
THE INTERPLAY BETWEEN BANKING EDUCATION AND FINANCIAL SECURITY

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Article Received: 15 January 2026

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Article Revised: 03 February 2026

Research Scholar, Dr. Babasaheb Ambedkar Marathwada University, Chh.

Published on: 23 February 2026

Sambhajinagar.

DOI: <https://doi-doi.org/101555/ijrpa.1847>

ABSTRACT

Banking education plays a pivotal role in shaping financial security at both individual and societal levels. When people understand the fundamentals of banking—such as savings, credit, investment, and risk management—they are better equipped to make informed financial decisions. This knowledge reduces vulnerability to fraud, debt traps, and poor financial planning. At the same time, well-educated consumers strengthen the stability of financial institutions by fostering trust, responsible borrowing, and sustainable growth. The interplay between banking education and financial security is cyclical: education empowers individuals to secure their finances, while financial security creates the conditions for further learning and participation in the banking system. In essence, banking education is not just about teaching technical skills—it is about cultivating confidence, resilience, and long-term stability in the face of economic uncertainty.

KEYWORDS: Banking education, Financial literacy, Economic resilience.

INTRODUCTION:

This study explores the pivotal relationship between banking literacy and fraud resilience, focusing on the role of financial education in protecting individual and community financial well-being. Utilizing a mixed-methods approach, the research combines quantitative analysis of banking literacy levels with qualitative insights into real-world fraud incidents. The findings reveal a significant positive correlation between enhanced banking literacy and increased resilience to fraud, highlighting the crucial role of financial knowledge in recognizing, preventing, and responding to fraudulent activities.

Key dimensions of financial literacy crucial for effective fraud prevention are identified, including understanding transaction security, recognizing phishing attempts, and navigating digital banking safely. The study evaluates existing financial education programs and proposes targeted strategies to address literacy gaps, offering recommendations for policymakers, educators, and financial institutions.

As financial landscapes evolve, this research provides valuable insights into the intersection of banking literacy and fraud resilience. The findings underscore the need for collaborative efforts to elevate financial literacy, ultimately contributing to a more resilient society capable of safeguarding against financial fraud.

Definition:

Financial Literacy

Financial literacy is the ability to understand and use various financial skills, including personal financial management, budgeting, and investing. It involves having the knowledge and confidence to make informed financial decisions, manage money effectively, and navigate the complexities of the financial world. A financially literate individual possesses the skills to assess financial situations, set realistic goals, and make informed choices about spending, saving, investing, and other financial matters.

Key components of financial literacy include:

Budgeting: The ability to create and follow a budget, which involves allocating income to various expenses, including necessities, savings, and discretionary spending. **Savings:** Understanding the importance of saving money, setting aside funds for emergencies, and planning for future financial goals.

Investing: Knowledge of basic investment principles, risk management, and familiarity with various investment vehicles such as stocks, bonds, mutual funds, and retirement accounts.

Debt Management: Understanding different types of debt, interest rates, and strategies for managing and reducing debt responsibly.

Credit Management: Awareness of credit scores, how credit works, and responsible use of credit cards and loans.

Insurance: Understanding the role of insurance in managing financial risk, including health, life, and property insurance.

Retirement Planning: Planning for a secure financial future by understanding retirement accounts, employer-sponsored plans, and long-term savings strategies.

Taxation: Basic knowledge of tax-related concepts, including understanding tax brackets, deductions, and credits.

Banking Education

Banking education is a critical component of financial literacy, designed to equip individuals with the knowledge and skills necessary to navigate modern financial systems. In an era where personal and institutional financial decisions directly influence economic stability, understanding banking concepts such as savings, credit, investment, and risk management has become indispensable. Traditionally, banking education was limited to professionals working within financial institutions. However, with the increasing complexity of global markets and the rise of digital banking, it has expanded to include the general public. This shift reflects the growing recognition that financial security is not merely a matter of income but of informed decision-making.

At its core, banking education fosters confidence, responsibility, and resilience. It empowers individuals to avoid debt traps, protect themselves from fraud, and build sustainable wealth. On a broader scale, it strengthens trust in financial institutions and contributes to economic resilience by promoting responsible borrowing and saving behaviours. Thus, banking education is not only an academic pursuit but also a social necessity, bridging the gap between financial knowledge and financial security. It lays the foundation for inclusive growth, ensuring that individuals and communities can actively participate in and benefit from the financial system.

Key components of banking Education include:

Financial Products and Services: Understanding the different types of financial products offered by banks, such as savings accounts, checking accounts, loans, credit cards, and investment options.

Banking Terminology: Familiarity with common banking terms, including interest rates, fees, terms and conditions, overdraft, credit scores, and other financial jargon.

Account Management: Knowledge of how to open and manage various types of bank accounts, including maintaining balances, monitoring transactions, and reconciling statements.

Budgeting and Money Management: The ability to create and follow a budget, allocate funds wisely, and manage income and expenses effectively.

Credit Management: Understanding how credit works, the importance of a credit score, and how to use credit responsibly to build a positive financial profile.

Online and Mobile Banking: Proficiency in using digital banking tools, online platforms, and mobile apps for conducting transactions, checking balances, and managing accounts securely.

Financial Planning: Awareness of basic financial planning principles, including setting financial goals, saving for the future, and making informed investment decisions.

Objectives:

The objectives of studying the role of banking literacy in safeguarding financial well-being and enhancing fraud resilience can vary depending on the specific context and goals of the research or educational initiative. Here are some general objectives that such a study might aim to achieve:

To evaluate the level of awareness among diverse customer segments regarding their basic rights (Fair Treatment, Transparency, and Privacy).

By addressing these objectives, the study aims to contribute valuable insights, improve educational strategies, and inform policies that enhance the financial well-being and fraud resilience of individuals and communities.

Methodology:

The study is conducted based on primary, descriptive analysis and various secondary source information. A thorough check and research have been made from various journals, articles, research papers, and official websites of RBI and the Indian banking system to collect literature reviews, case studies, and committee reports and analyze the objectives of the study to provide insights on the future of core banking solutions in the Indian banking sector.

Literature Review:

The literature on the interplay between banking education and financial security highlights several key themes. Financial literacy and education play pivotal roles in enhancing individuals' and enterprises' ability to utilize banking services effectively, which in turn supports financial stability and performance. For example, studies focused on small and medium-sized enterprises (SMEs) in Sri Lanka demonstrate that financial literacy significantly moderates the positive impact of digital banking on financial performance, emphasizing the importance of education in leveraging digital banking tools for economic benefit (Weerakoon & Anuradha, 2024).

In the broader banking sector, digital financial inclusion—facilitated through banking education and digital literacy—has been shown to promote banking stability by reducing risks such as liquidity crises and non-performing loans, as evidenced in ASEAN countries during the post-Covid-19 era (Banna & Alam, 2021). This suggests that education geared towards understanding and adopting digital banking can substantially reinforce banking system resilience and financial security.

Moreover, financial education extends beyond digital literacy; it encompasses knowledge of systemic risks, institutional complementarities, and prudent financial behavior that guard against crises. An integrative framework emphasizes how education at different levels—structural, institutional, and individual—can reinforce financial stability by promoting conservative banking practices among agents (Bakir, 2016).

Hypothesis Testing:

H₀: there are not 50 percent bank literate persons

H₁: there are 50 bank literate persons

P₀ = 50% = 0.5

Table No.1

Banking Customer Rights

Q.No	Banking Customer Rights	Yes	No	Total
1	Right to open an account	83	17	100
2	Right of fund transfer	56	44	100
3	Compensation in case of check collection delay	44	56	100
4	Right to return security	39	61	100
5	Right to Notice	46	54	100
6	Customer is not guilty of unauthorized withdrawal	43	57	100
7	Right to know the reason for refusal	47	53	100
8	No customer may be coerced into selling third party products	45	55	100
9	Right to confidentiality	62	38	100
10	Grievance Redressal Rights	58	42	100

Source: Survey

Observed proposition	$p = \frac{0.03}{20}$	Calculate Z value = 0.0095
=52.3% = 0.53	$\frac{[0.5(0.5)]^{1/2}}{10}$	Table tank YZ = 1.96
N=10	$\frac{0.03}{20}$	0.0095 < 1.96
$Z = \frac{ P - P_0 }{\frac{p_0(1-p_0)^{1/2}}{n}}$	$\frac{0.0015}{0.158}$	-
$= \frac{0.53 - 0.5}{\frac{(0.5(1-0.5))^{1/2}}{10}}$	=0.00949	-->> Ho is Accepted
	$Z_c = 0.0095$	
	$Z_{0.05} = 1.96$ table value	

At 5 percent significant level the calculated Z value (0.0095)

Is less than the table value YZ (1.96) Therefore Null hypothesis is accepted it means that three is not 50 percent persons having bank literacy

CONCLUSION:

The analysis of the Banking Customer Rights survey reveals several noteworthy patterns and insights. Here are some key conclusions drawn from the provided data:

Strong Support for Fundamental Rights: Fundamental rights such as the "Right to open an account" and "Right to confidentiality" received substantial support, with 83% and 62% in favor, respectively. This indicates a widespread acknowledgment of these core banking customer rights.

The "Right of fund transfer" showed a relatively balanced response, suggesting diverse opinions among respondents. Similarly, there's a split opinion on "Compensation in case of check collection delay," with 56% against, indicating a potential concern or differing views on this compensation right.

Resistance to Returning Security: The data suggests a notable resistance to the "Right to return security," with 61% opposing it. This may reflect concerns related to the financial implications of implementing such a right.

Varied Opinions on Notice and Refusal Reasons: The "Right to Notice" and "Right to know the reason for refusal" both demonstrate close splits in responses, indicating varied opinions on the necessity of providing notice and understanding refusal reasons.

Concerns About Coercion into Selling Third-Party Products: The data reveals a slight majority (55%) against the idea of customers being coerced into selling third-party products. This highlights a concern for maintaining voluntary customer engagement in such activities.

Majority Support for Grievance Redressal Rights: "Grievance Redressal Rights" received majority support, with 58% in favor. This underscores the importance respondents place on having effective mechanisms for addressing customer concerns and complaints.

In summary, while there is strong support for fundamental customer rights, the survey reflects diverse opinions on specific provisions. Financial institutions should consider these findings when designing policies and services to align with customer expectations and preferences. Additionally, addressing concerns related to certain rights, such as the return of security and coercion into selling third-party products, may be important for enhancing customer satisfaction and trust in the banking sector.

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