

Digital Banking Adoption: Assessing the Key Factors Shaping User Acceptance

Ms. Manju Bala^{1*} and Dr. Sangeeta²

¹Assistant Professor, Department of management Studies, Panipat Institute of Engineering & Technology, India

²Associate professor, School of commerce & Business Management, Geeta University, Haryana, India. Drsangeeta.

Received: 25/02/2025;

Revision: 17/03/2025;

Accepted: 04/04/2025;

Published: 21/04/2025

*Corresponding author: Ms. Manju Bala (Manjupite07@gmail.com)

Abstract: The current study is an attempt to discover the impact of social influence and digital literacy on digital banking adoption by rural customers. Particularly, it seeks to examine the relationship between the behavioral intention and social Influence & digital literacy. The data for this study consists of rural customers from Haryana. The data has been analyzed using thematic analysis. The results show that in rural areas social influence, familiarity, and trust are important factors in determining how people view and feel about digital banking services. Adoption is further hindered by issues with infrastructure and technical skills, with digital literacy and accessibility emerging as significant variables. An understanding of the rural customer intention to use digital banking is essential both for economists studying the growth of the economy associated with rural population and for the creators of such technologies. From this perspective, understanding the factors that led the customer to approach the bank through offline mode as well as what are the factors that are leading the customer not to visit the bank physically, becomes highly relevant for policy making about digital banking. Hence this paper contributes to the empirical literature, particularly digital banking in a developing country, i.e. India.

Keywords – Behavioral Intention, Digital Banking, Digital Literacy, Social influence.

INTRODUCTION

The adoption of digital banking among rural consumers depends significantly on the interplay between social influence and digital literacy. In rural areas, where traditional banking infrastructure may be limited, social networks play an important role in shaping individuals' attitudes and behaviors towards digital financial services. Influential people such as family members, friends, and local authorities may support or oppose the use of digital banking platforms (Sharma & Singh, 2021). Furthermore, rural consumers' proficiency with digital banking tools is strongly influenced by their degree of digital literacy (Kumar et al., 2020). While people with low levels of digital literacy might be reluctant or anxious about integrating these technologies into their financial routines, those with higher levels of digital literacy are more likely to use digital banking solutions (Rana & Dwivedi, 2019). Social influences and literacy barriers must be addressed in order to encourage rural consumers to adopt digital banking (Dasgupta & Gupta, 2022). Rural communities can be empowered to interact with digital financial services more confidently by initiatives that promote digital literacy through education and training programs (Patel et al., 2021). Furthermore, normalising and promoting adoption of digital banking in rural areas can be achieved by utilising social networks and community leaders as advocates (Agarwal & Chakraborty, 2023). Stakeholders can help rural consumers integrate digital banking into their financial lives and promote financial inclusion and empowerment in underserved areas by tackling these factors holistically (Bansal, 2020).

LITERATURE REVIEW

Digital Banking

A new generation of consumers has higher expectations from their banks as a result of the growth of technologies like the internet, broadband, social networks, data processing tools, cloud computing, and digital innovations. These clients are searching for convenient, customised goods and services that meet their daily requirements (Skinner, 2014). In order to adapt and change in response to environmental changes and the new demands of the banking industry, banks must undergo a digital transformation in the modern era (Pourebrahimi et al., 2018). The banking industry is rapidly evolving and also diversifying as a result of digital transformation (Hakizimana et al., 2023; Amudhan et al, 2022).

Digital banking utilizes these technologies to provide banking services, improving their availability and cost-effectiveness. In simpler terms, digital banking refers to the process of conducting financial transactions electronically, from one account to another, with or without internet access, eliminating the need for physical presence or action. Digital banking helps customers access financial data simply without going to the Bank (Tran et al; 2023).

The advent of digital channels has led to a significant shift away from traditional banking methods. Digital banking key attractions include its around-the-clock availability, convenience, user-friendliness, and practicality, which all contribute to its growing appeal among customers. Unlike traditional banking, which requires in-person visits to the

bank, digital banking allows customers to access their accounts from any location at any time. This transition from the physical brick and mortar banking model to electronic banking represents a significant innovation. Digital banking offers mutual benefits to both customers and banking institutions by delivering convenient and expedited services. Through the use of digital channels, banking services have become more direct and swifter. The digital banking system empowers the customer to access a wide range of banking services by establishing a connection with their bank. Gomber et al. (2017) defines digital banking as "a broad range of new financial goods, financial enterprises, finance-related applications, and novel ways of consumer contact and interaction, all of which are provided by FinTech firms and banks". The advancement in digital technologies has helped banks to move towards digital banking, thereby simplifying access to services remotely (Yousafzai, 2012).

Social Influence

Social influence plays a pivotal role in shaping the digital banking adoption behavior of rural consumers. Social influence is an extent to which an individual believe that significant others endorse the adoption of a new system (Venkatesh et al., 2003). Numerous studies have demonstrated how social influence affects new technology adoption and use (Shi et al., 2022; Faqih & Jaradat, 2021). People in close-knit communities frequently base their decisions on social networks and accepted norms. Word-of-mouth advertising, peer recommendations, and community leaders' support all have a big impact on how rural consumers view and feel about digital banking. Additionally, seeing others in their social circles use digital banking services effectively can be a strong motivator, establishing credibility and trust. As a result, social influence mechanisms affect rural consumers' willingness

to adopt digital financial technologies by helping to spread knowledge about digital banking and influencing the perceived social norms surrounding its adoption.

Literacy

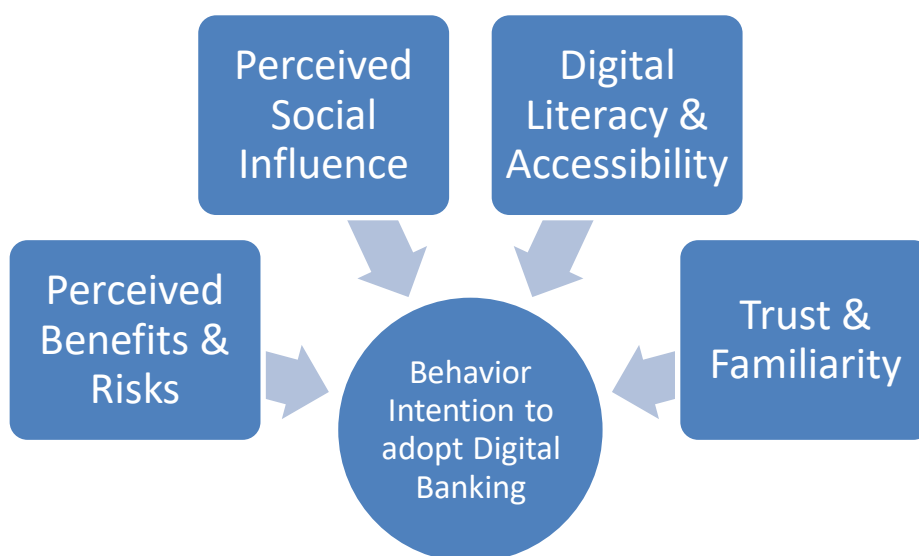
Literacy has a significant impact on people's capacity to obtain and understand financial information, use digital platforms, and interact with banking services in an efficient manner, which is relevant to rural consumers' adoption of digital banking. Rural populations' low literacy rates can pose serious obstacles to the uptake of digital banking technologies since people may find it difficult to use digital interfaces or comprehend complicated financial concepts. Furthermore, low literacy levels can make it more difficult for people to weigh the advantages and disadvantages of digital banking, which can cause them to be wary of or distrust these services.

Proficiency in digital literacy is crucial for learning and interacting with new technologies, as the continuous technological revolution emphasizes the value of literacy (Brown et al., 2005; Ullah et al., 2022). Since educated people are more likely to embrace innovations, education plays a significant role in the adoption of new technologies (Donthu & Garcia, 1999). One of the most crucial abilities in the information and knowledge age is digital literacy, which can facilitate the exploration of significant new topics in daily education (Markless et al., 2007; UNESCO, 2017). It blends digital and financial expertise (Tony & Desai, 2020).

Promoting inclusive digital banking adoption and encouraging people to participate more requires addressing literacy issues with focused educational programs and user-friendly interfaces designed for rural communities.

Conceptual Framework

A comprehensive basis for understanding the factors influencing rural consumers' use of online banking services is provided by this conceptual model. By examining how social influence, literacy, and other contextual factors interact, policymakers and financial institutions can develop targeted policies to promote digital inclusion and enhance financial access in rural areas. TAM (Technology Acceptance Model), Diffusion of Innovation Theory, and Social Learning Theory are the sources of the factors.



Source: Author compilation

RESEARCH METHODS

50 rural consumers in the Haryana region were interviewed as part of the study's exploratory methodology. Examining rural consumers' intentions to use digital banking while taking social influence and digital literacy into account was the main goal. During the analysis, moderating factors like education and income were taken into account. To ensure thorough coverage of all viewpoints, interviews were conducted until data saturation was achieved using a semi-structured questionnaire. The entire month of January 2024 was used for the data collection process. The questionnaire was validated by experts to guarantee its validity and reliability, and respondent feedback was utilised to further improve and validate the findings.

Thematic analysis was employed to manually categorize and organize the data into themes, which were then presented in a narrative format. Additionally, the study incorporated triangulation by cross-referencing the findings with existing literature to validate and confirm the results.

The adoption of digital banking by rural consumers is an important field of research in the rapidly changing financial landscape of today. Financial companies and governments must comprehend how social influence and digital literacy impact consumers' intents to use digital banking services. Finding patterns and themes within qualitative data can be done in an organized manner with the help of thematic analysis. In this analysis, we examine qualitative data pertaining to rural consumers' views on digital banking, emphasizing the role that digital literacy and social factors play. The analysis focused on capturing insights related to social influence and digital literacy in the context of digital banking adoption.

“Annexure

Theme	Sub-Themes	Key Findings
Perceived Social Influence	Parent and Peer Relationships	Family members, especially younger ones, introduce digital banking. Friends and co-workers share experiences that build trust or cause reluctance. Cultural and generational factors influence adoption.
	Community Norms and Social Acceptance	Adoption depends on societal acceptance. Rural communities rely on social validators like elders and business groups. Women in some areas lack financial autonomy, affecting digital banking use.
Trust and Familiarity	Trust in Financial Institutions	Users prefer banking services from reputable banks and government institutions due to security concerns. Fraud and identity theft fears hinder adoption.
	Reliance on Interpersonal Communication	Face-to-face interactions with bank employees and community leaders help build trust. Rural users rely more on personal guidance than advertisements.
Digital Literacy & Accessibility	Technical Knowledge and Digital Skills	Lack of digital skills prevents adoption, especially among older and less-educated individuals. Willingness to learn exists but requires support.
	Infrastructure Barriers	Poor internet connectivity, lack of digital devices, and frequent power outages hinder access in rural areas. Stronger digital infrastructure is needed.
Perceived Benefits & Risks	Convenience and Efficiency	Users value remote transactions, time-saving, and reduced paperwork. Mobile banking apps improve accessibility.
	Security and Privacy Concerns	Fear of fraud, identity theft, and hacking deters users. Need for enhanced security measures, education on cybersecurity, and better customer support.

Source: Data Analysis”

Data Analysis

In today's quickly evolving financial landscape, research on rural consumers' adoption of digital banking is crucial. Governments and financial institutions need to understand how digital literacy and social influence affect consumers' intentions to use digital banking services. Thematic analysis provides an organised way to identify patterns and themes in qualitative data. In this analysis, we look at qualitative data about rural consumers' opinions about digital banking, highlighting the importance of social factors and digital literacy. The goal of the analysis was to gather information about digital literacy and social influence in relation to the adoption of digital banking.

Table 1: Demographic Profile of the Respondents

Particulars	Demographics	Frequency
Age	21-30	15
	31-40	10

	41-50	15
	Above 50	10
Education	Below high school	5
	Higher & Secondary	10
	UG	18
	PG	10
	Professional	7
Marital status	Married	20
	Unmarried	30
Gender	Male	35
	Female	15
Employment Status	Employed	17
	Unemployed	13
	Agriculture/ Business/ other work	20

Source: Data Analysis

PERCEIVED SOCIAL INFLUENCE:

Relationships with parents and peers have a big influence on how someone feels about and is prepared to use digital banking services. Many respondents stated that family members, especially younger family members, had introduced them to digital banking and effectively helped them with online and mobile banking. Similarly, friends and coworkers would talk about their experiences, which helped them gain more confidence and trust in online banking. Social proof, such as close contacts' successful use of digital banking, helped allay concerns about fraud and cybersecurity.

On the other hand, negative comments and experiences like unauthorized transactions or other technical issues shared by peers led to some apprehension and reluctance. A combination of cultural and generational factors also shaped attitudes toward adoption, with people from more embracing technology households more inclined toward digital banking than those from traditional banking backgrounds. The latter would tend to resist until there was some nudge from relatives or friends whom they considered trustworthy. Moreover, digitally illiterate individuals tended to require the most assistance from other family and peers to overcome initial barriers to learning, requiring encouragement and support for adoption. Financial conversations among peers further worsened the attitude toward accepting digital banking as they emphasized the rationales such as ease of banking transactions.

Social influence has a notable impact in shaping an individual's digital banking intention, especially in rural regions where banking customs and practices are deeply engrained and intertwined with their way of life. Many participants indicated that their choice to use digital banking was shaped by the level of societal acceptance it received within their vicinity. In insular rural markets, financial choices are mostly shared, meaning that people tend to follow some social validators that include elders, business people, and self-help groups found in the village. People became more willing to adopt digital banking services if it was regarded as useful and widely adopted. On the other hand, fear of fraud, security concerns, or un employment in the banking industry were also cited as

reasons for not adopting the services. Almost all transactions that involve the transfer of money will settle to most rural people as trust refunds with reliance on personal relationships in friendly societies or informal financial services intended for overlap. Moreover, social structures also prejudiced the uptake of digital banking because women in some regions lacked financial autonomy and depended on male relatives for most banking services. Control over the financial affairs is also inhibiting factors in accepting new banking technologies. Accepting new banking technologies in the rural setup, depends on social factors.

Trust and Familiarity:

2.1 Social influence has a notable impact in shaping an individual's digital banking intention, especially in rural regions where banking customs and practices are deeply engrained and intertwined with their way of life. Many participants indicated that their choice to use digital banking was shaped by the level of societal acceptance it received within their vicinity. In insular rural markets, financial choices are mostly shared, meaning that people tend to follow some social validators that include elders, business people, and self-help groups found in the village. People became more willing to adopt digital banking services if it was regarded as useful and widely adopted. On the other hand, fear of fraud, security concerns, or un employment in the banking industry were also cited as reasons for not adopting the services. Almost all transactions that involve the transfer of money will settle to most rural people as trust refunds with reliance on personal relationships in friendly societies or informal financial services intended for overlap. Moreover, social structures also prejudiced the uptake of digital banking because women in some regions lacked financial autonomy and depended on male relatives for most banking services. Control over the financial affairs is also inhibiting factors in accepting new banking technologies. Accepting new banking technologies in the rural setup, depends on social factors.

2.2 Trust building and addressing concerns regarding issues of digital banking was greatly influenced by interpersonal communication. Most of the participants seemed to prefer sitting face to face with the bank employees enabling them to ascertain the level of security and how the entire

transaction is dealt with and any arising issues solved. Trusted community leaders or financially literate friends also affected their adoption decisions. As for the rural folks, due to the low levels of digital literacy, personal assistance from bank personnel or referrals from other people carried more weight than advertisements and online resources. Such engagement gave the users a greater sense of control, strengthening their confidence in digital banking and easing its adoption in the community.

Digital Literacy and Accessibility:

3.1 Technical knowledge and digital skills were crucial in the adoption of digital banking. Most respondents, especially older demographics and users in rural areas, indicated that they were not very technologically skilled, which made them apprehensive about making mistakes, falling victim to fraud, or losing money. However, many showed a willingness to learn if help could be obtained from family and friends or bank personnel. Complex banking interfaces with ambiguous instructions further delay adoption while stressing the need for such solutions to be friendly along with support for the customer in multiple languages. Bridging the gap in knowledge should also involve recommendations for programs of digital literacy and training hands-on. Accessibility plus confidence would be two great things to enhance together.

3.2 Participants identified limited access to infrastructure - especially in the remote rural regions - as a significant barrier to digital banking. Most of the respondents pointed out that unreliable internet connectivity, frequent power outages, and lack of smartphones or other digital devices were practically the most common challenges they faced. Users become frustrated and eventually mistrust digital financial services when they are unable to complete transactions due to inconsistent access to online banking platforms. Participants called for more robust digital infrastructure, such as community access points and reasonably priced internet services, in order to facilitate wider adoption. Resolving these problems would increase accessibility, allowing rural residents to have access to digital banking.

Perceived Benefits and Risks:

4.1 Because participants greatly valued the ability to conduct financial transactions remotely without physically visiting a bank branch, convenience and efficiency were major factors driving the adoption of digital banking. The ability to instantly check balances, pay bills and transfer money made the time-saving feature especially alluring. The ease of use of mobile banking apps, which allow for quick and hassle-free transactions at any time, was highly praised. Numerous respondents emphasised how digital banking made financial management easier by eliminating the need for lengthy lines and paperwork. Working professionals and those living in isolated places with inadequate banking infrastructure particularly benefited from this convenience.

4.2 Concerns about fraud, identity theft, and unauthorised access to personal financial information were common among participants, making security and privacy issues significant obstacles to the adoption of digital banking. Reports of phishing scams, hacking incidents, and

fraudulent activities made many people wary of trusting transactions conducted online. These worries were exacerbated by a lack of knowledge about cybersecurity precautions. Respondents underlined the necessity of improved security measures like biometric verification, two-factor authentication, and real-time fraud alerts in order to foster trust. Furthermore, it was believed that addressing security concerns required both offering robust customer support and educating users on safe digital banking practices.

FINDINGS & DISCUSSIONS

Digital banking adoption by the rural population is major concern for the policymakers and stakeholders. From the above data analysis four main themes were identified. Based on the four themes following interpretation have been drawn: -

“While deciding to use digital banking among the Rural population social influence contributes to large extent as in rural areas majority of decisions are taken by consulting with the family members. From the data received it has been identified that whether to adopt digital banking or not, this decision is being highly influenced by the family members as well as the community norms”.

“Talking about the role of Trust, it is a major factor of concern for the rural people. From the data received it has been analyzed that there is lack of trust among the rural people about the security of online transactions. Fear of losing money generates hesitation to incorporate online banking among majority of population which acts as a barrier in acceptance of Digital banking. There is another factor along with Trust is familiarity which helps in determining the Digital banking adoption as people are not familiar with the online processes. So, lack of Trust and familiarity with the online transactions hinders the digital banking adoption.”

“Another significant factor arose from the analysis is digital literacy, people in rural areas reflects different patterns in terms of digital literacy. Young people with higher education were found more literate in terms of digital transactions but people as well as people with higher education and high income found to be more digitally literate. But those who are aged and less educated as well as belong to low-income group reflected low digital literacy.”

“With every benefit there arises equal risk, Rural people follow this assumption. Due to lack of trust & Familiarity, factor of Perceived Risk & Benefits arises, majority of rural population perceives that instead of having more benefits incorporating online transactions is risky.”

From the above discussions it has been analyzed that Perceived Social Influence, digital literacy & accessibility, Trust & Familiarity, Perceived Risk & Benefits are the major deciding factors for the rural population whether to adopt digital banking or not. So, policymakers must consider all these factors before framing the policies.

CONCLUSIONS

When analyzing qualitative data on rural consumers' interest in using digital banking, it becomes clear that social factors and digital literacy play a significant role. Influences such as community opinion, familiarity with digital tools, and trust in the system heavily impact their views on these services. However, barriers like limited infrastructure and insufficient technical skills often hinder adoption, with digital literacy and access being major concerns. To encourage broader use, it is essential to focus on tailored solutions and educational programs that address these challenges, ultimately helping rural consumers embrace digital banking and enhance their financial inclusion and empowerment.

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