

Digital Literacy and Its Effect on Mobile Banking Adoption

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Abstract

Digital literacy is important in the successful application of mobile banking apps. Mobile banking is another significant aspect of conducting financial transactions that are convenient due to the increase in the number of digital banking services. Nevertheless, the use of mobile banking mainly relies on the capability of the users to comprehend and utilize digital technology. This paper employs a conceptual and analytical research in assessing how digital literacy influences the adoption of mobile banking by comparing the current system with the system proposed. The current system points to the problems of low digital literacy users who are characterized by the lack of confidence, fear of fraud online, and problems using mobile banking applications. The proposed system highlights why digital literacy, application design that is user-friendly, and awareness of cybersecurity is critical in enhancing the adoption of mobile banking. The paper concludes with the finding that by increasing the level of digital literacy, the confidence of the users can be enhanced considerably, which will contribute to the increased use of digital banking and financial inclusion.

Keywords: Digital Literacy, Adopting Mobile Banking, Digital, Skills, User Trust, Financial Technology, Digital Payments.

INTRODUCTION

With the fast development of digital technology, the financial sector has changed, especially with the mobile banking. Through mobile banking, consumers will be able to check the balance, money transfer, bill payments, and access their financial services using smart phones. Mobile banking is now becoming a necessary requirement as India becomes digitalized and a cashless economy.

However, it is through adoption that the level of accessibility of the technology and the ability of the user to understand and use it determine its adoption. This is what can be referred to as digital literacy which is the awareness and skills needed to operate the digital devices and online platforms. Many still do not want to use mobile banking due to the fear of online fraud, lack of trust, dismal digital skills, or app interface difficulties. On the other hand, digitally literate persons embrace mobile banking faster since they have realized that it is convenient, secure and efficient. As such, by investigating the relationship between the uptake of mobile banking and digital literacy, banks, legislators, and educators may get a clearer insight into how they can expand digital financial inclusion.

Objectives of the Study

- To examine the correlation between digital literacy and adoption of mobile banking.
- To research the benefits that digitally literate users enjoy.
- To recommend on how to enhance digital literacy and use of mobile banking.
- To determine the issues of low-digital-literacy users.

REVIEW OF LITERATURE

There have been various researches to know about the adoption of technology, the digital literacy and usage of mobile banking. These researches are a good background to the current study.

Davis (1989), Technology Acceptance Model (TAM) proposes that users are predisposed to embrace technology when they conclude that the technology is useful and easy to use. The research indicates that convenience and utility are significant issues to facilitate the uptake of digital systems by people. This idea is applicable to the current research since mobile banking apps are made more straightforward and comprehensible when digital literacy is taken into account.

Venkatesh (2003) came up with Unified Theory of Acceptance and Use of Technology (UTAUT) that synthesized different technology adoption theories. The factors that were found to play a significant role in technology use included performance expectancy, effort expectancy, social influence and supporting conditions. The results indicate that digital technologies are necessary to use in terms of user skills and confidence.

Gupta (2021) investigated the role of digital skills in the consumption of financial technology services. The research has concluded that more digital literate individuals are more likely to access fintech services and are more confident. It also indicated that online savvy users rely less on conventional banking.

Sharma (2022) examined the use of mobile banking in India and discovered that not all age groups and levels of education adopt mobile banking. The research indicated that low adoption of mobile banking, particularly among the older generations is attributed to the lack of digital awareness, fear of internet-based frauds, and security issues.

Reserve Bank of India (2023), there has been a significant increase in the digital payment systems in India, especially UPI and mobile banking apps. The digital literacy and cybersecurity awareness were also highlighted as of essence to ensure safe and inclusive digital banking are achieved.

Statista (2024) has also supplied information about the use of mobile banking in India and demonstrated that the younger generation have a higher adoption rate. Nevertheless, the research also showed that the adoption rates of the elderly and rural populations were lower because of the lack of digital literacy and access to technology.

On the official site of the Reserve Bank of India, one can find the information on the topic of digital payment systems, banking regulations, and financial inclusion programs.

The numerous research papers on **ResearchGate** show that digital literacy and trust are an influential factor in the adoption of mobile banking. Equally, articles in the **ScienceDirect** highlights that the design and simplicity of the apps used, the right digital training and systems should be considered to enhance the consumption of mobile banking services.

EXISTING SYSTEM

The current system has a low digital literacy level whereby many users continue to operate in the traditional banking systems or because mobile banking is never used by a large number of users. Although mobile banking applications are available, consumers often lack familiarity with these applications and struggle with their usability and navigation. They also lack confidence due to low internet connectivity, language barrier, the fear of making mistakes, and lack of knowledge of online security. Digital banking services are therefore not effectively used due to the reliance of many users on others to do digital transactions or do not use the mobile banking at all.

PROPOSED SYSTEM

The suggested system is based on the idea of promoting digital literacy to allow using the mobile banking applications effectively. With the provision of simple digital training, awareness sessions and comfortable mobile banking interfaces, the users will be able to perform banking operations independently. The anxiety is reduced with the help of multilingual support, a simple design of the app, and educating on cybersecurity to build trust.

This system facilitates an easier transition towards the use of mobile banking by users, reduces the need to physically visit the bank, and promotes financial inclusion.

METHODOLOGY

The approach used in the study is based on an analytical process and conceptual approach. Instead of relying on the survey results, the study evaluates the existing and suggested systems in order to find out the impact of digital literacy on the usage of mobile banking. The existing system focuses on the challenges, which low-digital-literate users are now experiencing, such as their inability to use mobile banking applications, fear of online fraud, lack of knowledge, and dependence on traditional ways of banking.

To overcome such challenges, the proposed system lays much emphasis on how digital literacy can boost the adoption of mobile banking. The paper looks at the role of cyber security awareness, multilingual support, a user-friendly application design, and digital training in enhancing user confidence and encouraging independent utilization of mobile banking services. The proposed and existing systems are rationally compared with each other to understand the benefits in terms of trust, accessibility, and efficiency by users.

This methodology is helpful without primary and secondary data collection to understand the beneficial use of digital literacy in mobile banking adoption. The approach provides a concise conceptual interpretation of the way digital literacy may enhance financial inclusiveness and the use of digital banking and is suitable in investigating computer-based uses in the banking business.

SYSTEM ANALYSIS AND DISCUSSION

Mobile Banking Usage and Digital Literacy Levels

The ability of the users to use the mobile banking apps directly depends on their levels of digital literacy in the existing system. People with basic and good digital knowledge can use smartphones and mobile applications easily. These users have no difficulty in carrying out common banking activities such as UPI payments, balance inquiries, fund transfers, and online bill payments. Mobile banking apps are more efficient in their use because they are accustomed to digital tools.

Nevertheless, mobile banking features may be difficult to understand by the users who are not that well informed about technology. They may find it difficult to use applications and feel insecure when it comes to making transactions independently. Due to this fact, these users either do not use mobile banking or perform tasks that are the simplest ones. This underlines the importance of digital literacy in influencing the extent of the usage of mobile banking.

Digital Literacy Impact on the Adoption of Mobile Banking

Digital literacy plays a major role in influencing the adoption of mobile banking services. More technologically advanced users are more confident and are usually ready to explore the various components of mobile banking apps. They find it easier to use online payments in conducting their daily banking operations and consider mobile banking a convenient and time-efficient option.

Nevertheless, with mobile banking apps, low-digital literacy people often feel afraid. They fear typing in wrong details, have concerns on online frauds, and lack of knowledge regarding security measures, which hinder them to use mobile banking. The result of these challenges is that these users continue to use traditional methods of banking. This discussion shows that digital literacy has a great influence on the adoption and uniform utilization of mobile banking services

Issues to be solved by the Current System

The effective application of mobile banking applications is limited by several issues of the existing system. One of the primary problems is the lack of knowledge on the topic of digital security and safe online practices. A lot of users do not know essential cybersecurity measures that must be established to protect financial and personal information. Another issue is the complexity of interfaces of mobile banking application which in some cases is

difficult to understand by novice or less technical users. The language barriers also reduce usability because not all the applications will be available in the regional languages. Poor internet access and strict level of familiarity with smartphones especially among the elderly users are also demanding of mobile banking adoption.

Advantages of Better Digital Literacy.

Digital literacy can be boosted significantly to increase the adoption and utilization of mobile banking services. Banking transactions can be done quickly and without any help by the user who is well skilled in the use of technology. There is a saving of time, need to visit the banks less because mobile banking allows one to access account information easily at any given time.

Increased digital skills also improve confidence and trust in digital solutions among the users. Frequent monitoring of transactions and account related data helps users to have more control of their financial operations. Overall, a more inclusive and digitally empowered banking setting is encouraged through enhanced digital literacy since it amplifies the convenience, efficiency, and adoption of mobile banking services.

CONCLUSION

In the study, the authors arrive at a conclusion that digital literacy plays a major role in adoption of mobile banking services. Less experienced users often cannot understand mobile banking applications, which leads to the dislike and the tendency to continue using traditional banking methods. The analysis of the existing system reveals a number of issues, like complexity of application interfaces, security issues, and ignorance. The proposed system demonstrates the possibility of enhancing digital literacy levels to increase user confidence and encourage the effective use of mobile banking services due to the awareness campaign, simple application design, multilingual assistance, and cybersecurity education. By focusing on digital literacy, the banks will have the ability to raise customer satisfaction, reduce the number of customers visiting the bank in person, and promote financial inclusion. In general, the research demonstrates the importance of digital skills to ensure an online banking environment is safe and effective.

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