Banking Behavior among the Millennials

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Millennials, aged 23-35, are stereotyped as being technology savvy, well-educated, and entrepreneurial (DeVaney, 2015). By 2020, the Millennials will comprise more than one of three adult Americans. This study focused on Millennals' use of online banking, traditional banking (banking in person), and a combination of online and traditional banking. According to Rogers' theory of diffusion of innovation (2003), knowledge and experience play important roles in the adoption of new technology. For both consumers and financial institutions, Internet banking saves time and expense and it has grown rapidly in the U.S. However, there are limited studies on the banking behavior of the Millennials including the adoption of Internet banking. Moreover, 25% of the Millennials indicated a lack of financial education and 44% have used alternative financial services such as title loans, payday loans, and tax refund advances (Friedline & West 2015).

Data from the 2013 Survey of Consumer Finances (SCF) showed that 67% of Millennials used Internet banking, 66% used personal contact with financial institutions, and 46% used both Internet banking and personal contact. About 23% of respondents used computer software for managing their money. Being married, having more education, and using ATMs, direct deposit, direct bill payment, and computer software for managing money were positively related to the likelihood of using Internet banking. Millennials who did not have computer experience in managing their money were more likely to do business with their financial institutions in person. Also, more education, and use of ATMs, direct deposit, and direct bill payment were more likely to increase the use of both internet banking and personal contact.

Education and experience with other banking technology were important predictors of the Millennials' banking behavior. Ninety percent of the Millennials used ATMs but there seemed to be a gap regarding the use of computer skills for financial management. This was somewhat surprising and it suggests a need for computer education along with personal finance education. Millennials like to learn online and from peers. A financial product simulation practice or simulation games could be effective methods to deliver financial education for Millennials. There appears to be a need for consumer educators, employers, and financial institutions to offer online and in-person training on computer skills in financial management. Also, financial companies could consider providing information on the security of Internet transactions and privacy.

References

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