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How digital banking is not having benefits for Irish households

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'The squeezed middle, representing approximately 3.9 million Irish residents and potentially over 200 million Europeans, experiences no benefit from digital finance despite having access to

it.' Photo: Getty Images

Analysis: New research has found that digital banking technology is not improving the financial well-being of the squeezed middle in Ireland

Ireland has embraced digital banking with enthusiasm. With fintech adoption rates of 71% compared to the global average of 64% according to the EY Global FinTech Adoption Index, the country stands among Europe's most digitalised economies. Yet new research shows a troubling disconnect: this widespread technology adoption is not translating into improved financial outcomes for ordinary households.

The study in the *Journal of Consumer Policy* by researchers at the Cork University Business School at UCC analysed data from 11,128 Irish households using the Survey on Income and Living Conditions and found that digital banking technology has no direct effect on financial wellbeing. This finding carries significant implications for consumer protection policy across Europe, where governments have invested heavily in digital infrastructure on the assumption that expanded access will automatically benefit consumers.

'The squeezed middle'

The study finds that the "squeezed middle" household, those between the 20th and 70th income percentiles, experience no improvement in their financial wellbeing despite having access to digital financial tools. These households represent the majority of Irish society: ordinary working people caught between income thresholds, earning too much to qualify for targeted supports yet not enough to access sophisticated financial services. The data reveals that young adults remain in negative financial territory through the 70th income percentile, despite 96.2% technology access among this cohort.



Who are the squeezed middle?

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Michelle Murphy, Social Justice Ireland and Bob Quinn, Financial Advisor.

From RTÉ Radio 1's Today with Claire Byrne, who are the squeezed middle?

This finding takes on particular significance given the financial pressures facing young Irish people. Central Statistics Office research indicates that one in four young women report skipping meals due to financial concerns, while 94% cite poverty in Ireland as a matter of

concern. A recent survey found that 84% of people in Ireland are worried about the cost-of-living crisis, with almost half fearing they will not meet household costs in the year ahead.

Why is tech failing to improve consumers' financial welfare?

The research identifies three reasons why technology access fails to improve consumer welfare.

Capability mismatch

This occurs when technological resources exceed consumers' capabilities to utilise them effectively. Having access to sophisticated financial tools does not ensure that individuals can navigate complex interfaces, understand algorithmic recommendations or make informed decisions about the options presented to them.

The Competition and Consumer Protection Commission has noted that just 57% of Irish adults meet the minimum OECD level of financial literacy. As highlighted by recent analysis on how financial literacy affects consumer decisions, digital payment convenience can make consumers "tap happy" and less mindful of spending, compounding the disconnect between technology access and genuine financial capability.



3 misunderstandings about money that cost a lot in the long run

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We can learn a lot from the psychology of financial decisions to help avoid losing money. By Deirdre Robertson, ESRI.

From RTÉ Brainstorm, 3 misunderstandings about money that could cost a lot in the long term

Economic constraints override

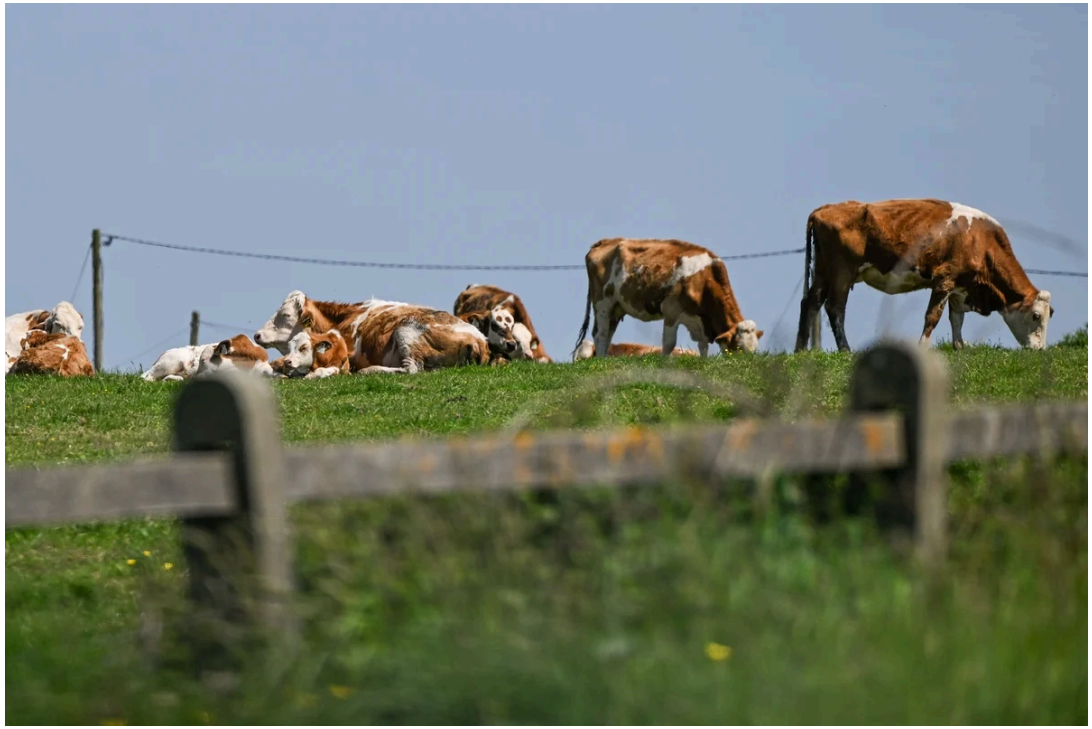
Underlying economic barriers can overwhelm any potential technology benefits. When housing costs consume a substantial proportion of household income and 11.7% of people remain at risk of poverty, technology-based interventions cannot address fundamental economic challenges. The OECD's 2025 Economic Survey of Ireland highlights how housing affordability challenges have significant societal and distributional implications, while the Department of Finance's Future 40 report suggests that Ireland's housing crisis could persist for at least another 15 years.

The satisfaction illusion

The satisfaction illusion emerges when technology increases perceived control without improving objective outcomes. The study found that nearly one-third of technology's influence operates through psychological rather than material channels. Users may feel more in control of their finances through spending tracking and categorisation features while their actual financial position deteriorates. Dutch research has documented that contactless payments reduce the psychological discomfort of spending, leading to increased expenditure without corresponding satisfaction gains, while separate research demonstrates that using a mobile phone to pay bills has a strong negative effect on having regular savings.

Unexpected results

The research also produced several unexpected results. Rural households achieve 4.6% better financial wellbeing than urban households despite lower technology adoption rates. This challenges the widespread assumption that digital transformation is inherently beneficial and suggests that some communities may have developed effective non-digital financial management strategies.



Why are beef prices going up?

SAT 18 OCT 25 • 31 MINS • COUNTRYWIDE

Philip visits Balla Mart to see who is selling and the prices cattle are making.

From RTÉ Radio 1's Countrywide, why are beef prices going up?

A gender paradox also emerged from the data. Women demonstrated superior financial behaviours, better budgeting practices and higher savings rates, yet reported significantly lower financial satisfaction and lower technology usage than men. This pattern, documented across 28 countries internationally, suggests structural barriers that competent financial behaviour alone cannot overcome.

Immigration status creates the largest technology gap at 40.7%, yet technology access fails to explain welfare disparities between immigrants and native-born residents. Immigrants with technology access still demonstrate persistent satisfaction deficits and elevated financial difficulties, indicating that language barriers, credential non-recognition and discrimination in credit markets create constraints that technology cannot address.

What does this mean for consumer policy?

Ireland's banking landscape has shifted significantly since 2018, with widespread branch closures directing customers toward digital channels. Against this backdrop, the Government recently published the country's first National Financial Literacy Strategy. Yet consumer sentiment data shows Irish households remain concerned about their finances even as wages rise, suggesting a disconnect between headline economic indicators and lived experience.



Further evidence today of the continuing rise in the cost of living

THU 11 DEC 25 • 3 MINS • NEWS AT ONE

The consumer price index shows that in November prices were 3.2 percent higher then a year ago. Our Economics and Public Affairs Editor, David Murphy has been looking at the numbers.

From RTÉ Radio 1's News At One Economics and Public Affairs Editor, David Murphy on how the consumer price index provides further evidence of the continuing rise in the cost of living

These domestic developments unfold against substantial European investment. The European Union has committed approximately €150 billion toward digital infrastructure through the Next Generation EU Recovery Fund, explicitly assuming that expanded digital access will benefit consumers and reduce inequalities. The EU Digital Finance Strategy emphasises market competition and innovation while assuming consumer benefit follows automatically from increased choice and reduced costs.

Ireland's experience suggests these assumptions warrant re-examination. Ireland ranks fifth in the EU on the Digital Economy and Society Index, with 70% of the population possessing basic digital skills compared to 54% across the EU. If technology is failing to improve consumer welfare in such a digitally advanced economy, the challenges may prove greater still in member states with lower baseline digital literacy or weaker consumer protection frameworks.

The research points toward several policy directions. First, preserving non-digital alternatives remains important, as evidenced by the superior outcomes achieved by rural residents with lower technology adoption. The EU is moving in this direction. Irish Commissioner Mairead McGuinness's 2023 proposal to protect cash advanced in December 2025 when the European Council agreed to effectively ban retailers from refusing cash payments.



Why banks need to maintain cash services for customers

MON 01 JAN 01 • 7 MINS • BRAINSTORM

We are much further removed from becoming a cashless society than some might like to think. By Olive McCarthy, UCC.

From RTÉ Brainstorm, why banks need to maintain cash services for customers

Second, moving beyond access to capability development is essential. Providing tools without the skills to use them effectively serves limited purpose. Third, addressing structural

economic barriers must accompany technological solutions, as no app can resolve the housing crisis or employment precarity. Finally, regulatory frameworks should require evidence of actual welfare improvements rather than engagement metrics.

'An early warning'

As digital finance regulation evolves under the Markets in Crypto-Assets Regulation, the Digital Operational Resilience Act, and the AI Act, these findings suggest current frameworks may inadequately protect middle-income consumers. The squeezed middle, representing approximately 3.9 million Irish residents and potentially over 200 million Europeans, experiences no benefit from digital finance despite having access to it.

The digital transformation of financial services is irreversible, yet the focus of digital service design has yet to consider the real lived experiences of squeezed households. Measuring success by downloads, logins and transaction volumes rather than genuine improvements in financial wellbeing may be leading policy in unproductive directions. Ireland's experience offers an early warning for other European member states pursuing similar digitalisation strategies.

The Squeezed Middle in Digital Financial Services: Ireland's Warning for European Consumer Protection Policy is published in the Journal of Consumer Policy. It was compiled by Dr Marie Ryan, Dr Huanhuan Xiong, Dr Fergal Carton and Dr JB McCarthy from the Cork University Business School at UCC

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