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**"A STUDY ON BANKING AND FINANCIAL LITERACY AMONG  
COLLEGE STUDENTS"**

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Sambhajinagar. DOI: <https://doi-doi.org/101555/ijrpa.7174>**ABSTRACT**

Banking and financial literacy have become essential in today's rapidly growing economy. This study focuses on understanding the level of banking and financial awareness among college students in Chh. Sambhajinagar city. Both primary and secondary data were used, with a sample of 100 students from Arts, Commerce, and Science streams. The study examined students' knowledge about various banking services, such as debit and credit cards, cheques, cancelled cheques, mobile banking (UPI), RTGS/NEFT, ATM limits, bad banks, loans, and banking complaints. The findings indicate that while some students have awareness of basic banking services, many lack detailed knowledge, especially regarding modern digital banking and financial protections like deposit insurance. Commerce students generally showed slightly higher awareness compared to Arts and Science students, but overall literacy is moderate. The study also highlights the need for workshops, guides, public awareness campaigns, and creative use of media to improve both banking and financial literacy. This research emphasizes that educated and informed customers are essential not only for individual financial security but also for the overall development of the economy. Strengthening financial literacy can help prevent fraud, improve money management, and make banking services more effective for everyone.

**KEYWORDS:** Financial & Banking Literacy, Digital Banking (UPI/RTGS/NEFT), Customer Awareness.

**INTRODUCTION**

The banking sector is an important part of today's economy. Financial literacy plays a very important role in economic development. Banks help the economy by supplying money,

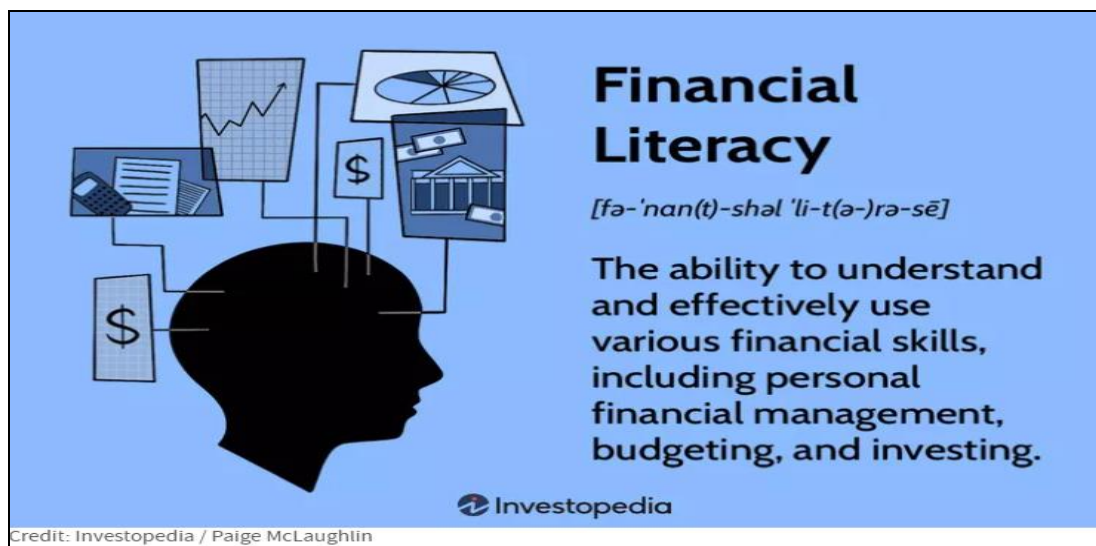
regulating and controlling the money market and capital market, and by acting as a legal link between lenders and borrowers.

In the process of economic development, services such as saving, investment, loans, deposits, and insurance are very important. Along with these traditional services, banks now use modern systems like RTGS, NEFT, and other digital methods for money transactions. Today, a close relationship can be seen between banks and customers. The use of BHIM UPI is increasing rapidly, and online banking and other modern services are now given priority by banks.

To use all these banking services and facilities, it is equally important for customers to have banking literacy. Customers should have basic knowledge about the banking system, types of banks, deposits, savings, and investments. Keeping these objectives in mind, it is necessary to study how banking literacy plays an important role in the development of the economy. Therefore, this topic has been selected for the present research.

### **Financial literacy:**

Financial literacy means having the ability to understand how to use wealth appropriately. It involves knowing what money is, what we can do with it, and being aware of where and how to invest the money we have. In short, financial literacy is the knowledge of where and how to spend and invest money.



Financial literacy is not a choice it's a necessity. It's important for everyone, regardless of age or gender. There's no substitute for financial literacy. It's essential for enriching family life,

business, and lifestyle, ensuring future financial security, and living a fulfilling life. Good financial literacy strengthens present life and secures the future. A financially literate person today becomes a skilled citizen tomorrow and helps create new opportunities for economic growth. This positively impacts the overall economic development of the country.

Source:- <https://www.investopedia.com/terms/f/financial-literacy.asp> access 21/12/2025

Financial literacy is the combination of awareness, knowledge, skills, attitude, and behavior that helps individuals make sound financial decisions and ultimately achieve financial well-being. It means planning how to use your saved money wisely and having the ability to manage it effectively. Financial literacy involves evaluating and managing your financial situation so you can make informed decisions to achieve life goals and maintain financial stability.

It includes a set of skills and abilities in the financial domain—understanding income and financial concepts, interpreting information accurately, identifying financial connections, and making smart decisions. Financial literacy is measured through knowledge (information), behavior (skills), and attitudes related to financial values

### **Banking Literacy:**

In 2014, the Central Government of India amended the Banking Regulation Act and, under Section 26-A, created a fund called the “Depositor Education and Awareness Fund.” As per this provision, all banks are required to transfer deposits that have not been claimed by depositors for more than 10 years into this fund. Similarly, amendments were made to the State Cooperative Act, and under Section 24-A, training of bank members was made compulsory. However, in practice, this training is often not properly implemented.

In this background, all banks should work with the understanding that educated and informed customers are the real assets of banks. In simple terms, customer awareness and knowledge are valuable assets shown in the bank’s balance sheet. Due to a lack of banking knowledge, especially in the private banking sector, banks introduce various charges and interest-related methods under different names and silently take money from customers without their clear understanding. The main reason for this is customers’ lack of banking literacy. Because of this ignorance, customers are easily cheated, which continuously increases bank profits.

Today, the rapid spread of rumors on social media is also affecting the banking sector. These rumors directly impact people's financial awareness and confidence in banks. Similarly, due to a lack of banking literacy, cases of financial fraud are increasing, especially in internet banking, UPI transactions, and online buying and selling. Therefore, it is very important for customers to become banking literate in order to protect themselves and manage their finances safely.

**Meaning:**

1. Banking literacy means having education and understanding about how banks work, their procedures, rules, and how to properly use banking services and facilities.
2. Banking literacy refers to customers having sufficient knowledge about savings, investments, loans, credit transactions, deposits, and online banking services.
3. A person who has up-to-date knowledge of all banking transactions and also has the skills to use this information effectively is called a banking-literate person.

**Objectives of the Study:**

The objectives of the present research are stated as follows:

1. To understand and explain what banking literacy is.
2. To examine the level of awareness about banking services among students.
3. To identify measures and suggestions for improving banking literacy.

**Data Collection**

To complete the present research, both primary and secondary data were used. For collecting primary data, the purposive sampling method was adopted. Under this method, a sample of 100 students from Chh. Sambhajinagar city was selected. Out of these 100 students, 40 students were from the Arts stream, 30 from the Commerce stream, and 30 from the Science stream. To collect information related to banking literacy from these respondents, an interview schedule was used.

The present study follows an analytical research method for data analysis.

**Data Interpretation and Analysis:**

**Banking Services**

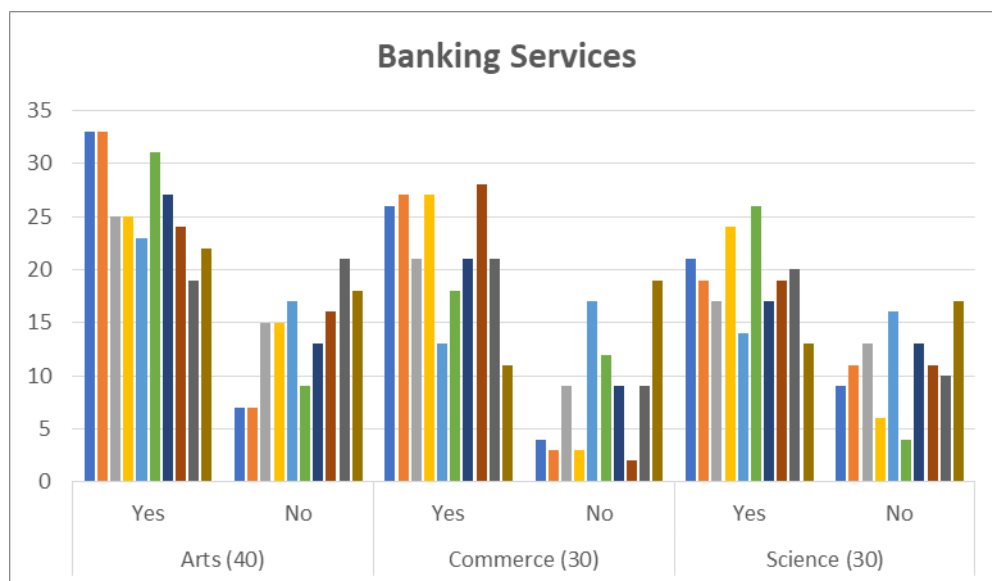
A bank is essentially a safe place to keep money while making daily life much easier. Instead of carrying cash, you can use a bank to pay bills, shop online, or send money to family instantly through your phone. Banks also act like a financial partner; they give a little extra

money (interest) for saving with them, and they can provide loans when you need to buy a home or start a business. Most importantly, they keep your hard-earned wealth secure from theft or loss, giving you peace of mind that money is always available when you need it.

**Table No. 1: Banking Services.**

Sr. No.	Question	Arts (40)		Commerce (30)		Science (30)		Total
		Yes	No	Yes	No	Yes	No	
1	Do you know the difference between a RuPay Debit Card and a Credit Card?	33	7	26	4	21	9	100
2	Do you know what a Cheque (Dhanadesh) is?	33	7	27	3	19	11	100
3	Do you use a Mobile Banking App (UPI)?	25	15	21	9	17	13	100
4	Do you know what a Banking Ombudsman is?	25	15	27	3	24	6	100
5	Do you know what a Bad Bank is?	23	17	13	17	14	16	100
6	Do you know how much money can be withdrawn from an ATM in a day?	31	9	18	12	26	4	100
7	Do you know what a Cancelled Cheque is?	27	13	21	9	17	13	100
8	Are you aware of RTGS / NEFT?	24	16	28	2	19	11	100
9	Do you read all the information in the application form while taking a loan?	19	21	21	9	20	10	100
10	If a bank fails (goes bankrupt), does the loan get waived?	22	18	11	19	13	17	100

Source: Survey. 2025



**Figure No.1 Banking Services**

Source: Survey. 2025

### **1. Difference between Debit Card and Credit Card:**

A debit card is linked to a savings or current bank account. It can be obtained at the time of opening a bank account or later on request. It is used to withdraw cash from ATMs and to make purchases at POS terminals. The amount spent using a debit card is directly deducted from the balance available in the bank account, so sufficient balance must be maintained. Banks usually charge an annual fee for debit cards.

A credit card, on the other hand, is issued based on the customer's creditworthiness. Even if there is no money in the bank account, the bank allows the customer to spend money in the form of a loan. This amount must be repaid within a fixed time period. Credit cards have a credit limit, which is decided based on the customer's income and transaction history, and it can increase over time. If the amount is not repaid by the due date, the bank charges interest on the outstanding amount.

When students were asked about the difference between debit and credit cards, the responses showed varying levels of awareness. Among Arts students, 33% said they were aware of the difference, while 7% said they were not. Among Commerce students, 26% were aware and 4% were not. In the Science stream, 21% students knew the difference, while 9% did not.

### **2. Cheque Awareness**

A cheque is also known as "Dhanadesh." According to the Negotiable Instruments Act of India, a cheque is a bill of exchange drawn on a specific bank and payable on demand. In simple words, a cheque is a written instruction given to a bank to pay a certain amount of money when it is presented. When students were asked whether they had knowledge about cheques, the responses showed different levels of awareness. Among Arts students, 33% said they had information about cheques, while 7% said they did not. In the Commerce stream, 27% students were aware, and 3% were not. Among Science students, 19% said yes, while 11% said they did not have knowledge about cheques.

### **3. Use of Bank Mobile App (UPI)**

Today, when a bank account is opened, the mobile application of that bank is available on the Play Store. Through this app, many services are provided such as paying electricity bills, mobile recharges, sending money, checking balances, and making other transactions. The same facilities are also available through UPI-based applications.

When respondents were asked whether they use bank mobile apps or UPI, the results showed different usage levels among students. In the Arts stream, 25% students said they use mobile banking apps, while 15% said they do not. Among Commerce students, 21% said yes and 9% said no. In the Science stream, 17% students reported using bank mobile apps or UPI, while 13% said they do not use these services.

#### **4. Banking Ombudsman**

The Banking Ombudsman is a scheme designed to resolve problems and complaints related to banking services. Under Section 35A of the Banking Regulation Act, 1949, the Reserve Bank of India (RBI) implemented the Banking Ombudsman Scheme from 14 June 1995. This scheme applies to scheduled banks, scheduled primary urban cooperative banks, and regional rural banks.

If a bank refuses to provide services, ignores customer complaints, or if customers are not satisfied with the service provided by bank staff or management, they can seek justice through the Banking Ombudsman. Complaints can be filed offline or online. Customers can register a complaint on the RBI website at <https://ems.rbi.org.in> or by calling the toll-free number 14448.

When students from the Arts, Commerce, and Science streams were asked whether they were aware of the Banking Ombudsman, the responses varied. Among Arts students, 25% said they were aware, while 15% said they were not. In the Commerce stream, 27% students were aware and 3% were not. Among Science students, 24% said yes, while 6% said they were not aware of the Banking Ombudsman scheme.

#### **4. Bad Bank Awareness:**

A Bad Bank refers to an Asset Reconstruction Company (ARC). The main objective of a Bad Bank is to improve the balance sheets of public sector banks. Under this system, public sector banks transfer their non-performing assets (NPAs) or bad loans to the ARC. After this transfer, the responsibility of recovering these bad loans is taken over by the Bad Bank, which then sells these stressed assets in the asset market and carries out the recovery process in a more efficient manner.

When students were asked whether they had information about the concept of a Bad Bank, the level of awareness varied across streams. In the Arts stream, 23% students said they were



aware of it, while 17% said they were not. In the Commerce stream, 13% students said yes, whereas 17% said they were not aware. Among Science students, 14% were aware of the Bad Bank concept, while 16% said they did not have information about it.

## **6. Daily ATM Withdrawal Limit**

It is important to know how much money can be withdrawn from an ATM in one day. Different banks have different withdrawal limits. For example, in State Bank of India (SBI), customers can withdraw between ₹100 to ₹20,000 per day, while Global International Cards allow withdrawals up to ₹40,000, and Gold International Cards allow up to ₹50,000 per day. In HDFC Bank, a Platinum Debit Card allows a daily cash withdrawal limit of up to ₹1 lakh. Similarly, ICICI Bank allows withdrawals of up to ₹1 lakh per day through a Platinum Chip Card, and if the customer has a Visa Signature Debit Card, the limit increases to ₹1.5 lakh per day.

According to RBI guidelines, if an ATM is used more than the free limit in a month, the customer has to pay charges decided by the bank. Generally, customers are allowed five free ATM transactions per month, but in metropolitan cities, this limit has been reduced from five to three free transactions.

When students were asked whether they knew the daily ATM withdrawal limit, 31% of Arts students said yes, while 9% said no. Among Commerce students, 18% were aware and 12% were not. In the Science stream, 26% students said they knew the limit, while 4% said they did not.

## **7. Cancelled Cheque**

A cancelled cheque is a cheque on which the word “CANCELLED” is written diagonally between two parallel lines across the cheque. Such a cheque contains important details such as the bank name, account number, bank code (IFSC), account holder’s name, branch details, address, and contact information.

When a cancelled cheque is given to any person or institution, they can only view the bank account details, but they cannot withdraw money from the account using that cheque. It is mainly used for verification purposes, such as setting up ECS, EMI, or salary credit.

When students were asked about their knowledge of a cancelled cheque, 27% of Arts students were aware of it, while 13% were not. In the Commerce stream, 21% students said they were aware, while 9% were not. Among Science students, 17% were aware of a cancelled cheque, while 13% said they did not have this information.



## **8. Literacy about RTGS / NEFT**

RTGS (Real Time Gross Settlement) is an electronic fund transfer service used for transferring money. Through RTGS, money is transferred instantly. It is a simple, fast, and secure method of payment and is generally done using internet banking. RTGS is mainly used to transfer large amounts of money from one bank to another at the same time. The maximum amount that can be transferred through RTGS is ₹10 lakh.

NEFT (National Electronic Funds Transfer) was introduced in November 2005. It is also an electronic system used for transferring money. Through NEFT, money can be sent from any bank branch to any other bank account located anywhere in the country. The main condition is that both the sending and receiving bank branches must be NEFT-enabled.

When students were asked about their awareness of RTGS and NEFT, the responses varied across streams. In the Arts stream, 24% students said they had knowledge, while 16% said they did not. Among Commerce students, 28% were aware and only 2% were not. In the Science stream, 19% students said yes, while 11% said they were not aware of RTGS and NEFT services.

## **9. Knowing All Information on a Loan Application**

When a person applies for a loan—whether it is a home loan, vehicle loan, education loan, or any other type of loan—the bank provides various forms to fill out. These forms often include terms and conditions that must be read carefully before signing. Banks also provide detailed information about the loan services, interest rates, repayment schedule, and other important conditions.

It is important for customers to understand all this information so that there are no difficulties while repaying the loan later.

When students were asked whether they were aware of the importance of reading and understanding all loan application details: In the Arts stream, 19% said yes, while 21% said no. In the Commerce stream, 21% said yes, and 9% said no. In the Science stream, 20% were aware, while 10% said they were not.

## **10. Awareness about Consequences if a Bank Fails**

A bank fails mainly due to poor management, such as neglecting services, loans, savings, investments, insurance, deposits, and transactions.

However, in India, the Deposit Insurance and Credit Guarantee Corporation (DICGC) provides protection under The DICGC Act, 1961. Through this scheme, deposits in a bank are

insured up to ₹1 lakh per depositor. Banks are required to pay the insurance premium, and this protection is mandatory for all banks. Savings accounts, current accounts, fixed deposits, and recurring deposits are all covered under this insurance. Note that foreign banks may not offer this protection.

When students were asked about the consequences of a bank failure: In the Arts stream, 22% said yes, deposits are insured, while 18% said no. In the Commerce stream, 11% said yes, and 19% said no. In the Science stream, 13% were aware of this insurance protection, while 17% were not.

### **Suggestions to Improve Banking Literacy:**

1. Educational Institutions: Especially commerce colleges in urban areas should organize camps and workshops to create awareness about banking literacy and financial knowledge among students.
2. Guides and Booklets: Colleges should publish and distribute guides, handbooks, and practical instructions to raise awareness about banking services. Awareness about the importance of insurance from a young age to adulthood should also be promoted.
3. Bank Initiatives: Banks should place posters and notices at public places such as bus stops, railway stations, and outside the bank to educate citizens about banking literacy.
4. NGOs and Social Organizations: Social service organizations and non-governmental groups should come together to organize financial awareness programs for the public.
5. Creative Use of Popular Media: Creative and effective use of popular media like street plays, folk songs (Bharud), and Kirtans should be used to spread financial awareness in society in an engaging way.

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