Manuscript ID:
IJEBAMPSR-2026-030508

Volume: 3

Issue: 5

Month: October

Year: 2026

E-ISSN: 3065-9140

Submitted: 07 Sept 2026
Revised: 12 Sept 2026
Accepted: 10 Oct. 2026
Published: 31 Oct. 2026

Address for correspondence:
Atish Gulab Gajbhe
At: Kawadshi (Desh) Post: Shankarpur Taluka: Chimur District: Chandrapur
Email: atishgajbhe\@gmail.com

DOI: 10.5281/zenodo.23797119

DOI Link:
https://doi.org/10.5281/zenodo.23797119

Creative Commons (CC BY-NC-SA 4.0):
This is an open access journal, and articles are distributed under the terms of the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International Public License, which allows others to remix, tweak, and build upon the work noncommercially, as long as appropriate credit is given and the new creations ae licensed under the identical terms.

Digital Financial Literacy and Household Economic Well-Being in Rural India

Atish Gulab Gajbhe
Kawadshi (Desh) Post: Shankarpur Taluka: Chimur District: Chandrapur

Abstract

Digital financial services have changed the ways rural households can make payments, receive benefits, save money and access formal financial services. However, the ability to use a mobile payment application is not the same as understanding financial products, managing household budgets, protecting personal information or identifying fraud. This paper examines the relationship between digital financial literacy and household economic well-being in rural India using secondary data from the National Bank for Agriculture and Rural Development's All India Rural Financial Inclusion Survey (NAFIS) 2021–22, Reserve Bank of India publications and government material. NAFIS reported that the proportion of respondents meeting its financial-literacy score threshold rose from 33.9% in 2016–17 to 51.3% in 2021–22, while the proportion showing sound financial behaviour increased from 56.4% to 72.8%. Average monthly household income rose from ₹8,059 to ₹12,698 and average annual financial savings from ₹9,104 to ₹13,209 over the same period. These are changes observed between survey rounds; they do not establish that digital financial literacy alone caused the improvements. The paper identifies possible pathways through which digital financial knowledge may support safer payments, informed borrowing, savings, insurance use and better financial planning. It also discusses barriers such as limited connectivity, low digital confidence, language and accessibility constraints, fraud, privacy risks and gender gaps. The paper concludes that digital financial education should combine practical skills with consumer protection, local-language support and accessible grievance redressal. Further district- and household-level research is needed to estimate causal effects on economic well-being.

Keywords: *Digital financial literacy; rural India; household economic well-being; financial inclusion; digital payments; savings; consumer protection; financial capability.*

Introduction

Household economic well-being includes the ability to meet essential expenses, manage income fluctuations, accumulate savings, access suitable credit, protect against emergencies and make informed financial decisions. In rural India, household finances may depend on agriculture, wage labour, self-employment, remittances, pensions and government transfers. Irregular income and seasonal expenditure can make budgeting and risk management particularly important.

Digital financial services—including mobile banking, digital payment systems, banking agents and online access to financial products—can reduce some transaction barriers and make financial services more convenient. Yet their benefits depend on whether users understand transaction steps, fees, repayment obligations, interest, privacy settings, and authentication and fraud-prevention practices. Digital financial literacy therefore combines financial knowledge and decision-making with the practical ability to use digital services safely and effectively.

This paper distinguishes financial inclusion, digital access, digital financial literacy and household well-being. They are related but not interchangeable. Having a bank account or a smartphone does not prove that a household uses services confidently, understands financial risks or experiences improved living standards.

How to Cite this Article:
Gajbhe, A. G. (2026). Digital Financial Literacy and Household Economic Well-Being in Rural India. International Journal of Economics, Business, Accounting, Agriculture and Management Towards Paradigm Shift in Research (, 3(5), 47–51. https://doi.org/10.5281/zenodo.23797119

Objectives of the Study

1. To explain the concept and key components of digital financial literacy in rural India.
2. To analyse selected NAFIS indicators on financial literacy, income, savings, expenditure, debt and financial behaviour.
3. To examine the pathways through which digital financial literacy may influence household economic well-being.
4. To identify barriers and risks that may prevent rural households from benefiting safely from digital financial services.
5. To recommend practical measures for strengthening rural digital financial education and consumer protection.

Review of Literature

NABARD's All India Rural Financial Inclusion Survey (NAFIS) 2021–22 provides national survey evidence on rural household income, expenditure, savings, borrowing, insurance, pension coverage and financial literacy. The survey's comparison with 2016–17 indicates improvements in several financial inclusion and financial capability indicators. The Reserve Bank of India (RBI) has also emphasised financial literacy, consumer awareness, secure digital payments and the expansion of financial inclusion infrastructure. Its National Strategy for Financial Education (NSFE) 2020–2025 promoted a multi-stakeholder approach to improving financial knowledge, attitudes and behaviour.

These publications provide an important context for understanding rural financial capability, but aggregate trends alone cannot determine whether digital financial literacy caused changes in income or savings. Household well-being is also shaped by employment, inflation, agricultural conditions, education, infrastructure, public transfers, access to credit and wider economic changes. This paper therefore treats the relationship between digital financial literacy and well-being as an analytical relationship requiring further causal testing.

Research Methodology

The study uses a descriptive and analytical secondary-data methodology. It draws on NABARD's NAFIS 2021–22 results, RBI reports and Government of India publications. The analysis compares selected indicators between the 2016–17 and 2021–22 NAFIS rounds and discusses possible relationships between financial capability and household well-being. No new primary survey, interview dataset or econometric model was supplied for this paper. Accordingly, it does not claim original fieldwork or a causal estimate of the effect of digital financial literacy.

A future empirical study could measure digital financial literacy through practical tasks—such as recognising fraudulent requests, checking transaction records, understanding digital credit costs and using grievance channels—and test its association with savings, debt stress, financial resilience and household consumption after controlling for relevant socioeconomic characteristics.

Digital Financial Literacy: Meaning and Components

- **Basic financial knowledge:** Understanding interest, inflation, compounding, risk and return, borrowing costs, saving and diversification.
- **Digital transaction skills:** Using a payment interface, checking the recipient, verifying transaction status, keeping records and responding safely to failed transactions.
- **Security and fraud awareness:** Protecting PINs, passwords and one-time passwords; avoiding unknown links and screen-sharing requests; recognising impersonation and social-engineering tactics.
- **Financial planning:** Preparing a budget, monitoring expenses, building emergency savings and matching financial products to household needs.
- **Responsible borrowing:** Understanding interest rates, fees, repayment schedules, penalties and the total cost of digital or other loans.
- **Consumer rights and redressal:** Knowing how to report unauthorised transactions, raise complaints and seek help through official service channels.

Selected Evidence from NAFIS

NAFIS 2021–22 covered one lakh rural households across States and the Union Territories of Jammu and Kashmir and Ladakh. The figures below are reported survey indicators. They provide context for changes in rural financial capability and economic conditions, but they do not isolate the effect of digital financial literacy.

Table 1. Selected Rural Household Financial Indicators

Indicator	2016–17	2021–22	Interpretation
Average monthly household income	₹8,059	₹12,698	Nominal average income increased; this is not an inflation-adjusted measure.
Average monthly household expenditure	₹6,646	₹11,262	Nominal expenditure increased over the period.
Average annual financial savings	₹9,104	₹13,209	Average financial savings increased.
Households reporting savings	50.6%	66.0%	A higher proportion reported saving.

Households with outstanding debt	47.4%	52.0%	Debt prevalence also increased; this should not be read as improvement by itself.

Source: NABARD, All India Rural Financial Inclusion Survey (NAFIS) 2021–22, key findings and comparison with NAFIS 2016–17. https://www.nabard.org/PressReleases-article.aspx?EID=91&Key=nafis&cid=554&id=25

Table 2. Financial Literacy and Financial Behaviour Indicators

Indicator	2016–17	2021–22
Respondents meeting the reported financial literacy score threshold	33.9%	51.3%
Respondents showing sound financial behaviour	56.4%	72.8%
Financial knowledge indicator	48.2%	58.3%
Financial attitude indicator	42.5%	59.0%

Source: NABARD, NAFIS 2021–22 key indicators compared with NAFIS 2016–17. Financial literacy and behaviour are survey-defined indicators; they should not be interpreted as direct measures of digital skills alone. https://www.nabard.org/PressReleases-article.aspx?EID=91&Key=nafis&cid=554&id=25

Table 3. Selected Indicators of Formal Financial Access and Protection

Indicator	2016–17	2021–22
Agricultural households using only institutional sources for loans	60.5%	75.5%
Agricultural households using only non-institutional sources for loans	30.3%	23.4%
Households with at least one member covered by any type of insurance	25.5%	80.3%
Households with at least one member receiving any type of pension	18.9%	23.5%
Agricultural households with a valid Kisan Credit Card	10.5%	44.1%

Source: NABARD, NAFIS 2021–22 key indicators compared with NAFIS 2016–17. Insurance and pension figures refer to household coverage and do not indicate that all household members are covered. https://www.nabard.org/PressReleases-article.aspx?EID=91&Key=nafis&cid=554&id=25

How Digital Financial Literacy May Support Household Well-Being

1 Better budgeting and expenditure monitoring

Digital transaction histories, account alerts and simple budgeting tools can help households track payments and compare spending against available income. These tools are useful only when users can access and interpret the records, understand charges and maintain privacy. Cash-based transactions and shared devices may limit the completeness or confidentiality of household records.

2 Savings and emergency preparedness

Financially capable users may be better positioned to compare savings products, set realistic goals and build an emergency reserve. Digital access may make transfers and account monitoring easier, but savings also depend on the household's disposable income, stability of earnings, access to suitable products and trust in service providers.

3 Access to credit and debt management

Digital channels can make credit applications and repayment information more accessible. However, convenience can also increase the risk of borrowing without understanding interest, fees, penalties or data permissions. Digital financial literacy should help households compare the total cost of borrowing, check the legitimacy of lenders and avoid borrowing to repay unsuitable debt.

4 Payments, remittances and public transfers

Digital payments can reduce travel time and facilitate receipt of wages, pensions, subsidies and remittances. Users need to verify the recipient, protect authentication credentials and know how to respond to delayed or failed transactions. Accessible banking agents and complaint support remain important for households with limited connectivity or digital confidence.

5 Insurance and financial resilience

Understanding policy coverage, exclusions, premiums, renewal dates and claims procedures can help households assess whether insurance meets their needs. Digital enrolment alone is not enough: consumers must understand the product and be able to seek help when claims or transactions are disputed.

Risks and Barriers in Rural Areas

- **Connectivity and device access:** Weak network coverage, electricity constraints, limited access to smartphones or costly data can restrict consistent use.

- **Digital confidence and literacy:** Users may struggle with application interfaces, written instructions, unfamiliar terminology or multi-step authentication.
- **Fraud and social engineering:** Fake customer-care numbers, impersonation, phishing, malicious links and requests for OTPs or PINs can lead to financial loss.
- **Language and accessibility:** Services may not be sufficiently available in local languages or accessible to older adults and people with disabilities.
- **Gender and household control:** A household may have a phone or account without every member having independent access, privacy or decision-making authority.
- **Grievance redressal:** Uncertainty about where to report a failed transaction or fraud can discourage use and delay recovery.

Recommendations

1. Deliver practical, local-language training through self-help groups, cooperatives, panchayats, schools, Common Service Centres, banking correspondents and local financial literacy centres.
2. Teach users to verify recipients, check transaction status, protect PINs and OTPs, avoid suspicious links, and report fraud through official channels.
3. Combine digital payment demonstrations with budgeting, savings, interest calculation, credit comparison, insurance literacy and responsible borrowing.
4. Design programmes for women, older adults, people with disabilities, low-literacy users and households with limited connectivity; measure whether they can use services independently and safely.
5. Improve the availability of accessible grievance support and clearly explain complaint processes, transaction timelines and consumer rights.
6. Encourage banks and service providers to use clear fee disclosures, local-language interfaces, privacy safeguards and transparent explanations of digital credit terms.
7. Evaluate training programmes with baseline and follow-up assessments of practical skills, fraud awareness, savings behaviour, debt stress and user confidence rather than relying only on attendance counts.

Findings and Discussion

1. NAFIS reports that the share of respondents meeting its financial-literacy score threshold and the share showing sound financial behaviour both increased between 2016–17 and 2021–22.
2. Average monthly income and annual financial savings also increased in nominal terms over the same period, but the figures alone cannot establish that financial literacy or digital services caused these changes.
3. Institutional borrowing among agricultural households became more common, while exclusive reliance on non-institutional borrowing declined in the reported comparison; the suitability and affordability of loans still require attention.
4. Digital financial literacy may improve a household's ability to use services safely, compare products and respond to financial shocks, but the benefits depend on access, trust, consumer protection and the household's economic circumstances.
5. Financial literacy programmes should address fraud prevention and complaint resolution as well as access and convenience, because unsafe digital use can undermine financial well-being.

Limitations of the Study

This paper relies on published secondary data. The NAFIS comparison covers 2016–17 and 2021–22 and does not, by itself, isolate the effect of digital financial literacy from other changes in the economy or in public policy. The reported financial literacy indicators are not identical to a direct measure of digital financial skills. The paper contains no new household survey, district-level dataset or econometric estimation, and therefore makes no claim of a measured causal impact on household income or welfare. Future research should collect household-level information on digital skills, service usage, fraud experiences, income, consumption, savings, debt costs and resilience to shocks.

Conclusion

Digital financial literacy is an important capability for rural households navigating increasingly digital financial services. It can help people make informed choices, manage budgets, understand borrowing costs, protect their credentials and use financial products more safely. NAFIS data show improvement in several financial literacy, behaviour and household financial indicators between 2016–17 and 2021–22, while also showing that debt remains an important feature of rural household finances. These trends provide encouraging context, but they do not prove that digital financial literacy alone caused better economic outcomes. Policy should therefore combine practical education with reliable connectivity, local-language and accessible services, transparent product information, strong consumer protection and effective grievance redressal. The long-term objective should not simply be greater digital transaction volume; it should be safer use of appropriate financial services and stronger household capacity to manage routine needs and unexpected shocks.

Acknowledgement

The author expresses sincere gratitude to all those who have provided valuable guidance, encouragement, and support in completing this research paper entitled "Digital Financial Literacy and Household Economic Well-Being in Rural India." The author acknowledges the contributions of researchers, financial experts, and policymakers whose studies and insights have helped in understanding the role of digital financial literacy in improving financial inclusion, household income management, and economic well-being in rural India. The author is also thankful to colleagues, family members, and well-wishers for their constant encouragement and support throughout this academic endeavor.

Financial support and sponsorship

Nil.

Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of thesis paper.

References

1. National Bank for Agriculture and Rural Development (NABARD). (2024). All India Rural Financial Inclusion Survey (NAFIS) 2021–22: Key findings and comparison with NAFIS 2016–17. https://www.nabard.org/PressReleases-article.aspx?EID=91&Key=nafis&cid=554&id=25
2. National Bank for Agriculture and Rural Development (NABARD). (2024). NAFIS 2021–22 survey report. https://www.nabard.org/auth/writereaddata/tender/pub_0910240156351156.pdf
3. Reserve Bank of India. (2021). National Strategy for Financial Education 2020–2025. https://www.rbi.org.in/
4. Reserve Bank of India. (2025). Annual Report 2024–25, Chapter IV: Credit Delivery and Financial Inclusion. https://www.rbi.org.in/scripts/AnnualReportPublications.aspx?Id=1434
5. Press Information Bureau, Government of India. (2025, August 5). NABARD and RBI promote rural financial literacy through various initiatives; 2,421 Centres for Financial Literacy set up nationwide. https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2152632&lang=2&reg=48