



A Study on Financial Literacy in The Adoption of Digital Banking Services by Rural People in Kolhapur District

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Abstract:

Digital banking has become an important component of modern financial systems, offering convenient and efficient banking solutions. However, its adoption among rural populations remains limited due to low awareness and inadequate financial knowledge. This study aims to examine the influence of financial literacy on the adoption of digital banking services among rural people in Kolhapur District. The research focuses on understanding the level of financial literacy, awareness of digital banking facilities, and factors affecting their usage. Primary data were collected from rural respondents using a structured questionnaire, while secondary data were obtained from reports, journals, and banking publications. Statistical tools such as percentage analysis, mean scores, and correlation analysis were used for data interpretation. The findings reveal that financial literacy plays a crucial role in encouraging rural users to adopt digital banking services. Individuals with better understanding of basic financial concepts and digital tools show higher confidence and willingness to use online banking platforms. The study also identifies major challenges including lack of digital skills, fear of fraud, and limited internet connectivity. The research highlights the need for financial education initiatives and awareness programs to improve digital banking adoption and strengthen financial inclusion in rural areas.

Keywords: Financial Literacy, Digital Banking Services, Rural population, Financial Inclusion, Technology Adoption, Kolhapur District, Digital Awareness, Banking Accessibility.

Introduction:

The adoption of digital banking services has become an essential component of modern financial systems, contributing to improved efficiency, accessibility, and financial inclusion. Digital platforms such as mobile banking, internet banking, and electronic payment systems have transformed traditional banking operations by enabling faster and more convenient transactions. Scholars widely recognize that the effective utilization of such services depends not only on technological availability but also on users' financial understanding and capability. Several researchers have emphasized the importance of financial literacy in influencing financial behaviour. Individuals with higher

financial knowledge demonstrate better decision-making abilities and greater participation in formal financial systems, financial literacy enhances confidence and reduces hesitation toward adopting new financial technologies (Lusardi and Mitchell, 2011). Limited awareness of digital payment procedures significantly restricts usage among rural populations, individuals with insufficient financial knowledge often perceive digital banking as complex and risky, leading to continued dependence on traditional banking methods (Agarwal and Gupta, 2018). Financial literacy positively influences trust in digital banking platforms, users who understand transaction processes and security mechanisms are more willing to adopt

online banking services (Kumar and Bansal,2019). Lack of such knowledge increases fear of fraud and transaction failure. Education and financial awareness have a stronger impact on digital banking adoption than income levels. The study highlighted that even low-income rural users showed willingness to use digital banking when provided with adequate financial guidance and training (Sharma and Singh,2020). Rural populations in Maharashtra face persistent challenges related to digital skills and financial awareness, findings revealed that structured literacy programs significantly improved digital banking usage and reduced resistance toward electronic transaction (Sharma and Singh,2020). In addition, financial literacy lowers perceived risk associated with digital transactions, financially informed users exhibit higher satisfaction levels and greater continuity in digital banking usage (Mehta and Rao,2022).

Given these findings, it is evident that financial literacy plays a decisive role in shaping the adoption of digital banking services. However, despite the growing body of literature, region-specific studies focusing on district-level rural populations remain limited. Kolhapur District, characterized by its rural economy and diverse socio-economic conditions, presents a relevant area for examining this relationship. Therefore, the present study seeks to analyse how financial literacy influences the adoption of digital banking services among rural people in Kolhapur District, with the objective of generating insights that can support policy formulation and financial inclusion initiatives.

Literature Review:

Financial literacy has been widely studied as a fundamental determinant of individuals' financial behavior and participation in formal banking systems. Early research by Lusardi and Mitchell (2011) established that

financial literacy significantly improves individuals' ability to understand financial products and manage monetary decisions effectively. Their study emphasized that inadequate financial knowledge often leads to financial exclusion and reluctance toward modern banking services. With the expansion of digital banking, researchers have increasingly examined the role of financial literacy in technology-based financial adoption. Agarwal and Gupta (2018) found that rural users with limited awareness of digital transaction processes exhibited lower usage of mobile and internet banking facilities. Their results indicated that uncertainty regarding transaction procedures and lack of clarity about security measures discouraged digital engagement. Similarly, Kumar and Bansal (2019) observed a strong positive relationship between financial literacy and trust in digital banking platforms. The study revealed that individuals who possessed basic understanding of online banking operations were more confident and displayed higher adoption rates, while financially illiterate users perceived digital banking as unsafe and unreliable.

A study conducted by Sharma and Singh (2020) highlighted that educational attainment and financial awareness significantly influence digital banking usage. Their findings suggested that income alone does not determine adoption; rather, knowledge and exposure play a more critical role in encouraging rural users to shift from traditional banking to digital modes. Research focusing on rural India by Patil and Deshmukh (2021) reported that lack of digital training and low financial literacy remain major barriers to adoption. Their study demonstrated that awareness programs conducted by banks and local institutions improved users' understanding and reduced fear related to electronic transactions. Further evidence provided by Mehta and Rao (2022) indicated that financial

literacy directly affects perceived risk and user satisfaction in digital banking. Their findings showed that financially informed users experienced fewer transaction-related anxieties and exhibited greater continuity in usage behavior. Recent studies have also emphasized the importance of institutional support. Verma and Kulkarni (2023) noted that simplified digital interfaces, local-language assistance, and financial education initiatives significantly enhance digital banking acceptance in rural areas. Their research confirmed that literacy-driven interventions can bridge the gap between availability and actual usage of digital services.

Although existing literature strongly supports the role of financial literacy in promoting digital banking adoption, most studies have focused on broader regional or national perspectives. Limited research has examined district-level rural populations, particularly in areas such as Kolhapur District. This gap highlights the need for localized empirical investigation to better understand how financial literacy influences digital banking behavior among rural communities.

Research Gap:

Existing studies have examined financial literacy and digital banking adoption mainly from urban or national perspectives. Limited research has focused specifically on rural populations at the district level. Many studies discuss technological availability but do not adequately explain how financial literacy influences actual usage behavior among rural users. The role of knowledge related to digital transactions, security awareness, and confidence remains underexplored. Furthermore, demographic-based studies often overlook behavioral and literacy-related factors. In the context of Kolhapur District, empirical evidence on rural digital banking adoption is scarce.

Despite government initiatives promoting digital finance, a clear gap exists between service availability and utilization. Therefore, there is a need for localized research to understand how financial literacy affects digital banking adoption among rural people in Kolhapur District.

Research Objectives:

1. To assess the financial literacy level of rural people of Kolhapur District.
2. To examine the extent of adoption of digital banking services among these customers.
3. To analyze the relationship between financial literacy and the usage of digital banking services.
4. To identify the major challenges and barriers faced by rural people while using digital banking.
5. To give suggestions for improving financial literacy and increasing digital banking adoption.

Research Methodology:

The study employs a descriptive and analytical research approach to examine financial literacy levels and their role in influencing the use of digital banking services among rural residents of Kolhapur District. Information for the study was gathered from both primary and secondary sources. Primary data were obtained through a well-structured questionnaire distributed among selected respondents, while secondary data were collected from academic journals, books, official reports, and reliable online publications. Respondents were chosen using the convenience sampling technique. The data collected were examined using basic statistical methods such as percentages and mean values to draw meaningful interpretations. The research was carried out within a defined time frame and is limited to the rural population of Kolhapur District.

Scope Of The Study:

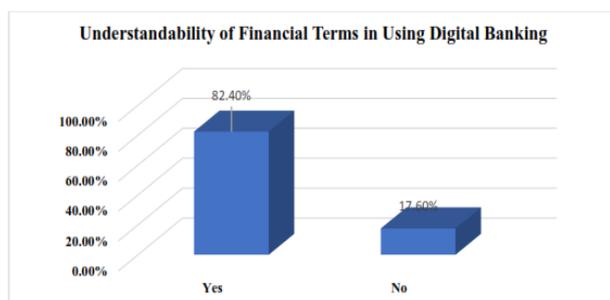
This study focuses on understanding the level of financial literacy and the adoption of digital banking services among rural people in Kolhapur District. It explores respondents’ knowledge of financial terms, reasons for using digital banking, barriers faced, and participation in financial awareness programs. The findings can help banks, policymakers, and educators design strategies to improve financial inclusion and promote effective digital banking usage in rural areas.

Findings And Discussion:

Table no. 1 Understandability of financial terms in using Digital Banking Services.

Sr. No.	Response	No of Respondents	Percentage (%)
1	Yes	180	82.40%
2	No	39	17.60%
	Total	219	100%

Graph No.1

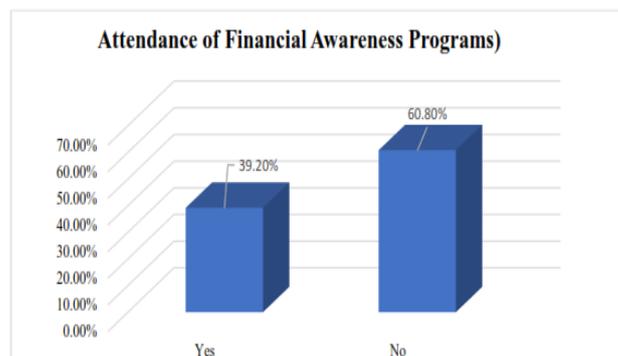


From the above data it is clear that 82.40% of rural population understand the financial terms in using digital banking services while 39 respondents, accounting for 17.60% indicated a lack of understandability.

Table No. 2 Attendance of Financial Literacy/ Awareness Programs.

Sr. No.	Responses	No. of Responses	Percentage (%)
1	Yes	86	39.20%
2	No	133	60.80%
	Total	219	100%

Graph No. 2

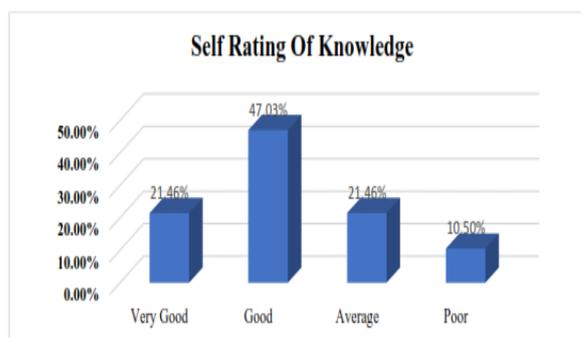


The data indicates that only 39.20% of respondents have attended financial awareness programs, while a larger proportion, 60.80%, have not participated in such programs, showing limited exposure to formal financial education.

Table No3 Self-Rating of Knowledge of Digital Banking Services.

Sr no.	Knowledge Level	Frequency	Percentage (%)
1	Very Good	47	21.46%
2	Good	103	47.03%
3	Average	47	21.46%
4	Poor	22	10.50%
	Total	219	100%

Graph No. 3

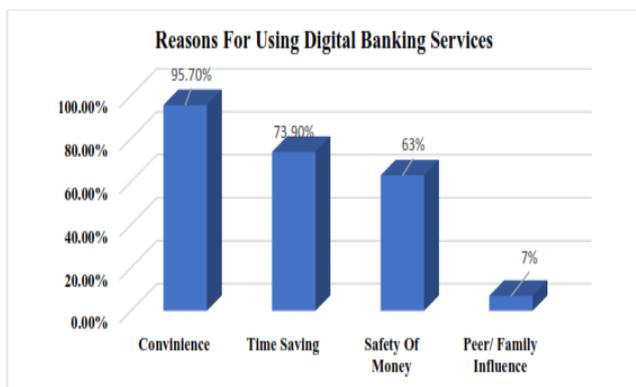


Most respondents rated their knowledge as good (47.03%), responded very good with 21.46% and average with 21.46%, while 10.50% reported poor knowledge. Regarding reasons for using digital banking, 95.70% use it for convenience, 73.90% for saving time, 63% for safety of money, and only 7% due to peer or family influence.

Table No. 4 Reasons for using Digital Banking Services.

Sr. No	Reason For Using Digital banking Services	No. of Respondent	Percentage (%)
1	Convenience	210	95.70%
2	Time Saving	162	73.90%
3	Safety Of Money	138	63%
4	Peer/ Family Influence	14	7%

Graph No. 4

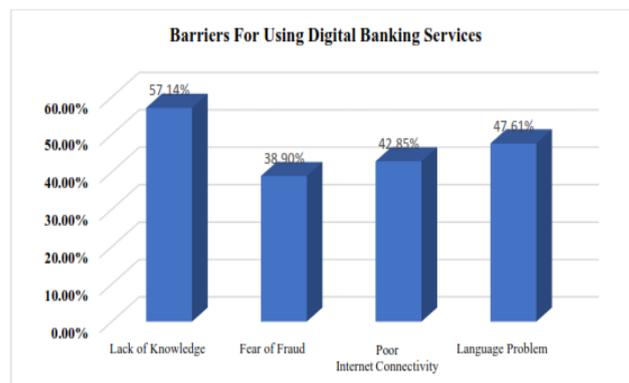


The data shows that convenience (95.70%) is the main reason for using digital banking, followed by time saving (73.90%) and safety of money (63%), while peer or family influence (7%) has very little impact.

Table No. 5 Barriers for using digital banking services.

Sr No.	Barriers For Using Digital banking Services	No. of Respondents	Percentage (%)
1	Lack of Knowledge	12	57.14%
2	Fear of Fraud	8	38.9%
3	Poor internet Connectivity	9	42.85%
4	Language Problem	10	47.61%

Graph No. 5



The data indicate that lack of knowledge (57.14%) is the major barrier to using digital banking, followed by language problems (47.61%), poor internet connectivity (42.85%), and fear of fraud (38.9%).

Findings:

Responses from 219 rural participants were examined using descriptive statistics. A majority of respondents (82.40%) indicated that they were familiar with financial terms related to digital banking, while 17.60% reported a lack of understanding. Only 39.20% of respondents attended financial awareness programs, while 60.80% did not showing limited exposure to financial education. In terms of usage, 77% of participants used digital banking services on a daily basis, whereas 9% had never used such services. Convenience emerged as the most common reason for adoption (95.70%), followed by time efficiency (73.90%) and perceived safety of funds (63%). The main challenges reported were insufficient knowledge (57.14%) and language-related difficulties (47.61%).

Conclusion:

The research emphasizes that financial literacy and digital banking adoption are closely linked, and targeted efforts can significantly improve digital participation among rural customers. The findings highlight that customers with better understanding of financial terms,

security measures, and digital processes are more willing to use digital banking regularly.

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