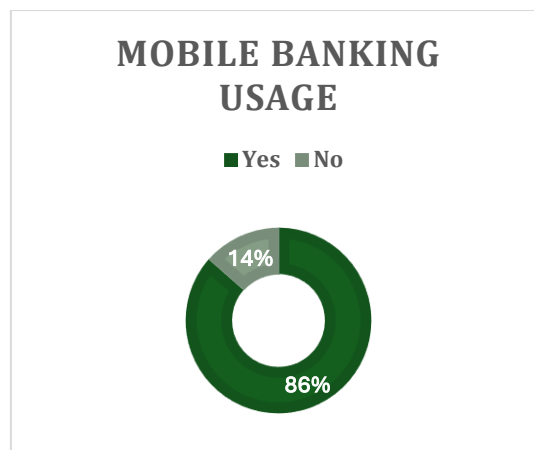
3. Monthly Budget Allocation



Expense Category	Yes (%)
Groceries	78.50%
Transportation	70%
Utility Bills	60%
Savings & Investment	59%
Health Expenses	59%
Rent	40%
Entertainment	41%

Interpretation: As seen from the table above, the major part of people’s budget is spent on vital things like food (78.5%), transport (70%), and utilities (60%). Savings and investments (59%) and health costs also get some priority. Renting apartments and leisure time cost much less. It can be assumed that people give preference to satisfying their vital needs rather than planning for the future.

4. Preference for Mobile Banking for Investment





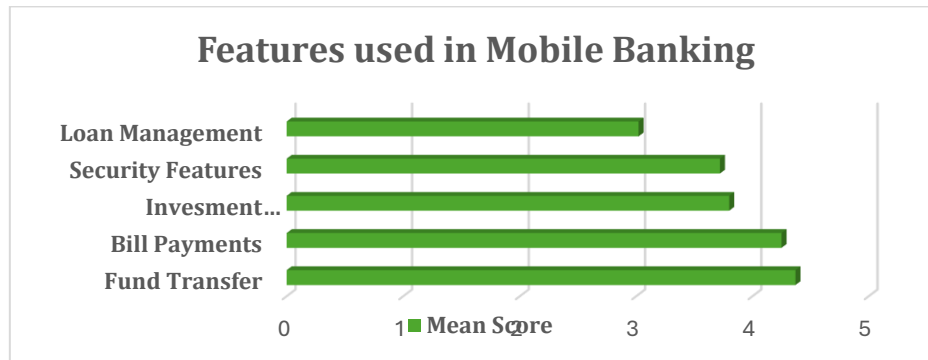
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Mobile Banking Usage	
Response	Percentage
Yes	86.50%
No	13.50%

Interpretation: It is evident from the table above that 86.5% of the sample population prefers to use mobile banking for their investment management needs, whereas 13.5% are not keen on utilizing mobile banking services. This suggests that mobile banking services have gained significant acceptance among individuals.

5. Features Used in Mobile Banking



Features Used in Mobile Banking	
Feature	Mean Score
Fund Transfer	4.37
Bill Payments	4.25
Investment Management	3.8
Security Features	3.72
Loan Management	3.02

Interpretation: From the graph, it is clear that fund transfer and bill payments are the two most popular services provided by mobile banking, with an average rating of 4.37 and 4.25, respectively. The use of investment management and security options in mobile banking has a moderate frequency of use, while loans have the lowest frequency of use.

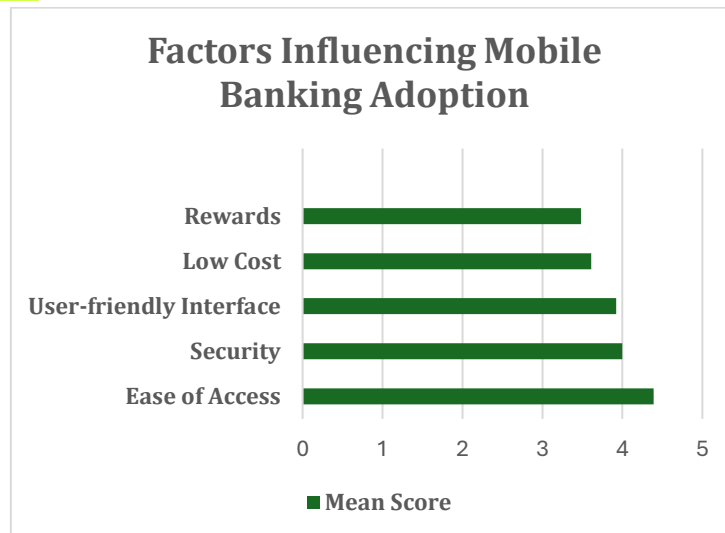
6. Factors Influencing Mobile Banking Adoption

Key Factors	
Factor	Mean Score
Ease of Access	4.39
Security	4
User-friendly Interface	3.92
Low Cost	3.61
Rewards	3.48



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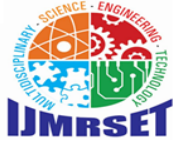
Interpretation: From the graph, it can be seen that the factor with the highest importance is that of easy accessibility (4.39), followed by security and a friendly user interface. Other factors that contribute less to the use of mobile banking include low transaction costs and reward systems.

V. KEY FINDINGS

- ❖ From the study, it can be seen that the respondents show a greater understanding of conventional ways of investing such as gold, fixed deposits, and insurance compared to other options such as bonds and National Saving Certificates.
- ❖ The findings suggest that individuals tend to have conservative investments, meaning that they choose investments which are low risk and not diversified.
- ❖ The results suggest that the respondents' monthly budget tends to emphasize necessities such as purchasing food, paying bills, etc., with their savings and financial planning receiving some level of consideration.
- ❖ The findings indicate that the respondents show a very high inclination towards using mobile banking for investments, as evidenced by the fact that 86.5% of them use it for the purpose.
- ❖ The most common mobile banking activities performed by the respondents include making transactions and payments through their mobile phones; while more advanced activities like loan and investment management are relatively unused.
- ❖ It is found from the study that convenience, security, and usability were the driving factors for adopting mobile banking, while rewards were not so relevant for them.
- ❖ It is noted that customers have a preference for simpler security mechanisms such as passwords and biometric recognition techniques. In addition, there is a lack of awareness and application of secure procedures like the use of a Virtual Private Network (VPN).
- ❖ Statistical analysis reveals that there exists a considerable association between the level of financial literacy and the use of mobile banking. This implies that the individuals with better financial literacy are more inclined towards using mobile banking services.
- ❖ The research further highlights the impact of demographic variables on financial literacy and mobile banking behavior.
- ❖ On the whole, it can be concluded that a lack of financial literacy hinders an individual from taking full advantage of digital banking facilities.

VI. CONCLUSION

In summary, financial literacy appears to have a considerable influence on adaptability to mobile banking amongst individuals. As noticed, the financial literacy level amongst respondents is moderate, where there is increased awareness of conventional financial tools such as gold, fixed deposits, and insurance compared to awareness of other forms of investment. This is an indication of a conservative financial outlook.



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It is clear from the results obtained that mobile banking use is widespread. Respondents tend to utilize mobile banking for fundamental purposes, including transferring money and paying bills. Ease of use, security concerns, and good user interfaces are some of the factors behind the increased use of mobile banking facilities. Notably, the more complex mobile banking facilities are underutilized by most users.

Overall, it can be seen that financial literacy seems to play a great role when it comes to adapting to mobile banking among individuals. According to the findings, the financial literacy rate among the respondents is average, whereby there is greater awareness of traditional financial instruments like gold, fixed deposits, and insurance than any other types of investments. This shows that people have a cautious attitude when it comes to finances.

From the data collected, it can be seen that mobile banking is common. The respondents normally use mobile banking services to perform basic tasks, such as transferring money and paying bills. Some of the reasons for using mobile banking services include ease of use, security, and attractive user interface designs. Interestingly, the complicated features of mobile banking services are often not used.

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