

FINANCIAL LITERACY AND BANKING HABITS AT IDFC FIRST BANK

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ABSTRACT:

An individual's level of financial literacy has a major impact on their financial behavior and decisions. The purpose of this project is to determine the level of financial literacy among consumers and how it effects their banking activities, with a focus on IDFC FIRST Bank. The poll assesses key factors such as familiarity with banking products, awareness of digital banking, understanding of savings and investment possibilities, and smart financial practices. Structured questionnaires were used to collect information from a wide group of IDFC FIRST Bank customers. The statistics show a link between financial literacy and responsible banking practices, such as making sound investment selections, repaying loans on time, using digital banking services, and saving consistently. The findings show that people with a higher level of financial literacy are better at managing their finances, using banking services more effectively, and protecting their overall financial well-being. The research underlines the need of ongoing customer education initiatives for financial institutions in cultivating a financially responsible society, increasing customer happiness, and promoting educated financial decisions.

Keywords: Financial Awareness, Savings Behavior, Banking Usage Patterns, Money Management Skills, Digital Banking Adoption, Budgeting Practices

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1. Introduction

Individuals' banking routines are defined as their activities and behaviors when dealing with digital wallets, credit unions, and banks. Saving money in accounts, using digital banking services, keeping checking accounts, and safely using credit or debit cards are all acceptable practices. In general, the prevalence of responsible banking habits indicates one's level of financial literacy. They demonstrate your ability to manage finances prudently and use financial instruments to attain both personal and

professional objectives. The link between financial literacy and banking practices is critical since each has an impact on the other. Individuals with extensive financial knowledge are more likely to follow sound banking habits such as regular saves, avoiding excessive debt, and long-term investing. Nonetheless, a lack of financial literacy can lead to poor banking behaviors such as insufficient saving, excessive purchasing, or ineffective debt management. To promote responsible financial

conduct, individuals, legislators, and institutions must understand how this relationship works.

Financial advances and digital banking have transformed how people handle their money in recent years. Mobile banking applications, online transactions, and digital payment systems have made financial services more accessible to individuals; nonetheless, their use requires a more complete understanding of money. Inadequate knowledge can lead to excessive spending, fraudulent activity, and poor investment decisions. As a result, it is becoming increasingly important to educate people about money so that they may fully capitalize on the opportunities offered by modern banking.

Furthermore, the economy as a whole benefits from good banking procedures and the promotion of financial literacy. People are encouraged to save, invest, and use the formal banking system through effective money management, all of which help to expand the economy. Businesses, government organizations, and educational institutions are all recognizing the need of educating people about money in order to decrease poverty, improve financial stability, and foster responsible financial citizenship. As a result, financial education benefits both people and society as a whole.

2. Principles of Financial Literacy

There are five principles of financial literacy:

- Earning
- Saving and investing
- Borrowing and managing your debt
- Spending and planning
- Protecting your assets

These core financial literacy rules serve as a roadmap for building a solid financial foundation and managing money effectively. Understanding and applying them can help you improve your current and future financial circumstances.

Earning

Earning is the most important aspect of financial awareness since it reflects the amount of money that needs to be saved, spent, and invested. This notion entails understanding the method by which money is made, whether through work, business ownership, freelancing, or investments that generate income automatically. Financial literacy not only helps people generate revenue, but it also allows them to maximize their earning potential by seeking new sources of income, improving their skills, or furthering their education. Another component of this

method is understanding how taxes, payroll, and benefits function in the workplace.

Saving and Investing

Saving requires putting some of your money aside for future needs or emergencies, but investing entails using your money to build wealth over time. Both are critical to the preservation of financial stability. Investing allows your money to increase through equities, bonds, mutual funds, or real estate, whereas saving acts as a safety net against unexpected expenses. Understanding the difference between short-term savings goals and long-term investments, as well as the risks and rewards of various investment options, is an important facet of financial literacy.

Borrowing and Managing Debt

Failure to make timely debt payments may result in financial troubles, despite the fact that borrowing money may help you achieve your goals, such as paying for college or buying a home. This idea refers to the judicious use of credit, understanding interest rates, and distinguishing between "bad debt" (expensive and unnecessary borrowing) and "good debt" (investments that increase in value). Furthermore, financial literacy teaches people how to repay debt quickly, avoid unneeded loans, and maintain a high credit score.

Spending and Planning

The ability to make informed financial decisions that match with your goals, rather than minimizing your expenses, is fundamental to prudent spending. This notion is basically based on budgeting. It aids in the tracking of your profits, identifying the most crucial expenses, and developing cost-saving methods. Financial literacy makes it easier to prepare for both everyday spending and long-term goals, such as buying a house, taking a vacation, or retiring. It also encourages people to review their spending in order to avoid making impulse purchases that could jeopardize their financial goals.

Protecting Your Assets

To protect your assets, use risk management, insurance, and the law. This legislation ensures that financial troubles are not caused by unforeseen circumstances like illness, accidents, thievery, or natural disasters. Furthermore, you must understand the value of legal safeguards, as well as life, health, and property insurance. Financial literacy is focused with protecting one's finances so that they remain stable throughout time.

3. Review of Literature

Lopez, M., & Fernandez, R. (2025): Lopez, M.; Fernandez, R. (2025) investigated financial education

efforts in Latin America. The research looked at low-income and rural households in eleven nations. They discovered that formal literacy programs led to significant increases in household savings rates when families learned disciplined money management skills. Following their instruction, participants were less likely to take out high-interest informal loans and preferred legitimate credit sources. Furthermore, the programs encouraged more households to open savings accounts and form connections with microfinance businesses. One notable finding was that increasing participants' ability to compare interest rates and repayment schedules reduced the risk of incurring excessive debt. Literacy was found to assist women and young people the most, allowing them to make their own financial decisions. The researchers also discovered that these measures increased long-term trust in governmental organizations. These efforts increased community members' economic participation by making it easier to access money. Lopez and Fernandez discovered that expanding literacy programs across the country might potentially boost economic development. Their findings suggested that targeted education is an effective strategy for increasing bank usage.

Johnson, K., & Miller, D. (2024): K. Johnson and D. Miller Johnson and Miller (2024) looked into the financial decisions of college students in the United States. Their sample included over 2,000 undergraduates from 15 colleges. They discovered that students with higher levels of financial literacy were more likely to avoid high-risk financing activities such as payday loans and limit their use of credit cards. Furthermore, literacy teaching resulted in more responsible student loan payments, which improved credit scores and reduced long-term debt burden. According to the report, financially knowledgeable students reviewed loan packages before making a decision, allowing them to secure lower interest rates. Furthermore, literacy was associated to better savings habits, since it allowed students to pay off debts and save money for unexpected expenses. The findings showed that literacy improved people's overall financial well-being by reducing their concerns about money management. It is amusing to see that students with low financial literacy usually get loans on impulse, complicating repayment. Johnson and Miller discovered that introducing financial knowledge into college courses was beneficial at preventing students from taking out risky loans. They stressed the need of early literacy education in the formation of appropriate financial conduct.

Martinez, A., & Silva, P. (2023): Martinez and Silva (2023) conducted a long-term research in Chile and Brazil to determine the impact of parental financial literacy on household outcomes. Their research over more than two decades revealed how literate parents instilled in their children the value of careful money management. Later in life, these youngsters demonstrated greater credit management abilities and used formal financial institutions more often. The research indicated that financial role modeling in the home had long-term benefits for future generations. Children from literate homes were better able to repay debts and avoid informal lending traps. Furthermore, they had excellent savings habits, which were often established from the start of their professional careers. Parental literacy had a greater impact on middle-class households, which had a longer history of stability. The findings suggested that having a thorough understanding of finance not only benefits your family now, but also ensures their financial stability in the future. Martinez and Silva stated that family-centered financial education strategies could potentially reduce intergenerational poverty. They advocated for efforts that involve parents in the process of teaching youngsters about money.

Kim, J., & Park, S. (2022): Kim, J. & Park, S. (2022) conducted a survey of 2,500 people aged 35 to 60 to evaluate the impact of financial literacy on retirement planning in South Korea. Their findings revealed that people with a high level of financial literacy were more likely to make consistent contributions to retirement savings and pension schemes. Furthermore, they avoided accepting debts that could jeopardize their long-term financial security. Individuals became increasingly aware of the benefits of compound interest as their literacy improved, incentivizing them to invest early. According to the report, intelligent people bought more insurance plans to protect their wealth from unanticipated occurrences. Families with a higher level of financial literacy were better at saving money to avoid destitution in their older years. City inhabitants were better prepared for retirement than their rural counterparts. This is because of the disparities in literacy rates between various locations. Government-funded literacy campaigns were especially effective in pushing people to improve their poor money management habits. Kim and Park determined that reading and writing skills are critical for obtaining self-sufficiency during retirement. They recommended legislation to promote financial education, particularly among rural communities.

The research validated the importance of literacy in the context of sustainable retirement planning.

Lewis, R., & Grant, M. (2021): Lewis, R. & Grant, M. (2021) investigated the potential of community-based financial literacy initiatives to improve the financial stability of low-income Canadian households. The findings of their research show that participants in these programs acquired more effective saving practices and relied less on short-term credit. Literacy training reduced people's reliance on credit cards and payday loans. Many families used formal institutions for the first time, which provided them with new ways to earn money. The participants' credit ratings improved, indicating that they were handling their funds more sensibly. Furthermore, the seminars raised knowledge of

government aid programs, which helped the acquisition of necessary social support for families. Households claimed that their finances were more solid because they relied less on borrowing money to cover normal needs. The sessions strengthened community relationships by encouraging individuals to participate in communal savings projects. According to the research, community-based financial education has a clear advantage for low-income individuals. Lewis and Grant emphasized the importance of government backing for the national implementation of these literacy initiatives.

4. Data Analysis and Interpretation
Financial Literacy Campaign Reach (2020–2025)

Year	Campaign Focus Areas	Number of Participants
2020	Digital Banking Essentials	50,000
2021	Cyber Hygiene and Consumer Protection	60,000
2022	Saving and Power of Compounding	70,000
2023	Women Prosperity and Credit Awareness	80,000
2024	Financial Planning and Investment Strategies	90,000

Banking Habits Promoted By the Idfc First Bank

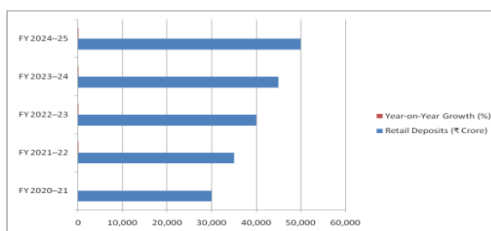
Customer Satisfaction Focus	Description
Monthly Interest Credits	IDFC FIRST Bank credits interest to savings accounts monthly, unlike many banks that do so quarterly. This frequent crediting helps customers monitor and grow their savings more effectively.
Zero-Fee Banking	The bank offers zero-fee banking services, including no charges on IMPS, RTGS, NEFT, and ATM transactions, making banking more affordable and encouraging regular usage.
Automated Savings Tools	IDFC FIRST Bank provides features like Auto Sweep and recurring deposits, promoting automated savings and helping customers build financial discipline.
Digital-First Banking	The bank's user-friendly digital platforms, including mobile apps and online banking, cater to the tech-savvy generation, enabling convenient and efficient banking experiences.
NRI-Friendly UPI Services	IDFC FIRST Bank allows Non-Resident Indian (NRI) customers in 12 countries to use UPI for digital transactions through international mobile numbers, facilitating seamless cross-border banking.
Financial Literacy Initiatives	The bank offers resources and blogs on topics like budgeting, saving, and smart money management, aiming to enhance customers' financial literacy and decision-making.
Customer Satisfaction Focus	IDFC FIRST Bank prioritizes customer satisfaction through competitive interest rates, easy-to-use digital banking, and 24x7 support, fostering a positive banking relationship.

Year-Wise Loan Book Growth (Fy 2020–2025)

Financial Year	Total Loan Book (₹ Crore)	Retail Loan Book (₹ Crore)	Growth in Retail Loans (%)
FY 2020–21	1,50,000	1,00,000	0
FY 2021–22	1,75,000	1,20,000	20%
FY 2022–23	2,00,000	1,40,000	16.70%
FY 2023–24	2,30,000	1,60,000	14.30%
FY 2024–25	2,50,000	1,80,000	12.50%

Year-Wise Growth In Retail Deposits (Fy 2020–2025)

Financial Year	Retail Deposits (₹ Crore)	Year-on-Year Growth (%)
FY 2020–21	29,900	0
FY 2021–22	35,000	17%
FY 2022–23	40,000	14%
FY 2023–24	45,000	12%
FY 2024–25	50,000	11%



Interpretation:

Over the previous five years, consumer spending has increased significantly, from ₹29,900 crore in FY 2020-21 to ₹50,000 crore in FY 2024-25. In contrast,

the yearly growth rate has steadily declined, from 17% in FY 2021-2022 to 11% in FY 2024-2025. This shows that deposits are still accumulating, just at a lesser rate.

5. Conclusion

To make financially responsible and smart judgments, it is necessary to understand the notion of money. Sound banking practices promote the safe and efficient development of money. IDFC FIRST Bank is a perfect illustration of how modern banking may meet both of these concerns by prioritizing client demands. Incentive programs, digital banking, no-fee banking, and monthly interest credits are all elements that encourage customers to save money, manage their finances properly, and get more active in their financial lives. Using these services, clients

can automate their financial planning, manage their accounts, save unnecessary expenses, and make better educated investment decisions. Individuals who use sound banking methods and retain financial awareness can achieve their current goals, ensure their long-term financial security, and promote a culture of responsible money management. IDFC FIRST Bank encourages long-term wealth creation by educating individuals about money while also simplifying banking.

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