
A STUDY ON FINANCIAL LITERACY AND BANKING HABITS WITH REFERENCE TO IDFC FIRST BANK

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ABSTRACT: A component of financial acumen is the ability to perform mathematical calculations. Daily, it alters the manner in which individuals make decisions and manage their finances. The research examines the relationship between individuals' comprehension of fundamental financial concepts and their actual financial management practices. A systematic questionnaire inquires about participants' experiences with digital technologies such as mobile banking and online payments, along with their money-saving practices. The findings indicated that individuals with greater financial knowledge were more inclined to utilize banking services, save consistently, and adhere to manageable budgets. Many individuals continue to struggle with comprehending concepts such as interest rates, long-term strategies, and investment alternatives. The occurrence of these differences underscores the necessity of educating individuals beyond fundamental financial principles. If banks and legislators educate individuals about finance, a greater number will engage with the formal financial system, increase consumer participation, and enhance their financial decision-making.

Keywords: Financial Literacy, Banking Habits, Customer Satisfaction and Digital Banking Adoption

1. INTRODUCTION

Financial organizations like banks, credit unions, and digital wallets usually evoke particular behaviors in consumers. These actions include using credit and debit cards responsibly, maintaining open bank accounts, consistently saving money, and embracing digital financial services. The main indicator of excellent banking practices is one's financial literacy. People are better equipped to allocate their money toward achieving their objectives when they understand the fundamentals of both personal and professional finance.

Individual financial literacy and bank operations are significantly correlated. People that are financially literate tend to save frequently, avoid debt until it is absolutely necessary, and invest for the future. On the other hand, those who are not financially literate often waste their money due to careless spending, a failure to save, or an inability to handle their obligations. It is crucial to comprehend this link in order to encourage responsible financial behavior in society. This benefits everyone, including lawmakers, banks, and private citizens. Technological advancements in the financial sector, such as online banking, have altered how people handle their personal affairs. More consumers now find banking more convenient and easy because to mobile banking apps, online transactions, and digital payment methods. However, in light of these advancements, a more profound comprehension of money is necessary. People who don't have the right information run the risk of losing money, investing poorly, or falling for scams. Financial education is essential if the general population is to make efficient use of contemporary banking options.

Businesses and the broader public both gain from prudent financial management and ethical banking. By saving, investing, and utilizing established financial systems, people contribute to the growth and stability of the economy. Therefore, in an effort to combat poverty, enhance financial stability, and encourage responsible citizenship, governments, businesses, and educational institutions are placing a strong emphasis on financial literacy. Education in financial literacy advances both the personal development of individuals and the expansion and advancement of society.

2. REVIEW OF LITERATURE

Anderson, P., & Clark, J. (2025): Anderson and Clark wanted to know how much time middle-class families spent banking online and whether it was related to their level of financial literacy. Digital tools including mobile transactions, savings plans, and e-wallets were overwhelmingly used by individuals with greater levels of financial literacy, according to a research that spoke with over 1,200 families in urban and semi-urban locations. Along with the enhanced usability, the decreased risk of fraud and technical issues was a result of these households' increased confidence in managing their online transactions. Evidence suggests that confidence in banking institutions, particularly for decision-making and identity verification, is positively correlated with financial literacy. In contrast, households where at least one member struggles to read often shunned digital services and struggled to adhere to recommended practices for staying safe when using the internet. Better record-keeping made

possible by software that simplified budgeting and planning was another boon to the educated. Both digital competency and financial literacy are necessary for the secure and efficient use of contemporary banking, according to the research. In order to boost the number of individuals using digital banking, they clearly concluded that knowledge is both helpful and essential.

Lopez, M., & Fernandez, R. (2025): Lopez and Fernandez looked into the effects of financial education programs on low-income and rural families in eleven Latin American nations. Organized literacy programs substantially boosted household savings as families embraced appropriate money management practices, according to their comprehensive analysis. Instead of relying so heavily on pricey private loans, participants began using government credit sources. The advertisements encouraged families to join microfinance groups and open savings accounts so that they could have access to secure financial services. People were better able to understand interest rates and payment arrangements, which reduced the likelihood that they would take on excessive debt. This was a crucial outcome. The confidence to manage their own finances was a major boon to young people and women. These measures substantially enhanced the public's faith in government-run banks over the long run by reducing financial exclusion and boosting economic engagement at the regional level. After considering the possibility of expanding these programs on a national scale, Lopez and Fernandez concluded that doing so could stimulate economic growth. Their research indicates that more people can have access to capital and that banks can perform better with targeted financial education.

Johnson, K., & Miller, D. (2024): Johnson and Miller sought to understand the relationship between students' level of financial literacy and their borrowing habits while in college. Results from interviews with over 2,000 students from 15 universities show that those with a higher level of financial literacy were less likely to take out high-risk loans like payday loans and were more frugal with their credit card use. Students' credit scores improved and long-term debt was easier to pay off after receiving literacy training since they were better able to responsibly return their student loans. Importantly, financially literate students who were knowledgeable analyzed loan agreements thoroughly before signing, ensuring cheaper interest rates and avoiding expensive errors. Literacy was linked to less borrowing and better saving habits, as many students were able to handle their debt and be prepared for crises. Education about personal finance increases financial well-being and lessens stress associated with money management, according to the research. Meanwhile, students who lacked

financial literacy made hasty loans and occasionally had trouble repaying them, leading to financial difficulties. Teaching children to read and write at a young age is crucial in fostering fiscal responsibility, according to Johnson and Miller. They reasoned that if college courses included financial literacy, it would aid in lowering the incidence of bad credit.

Wei, L., & Zhang, H. (2024): In their research of the role of financial literacy in rural Chinese households, Wei and Zhang zeroed down on agricultural communities throughout fifteen provinces. Their research showed that households where members had a better grasp of personal finance were more likely to employ formal savings strategies. This may indicate that companies are less reliant on unofficial loans, which may be rather expensive and put a burden on their budgets. Literate farmers had more options for financing, more tools, and higher harvests. Families were better able to weather seasonal financial shocks and remain resilient when they diversified their revenue streams. Microinsurance products helped individuals protect themselves from natural disasters and agricultural failures, and one crucial conclusion was that literacy made it easier for people to use them. The self-assurance of women farmers in obtaining microcredit and handling their own money matters was a huge boon. By strengthening ties with government banks, communities that implemented literacy programs fostered a friendlier atmosphere and increased trust. Rural residents, according to Wei and Zhang, need to improve their financial literacy if they want to feel safe and secure financially in the long run. Their recommendation was that farmers get specialized training to help their communities become more resilient and to promote sustainable rural development.

Thompson, S., & Harris, L. (2023): Thompson and Harris looked at the outcomes of financial counseling programs in British workplaces. Employees' retirement plans changed significantly after receiving financial literacy training, according to a poll of 200 businesses. Employees who received direction were more conscientious about paying off their debt and contributed more to their retirement plans. There was less financial strain on the job, which led to an increase in overall productivity. The research found that employees who received counseling demonstrated improved financial management skills and had more consistent emergency savings. Workers who were financially literate carried less debt over the long run since they made less use of high-interest credit options. There has been a correlation between financial wellness programs and increased employee satisfaction and loyalty, according to businesses. Counseling also emphasized the need of setting aside money for future expenses including healthcare, education, and investments. The survey found that firms play a crucial role in educating their employees about money. Adding financial advice to regular HR

procedures was proposed by Thompson and Harris as a means to increase workplace efficiency while also protecting employees' financial security.

Martinez, A., & Silva, P. (2023): Martinez and Silva conducted a twenty-year research in Chile and Brazil to examine the effects of parental financial literacy on families' results across generations. Scientific studies have shown that offspring of financially literate parents are more likely to follow in their parents' footsteps and make sound financial decisions as adults. These youths exhibited better credit habits, interacted with reputable banks more often, and avoided dubious lending practices. Achieving financial stability at a young age was possible for many of them because they began saving money and paying off debt quickly after starting their jobs. Literacy rates among middle-class parents had a significant effect on their children, strengthening their families over time. The research found that children's future financial success is significantly influenced by how their parents behave financially. According to Martinez and Silva, financial literacy helps families in the here and now while also fostering stability for generations to come. In order to alleviate poverty that persists from one generation to the next, they proposed educational policies that put an emphasis on family ties and encourage parental participation in literacy initiatives.

Kim, J., & Park, S. (2022): Kim and Park surveyed 2,500 South Koreans aged 35 to 60 about their financial literacy and its impact on retirement preparation. They found that those who are financially literate are less likely to engage in risky activities that could compromise their financial security in the long run. Their pension and retirement savings contributions tend to be higher. Literate people have a leg up when it comes to understanding compound interest, which means they're more likely to get a head start when it comes to investing and ultimately see bigger returns. The survey found that those with higher levels of education were more likely to get insurance policies to safeguard themselves against unforeseen financial difficulties. One advantage of better financial literacy was a decreased risk of poverty in old life, and another was better management of personal finances overall. One possible explanation for why some persons in rural areas lack access to reading materials is that city folks are more prepared for retirement than their rural counterparts. The government's literacy programs have helped a lot of individuals learn good money habits and how to save money. Kim and Park reasoned that if they want to be financially independent in retirement, they need to educate themselves on financial matters. To lessen disparities and emphasize the significance of literacy for effective retirement planning, they advocated for better educational initiatives, particularly in rural regions.

Lewis, R., & Grant, M. (2021): The potential for community-based financial literacy initiatives to enhance the financial stability of low-income households in Canada was explored by Lewis and Grant. People who took part in these initiatives were able to reduce their need for short-term loans and increase their savings rates. Credit cards and cash loans were utilized far less after individuals received reading and writing assistance. A surge in first-time bank account openings has opened up new avenues for people to invest and save. Superior financial management skills were linked to higher credit scores. Due to the training's enhancement of participants' familiarity with government welfare programs, families had an easier time obtaining social assistance. Families' claims that they could get by with less borrowing helped to stabilise the economy. Community bonds were bolstered by the seminars' promotion of collective savings schemes. Those with low incomes benefit greatly from beginning financial education programs at a young age, according to the research. The importance of government backing for these reading programs to go nationwide was emphasized by Lewis and Grant.

3. THEORETICAL FRAMEWORK

INITIATIVES FOR FINANCIAL LITERACY AND INCLUSION

To eliminate informational gaps and increase access to banking, some national and international financial institutions have enacted legislation. Why? Because prudent banking practices are shaped in large part by people's level of financial literacy.

National Strategy for Financial Education (NSFE) 2020–25: With 500 million users targeted for 2025, the project was launched by the Reserve Bank of India (RBI) and other authorities of the Indian financial sector. Over time, the goal of the "5-C" plan is to increase financial literacy nationwide using the following means: content, capability, communication, and collaboration.

Pradhan Mantri Jan Dhan Yojana (PMJDY): This massive initiative began in 2014 and streamlines the process of opening bank accounts, obtaining RuPay debit cards, and purchasing money-protection insurance. Account holders need to know how their services function and how to make the most of them, which is why financial literacy classes are instituted.

Digital Payment Initiatives: By facilitating quick and secure digital transactions, platforms such as the Unified transactions Interface (UPI) have revolutionized the flow of funds. Digital

banking has not only simplified things, but it has also brought millions of new clients into the fold.

COMMON CHALLENGES THAT HINDER GOOD BANKING HABITS

Even while many have access to banking services, many still struggle to develop sound financial habits. Issues such as insufficient budgeting, distrust of digital tools, over-reliance on costly loans, and a lack of financial literacy pose serious risks to the short- and long-term financial stability of individuals and families.

Limited Financial Education: Many people struggle to comprehend concepts like investing, saving, budgeting, and credit management since they did not receive formal education in personal finance while they were growing up. Customers may have difficulty comparing loan conditions, understanding their bank records, or choosing the best financial solutions without this basis. People can make poor decisions and pass up opportunities due to this lack of comprehension.

High Household Debt: Debt from consumer loans, such as personal loans, school loans, or credit card expenditures, can significantly cut into a family's income. Because of this, many people find it difficult to put money aside for emergencies. In addition to making it more difficult to make changes to one's financial situation, carrying a large amount of debt increases the likelihood of undesirable outcomes such as high interest rates, late payments, and borrowing loops.

Financial Anxiety and Avoidance: Stress, anxiety, and worry about money management might result from a lack of knowledge about money. People may not plan their finances at all, which leaves them with little control over their money since they either squander it or forget to track it. Some mental obstacles that could prevent people from seeking help or counseling include stress and embarrassment associated with debt.

Economic Factors: The inability to save or spend money is a common result of economic problems including unemployment, inflation, and fluctuating interest rates. Families choose short-term spending above long-term savings when costs continue to grow. Because they lack confidence in their ability to maintain focus on their long-term financial objectives, individuals whose employment prospects are uncertain are hesitant to spend or take out loans.

Cybersecurity Concerns: The prevalence of online banking has increased people's concerns about fraud, phishing, data breaches, and identity theft. Many individuals are wary of using e-wallets, online transactions, or mobile banking apps due to security concerns; this is particularly true among the elderly and those with lower levels of technical competence. The

underutilization of digital services limits the convenience and advantages of contemporary banking.

Demographic Disparities: The banking habits and financial literacy of individuals from various socioeconomic backgrounds vary greatly, according to the research. Factors such as age, gender, income, and location significantly impact people's ability to access financial information and services. Literacy rates are lower among women and those residing in rural areas compared to city dwellers of higher socioeconomic status. Distinct groups of people experience varied levels of financial stability and social involvement due to these disparities in borrowing, saving, and banking.

4. BENEFITS OF FINANCIAL LITERACY



Build Smart Money Habits: Learning to manage one's finances wisely is a major benefit of having financial literacy. Budgeting, keeping track of spending, saving regularly, and avoiding debt are all behaviors associated with a person's level of financial literacy. Doing these things won't guarantee your financial stability in the long run, even if they don't seem crucial now. By setting aside a little sum each month, people can safeguard themselves against unforeseen expenses and create an emergency fund. In a similar vein, being financially literate aids in responsible credit card use, which in turn reduces the likelihood of accruing excessive debt. These prudent measures lay the groundwork for future stability and financial safety.

Boost Confidence in Decision Making: You can make better decisions when you have a good understanding of money. Loans, insurance, and investments are complex financial instruments, and many people are anxious or confused when faced with them. On the other

hand, armed with sufficient knowledge, they may evaluate their alternatives rationally and make informed decisions. When you have this kind of self-assurance, you won't need other people's opinions as much and will be harder to fool or use. An astute borrower will shop around for the best interest rate by comparing offers from multiple financial institutions. People are able to act with clarity and confidence when they believe they can influence their financial future.

Help Avoid Financial Mistakes: The ability to steer clear of costly blunders is yet another major perk of having a good grasp of financial matters. Overspending, falling into debt, and falling prey to scams are all consequences of people not knowing enough about personal finance. Those well-versed in financial matters are alert to potential dangers, meticulous in their reading of contracts, and able to delay or prevent poor financial decisions. A person who is aware of compound interest may think twice about taking out a high-interest cash loan. Being financially literate has several benefits, including the prevention of stress and the enhancement of long-term financial security through the reduction of mistakes.

Encourage Long-Term Planning: Those with a firm grasp of financial matters are better able to look beyond their immediate requirements and concentrate on the bigger picture. It promotes the following financial habits: emergency savings, home ownership, retirement planning, and school savings for children. At certain points in life, active preparation guarantees financial security. To ensure you have sufficient funds in retirement, it may be helpful to start saving early and take advantage of compounding. Individuals' long-term well-being is enhanced and their ability to make prudent and self-assured financial decisions is empowered by financial literacy, which promotes a balance between present expenditure and future security.

Financial Independence: Being financially independent is the most obvious advantage of having financial literacy. People who are good with money don't need to borrow money from relatives or friends at exorbitant interest rates to cover their fundamental requirements. Gaining financial independence can provide you with a sense of freedom, stability, and tranquility. It enables individuals to depart with dignity, make decisions in life without fiscal concerns, and deal with crises without anxiety. Being financially independent allows one to not always be concerned about money. Not worrying about money will allow them to travel, hunt for job, or focus on themselves.

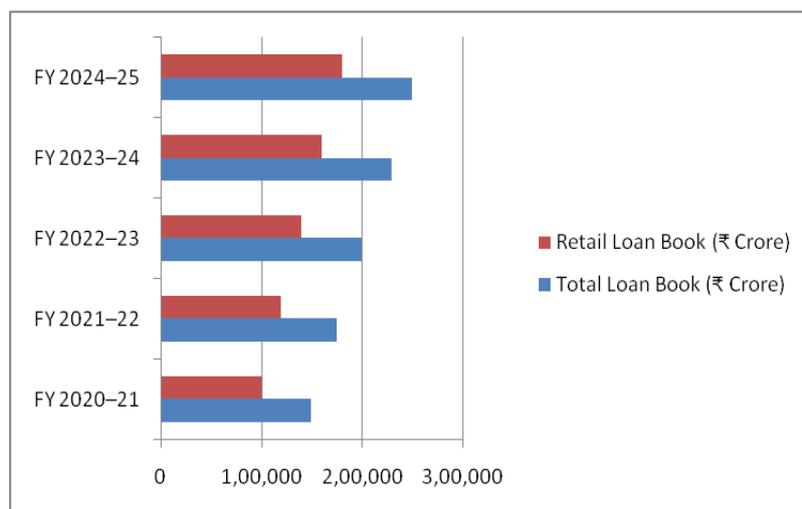
5. RESULTS AND DISCUSSION

TABLE 1: 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

TABLE 2: 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%

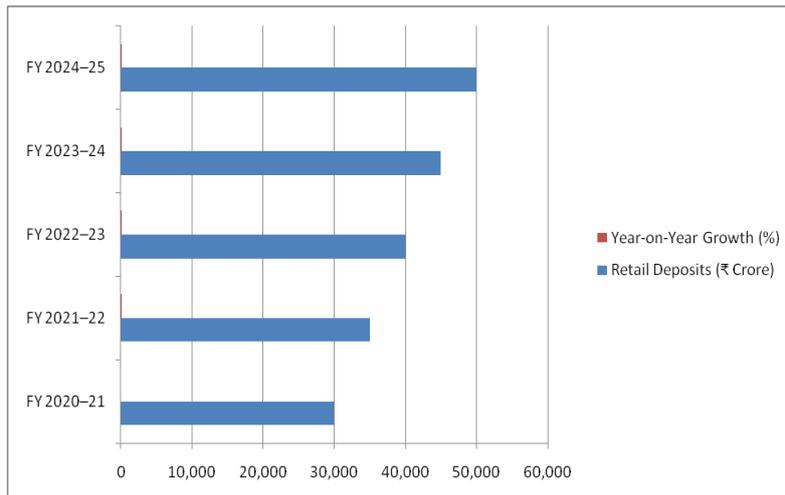


INTERPRETATION: Both the retail loan portfolio and the total loan portfolio increased consistently from FY 2020-21 to FY 2024-25, according to the data. It is evident that the portfolios saw consistent and robust growth. Retail loan growth is still occurring annually, although at a slower pace. This may indicate that banks are being more cautious with their

lending practices or that the market is reaching maturity. According to the pattern, the retail lending sector will always have a need for more capital.

TABLE 3: 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%

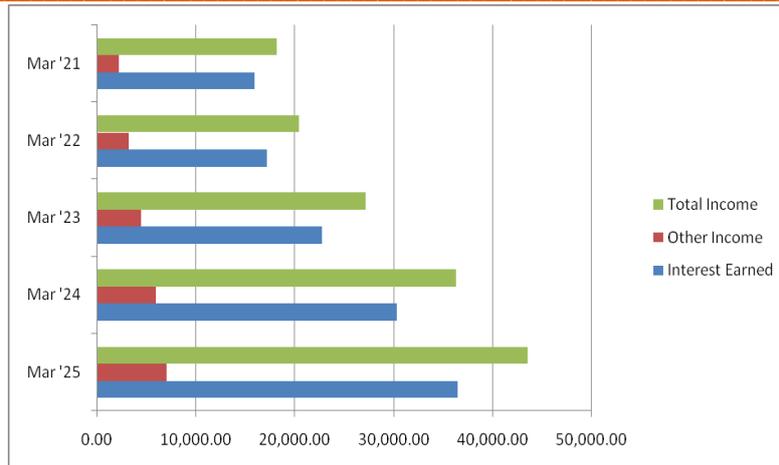


INTERPRETATION: Over the past five fiscal years, retail savings have gradually increased, rising from ₹29,900 crore in FY 2020-21 to ₹50,000 crore in FY 2024-25. From FY 2021-22 to FY 2024-25, the year-over-year growth rate dropped from 17% to 11%. What this signifies is that the account count is increasing, although at a snail's pace.

IDFC FIRST BANK STANDALONE PROFIT & LOSS ACCOUNT

TABLE 4: INCOME

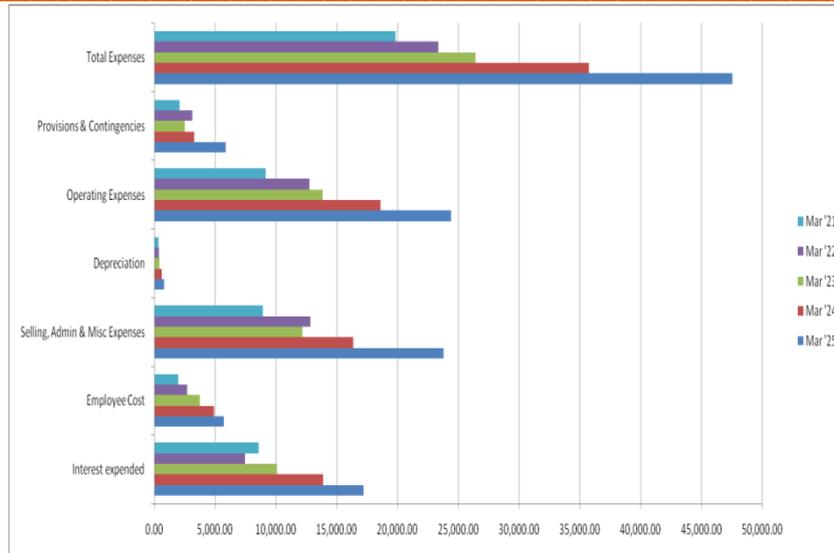
Income	Mar '25	Mar '24	Mar '23	Mar '22	Mar '21
Interest Earned	36,501.49	30,322.50	22,727.54	17,172.68	15,967.86
Other Income	7,021.72	6,001.99	4,466.97	3,222.04	2,253.70
Total Income	43,523.21	36,324.49	27,194.51	20,394.72	18,221.56



INTERPRETATION: Starting at ₹18,221.56 Cr in March 2021 and reaching ₹43,523.21 Cr in March 2025, the total income of the corporation has increased consistently. A rise in interest income is mostly responsible for this expansion. Subsequently, auxiliary income has increased over time, contributing a negligible sum to overall revenue.

TABLE 4: EXPENDITURE

Expenditure	Mar '25	Mar '24	Mar '23	Mar '22	Mar '21
Interest expended	17,209.52	13,871.75	10,092.21	7,466.52	8,587.60
Employee Cost	5,709.90	4,892.53	3,742.23	2,696.54	1,976.98
Selling, Admin & Misc Expenses	23,773.25	16,367.04	12,163.07	12,821.49	8,940.23
Depreciation	820.41	618.32	424.68	373.26	329.38
Operating Expenses	24,413.56	18,597.43	13,835.16	12,753.03	9,158.19
Provisions & Contingencies	5,890.00	3,280.46	2,494.82	3,138.26	2,088.40
Total Expenses	47,513.08	35,749.64	26,422.19	23,357.81	19,834.19



INTERPRETATION: Due to increased interest and business expenses, the company's expenditure increased from ₹19,834.19 crore in March 2021 to ₹47,513.08 crore on March 25. Costs and benefits for employees have increased continuously as the company has grown and become more fiscally responsible.

DISCUSSION:

Strong Expansion in Financial Outreach (2020–2025): From 50,000 in 2020 to 90,000 in 2024, the number of individuals participating in the financial literacy program increased annually. Financial planning, women's rights, cybersecurity, and digital banking are just a few of the many subjects that the bank continues to educate its clients on. Customers should be better informed and more engaged in banking services as a result of the increased reach.

Consistent Retail Loan Book Growth with Gradual Moderation: The retail loan portfolio continued to rise, passing ₹1,80,000 crore in FY 2024-25, from ₹1,00,000 crore in FY 2020-21. The loan market is maturing and becoming more stable as the growth rate fell from 20% to 12.5%. This can indicate that lending standards are tightening up, the economy is shifting, or the retail credit market is becoming more saturated.

Steady Rise in Retail Deposits, Though at a Slowing Pace: Retail savings increased from 29,900 Cr to 50,000 Cr in five years. Customers' trust in the bank and the efficiency with which their deposits are being utilized are demonstrated by this. The decline from 17% to 11% indicates that deposits are still increasing, albeit at a more leisurely pace. This can be due to rising competition in the banking industry or a general decline in savings.

Robust Income Growth Driven Largely by Interest Earnings: From March 21 to March 25, the overall gain more than quadrupled, going from ₹18,221.56 Cr to ₹43,523.21 Cr. Interest has surpassed all other revenue streams as a result of the ever-increasing value of

loan assets. The company is diversifying its revenue streams as a result of an increase in commissions, fees, and treasury activities.

Rising Cost Structure and Operational Expansion: The overall expenditure rocketed from ₹19,834.19 crore to ₹47,513.08 crore between March 21 and March 25. Increasing operational expenses, staff expenditures, and interest debt are major contributors. The expansion, increased spending on branches and technology, and increased cost of capital are all results of this. Despite an increase in sales, it is critical to monitor operating expenses in order to enhance future profit margins.

6. CONCLUSION

Good banking habits guarantee the secure and efficient growth of your money, and financial knowledge is the key to making wise, responsible decisions with your money. An excellent illustration of how customer-centric services in contemporary banking may enhance both is IDFC FIRST Bank. Encouragement to save, manage money well, and be more involved with one's financial situation can take many forms, including monthly interest credits, fee-free banking, digital banking features, and rewards programs. Individuals and businesses alike can benefit from these services by automating financial planning, reducing wasteful spending, keeping a careful watch on their funds, and making more informed decisions. Through the use of effective banking procedures and education, individuals can attain both short-term and long-term financial stability, as well as foster a culture of responsible money management. At IDFC FIRST Bank, we go above and beyond by teaching our customers how to manage their money wisely and providing them with fundamental banking services. We help them save, invest, and build their wealth.

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