

## A Continuation of Associations in Utilization of Digital Banking Technologies and Money Management Practices

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### Objective

In today's technology-driven marketplace, banking takes many forms ranging from in-person with a teller to ATMs, and mobile banking, to name a few. There is a perception that our engagement with banking has been impacted by these technological advances in banking and consumers are increasingly using multiple forms of banking to manage their finances. However, little empirical research has identified the various ways in which these technologies are used, by whom, and what other impacts their use may have on overall consumer behavior and financial well-being.

This study is a continuation of previous research examining three types of banking (in-person/ATM, online and mobile). Our previous research, which was presented at the American Council on Consumer Interests 2019 Conference, focused on consumers that used only one form of banking. We found compelling demographic and financial differences for respondents using only one of the three types of banking. This research goes a step further in looking at multi-mode users and the potential associations between banking type and both demographic/socioeconomic characteristics and money management practices. We consider money management practices to include the amount of liquid and investable assets, whether they use check cashing or payday loans and the amount of liabilities. The study considers and controls for key demographic and socioeconomic factors including race, ethnicity, educational attainment, and age.

This study aims to further investigate the characteristics of those that use different forms of banking, specifically the mode of banking multi-mode users *mostly* use and their demographic and socioeconomic characteristics. This study will also investigate how these multi-mode users differ from their single-mode user counterparts. In our previous research, we found that mobile only banking users were more female, younger, more likely African American, Hispanic or other non-White race and were less educated compared to their non-mobile banking counterparts. Mobile-only users also were worse off financially than their non-mobile counterparts. Additionally, we found that in-person/ATM only banking users were older, more likely African American, Hispanic, or other non-White race and were less educated than their non-in-person banking counterparts. However, it was unclear whether in-person/ATM only banking users were better or worse off financially than their non-in person banking counterparts. Finally, we found that online-only banking users were older, more likely White or Asian and more educated, but had similar money management practices to their non-online banking counterparts.

We hypothesize that multi-mode *mostly* users (mostly online, in-person or mobile banking) will have similar demographic and socioeconomic characteristics to their single-mode banking counterparts. However, given they are using multiple modes to keep track of their finances, we also hypothesize that multi-mode users will have better money management practices than single-mode banking users.

### Method

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This study utilizes data from NORC's Financial Well-being and Literacy Survey. This survey is fielded on AmeriSpeak, NORC's nationally representative panel, and details the finances of over 14,000 households in the U.S. The survey asked respondents about their household finances including income sources, assets, debts, and types of accounts they hold in addition to questions on financial literacy and outlook.

### Results

Our preliminary findings suggest that the multi-mode users are very similar to their single-mode user counterparts with regard to many of the demographic and socioeconomic characteristics, but there are interesting differences as well. Overall, *mostly* online banking users are older, more likely White or Asian, more educated and have higher incomes than respondents that do not *mostly* online bank. Additionally, those that *mostly* in-person bank through either a teller or ATM are older, more likely African American or Hispanic, are less educated and have lower incomes. Lastly, respondents that *mostly* use mobile banking are more female, younger, more likely White, and have slightly lower incomes than those that do not *mostly* use mobile banking.

Preliminary findings also suggest that there are a number of differences with regard to the money management practices of multi-mode and single-mode banking users. Respondents that *mostly* online bank seem to be better off financially than those that did not indicate that they *mostly* use online banking, which differs from our findings with the only online banking users. However, similar to their single-mode mobile banking counterparts, *mostly* mobile bankers seem to be worse off financially than those that do not *mostly* use mobile banking. Additionally, it is less clear whether in-person *mostly* bankers are better or worse off financially than those that do not *mostly* bank in-person, similar to the findings from the only in-person bankers.

This paper examines these differences in further detail and highlights possible sources and explanations for the differences in both approaches to banking and ultimate outcomes from banking modes of choice.

### Conclusions/Relevance

With the rapid technological advances in banking, it is important to understand how consumers are engaging with financial services, especially those engaging in multiple modes to manage their finances. This research affords the opportunity to compare the various modes of banking, and the potential differences in uses and correlates to outcomes, such as resulting assets and debts, using nationally representative data. Since utilization varies by race, ethnicity and other key demographics, and there is an association between banking modes and long-term stability, there are important policy decisions to consider as well.