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A Study on Financial Literacy and Digital Financial Empowerment: An Assessment of Urban and Semi-Urban Populations in Nanded City

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Abstract

This study examines the current state of financial literacy and the extent of digital financial empowerment in Nanded City, Maharashtra. In an era of rapid digitalization, understanding financial concepts is no longer sufficient; individuals must possess the digital skills to navigate electronic banking, UPI, and mobile wallets. Using secondary data from the National Sample Survey Office (NSSO), Reserve Bank of India (RBI) reports, and the Maharashtra State Rural Livelihoods Mission (MSRLM), this research analyzes the correlation between digital literacy and financial independence. Key findings suggest that while smartphone penetration in Nanded is high, there is a significant "usage gap" due to security concerns and lack of formal digital education. The study concludes with suggestions for localized financial awareness camps and improved vernacular digital interfaces.

Keywords: *Financial Literacy, Digital Empowerment, Nanded City, Fintech Adoption, UPI, Financial Inclusion.*

Introduction

Financial literacy is defined as the combination of awareness, knowledge, skill, and attitude necessary to make sound financial decisions. With the advent of India's "Digital India" initiative, this concept has evolved into Digital Financial Literacy.

Nanded, a prominent city in the Marathwada region, serves as a vital commercial and educational hub. However, its demographic profile—consisting of a mix of tech-savvy students, traditional traders, and rural-urban migrants—presents a unique challenge for financial inclusion. Digital empowerment in Nanded is not just about having a bank account; it is about the ability to use digital tools (like BHIM-UPI, Mobile Banking, and Insurance Portals) to ensure long-term economic resilience.

Literature Review

Recent studies (Mundhe, 2021; Mane, 2024) highlight that financial literacy in Maharashtra is unevenly distributed between metropolitan hubs like Pune/Mumbai and regional centers like Nanded.

The Gender Gap: Research indicates that women in regional Maharashtra are increasingly using digital wallets for household savings, yet they remain dependent on male family members for complex transactions (Deshpande & Sharma, 2023).

Fintech Adoption: According to the Journal of Emerging Technologies and Innovative Research (JETIR, 2025), Nanded district has seen a 40% rise in digital payment adoption post-2020, yet "Investment Literacy" (mutual funds, stocks) remains significantly lower than "Transaction Literacy" (paying bills).

The academic discourse surrounding financial literacy has shifted from a "knowledge-centric" approach to a "behavior-centric" one. In the context of Nanded City, the literature can be categorized into four primary themes:

A. The Evolution of the "Triple-A" Framework

Recent research by Gupta and Singh (2024) suggests that financial empowerment in Tier-II cities like Nanded relies on three pillars: Access, Awareness, and Ability. While the Government of India's Pradhan Mantri Jan Dhan Yojana (PMJDY) solved the "Access" issue, the "Ability" to use complex digital products remains a challenge. In regional Maharashtra, the linguistic barrier often prevents the "Awareness" from converting into "Ability."

B. The Psychological Barrier: "Cyber-Phobia"

Literature specifically targeting the Marathwada region (Kulkarni, 2023) highlights that "Digital Anxiety" or "Cyber-Phobia" is a significant deterrent. Even among the educated population in areas like Vishnupuri and Bhagya Nagar, the fear of phishing and unauthorized transactions leads to" Conservative Digitalism"—where users only check

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balances but avoid making high-value transfers.

C. The Impact of COVID-19 as a Catalyst

Scholars have noted that 2020-2022 served as a "forced adoption" period. In Nanded, traditional retail hubs like Itwara Bazaar transitioned to UPI not out of literacy, but out of necessity. However, literature suggests that this "survival-based adoption" lacks the depth of "informed adoption," meaning users are still unaware of grievance redressal mechanisms like the Banking Ombudsman.

D. Socio-Economic Determinants

Studies emphasize that income is no longer the sole predictor of digital literacy. Age has emerged as a stronger variable. The "Digital Divide" in Nanded is generational; the student population at SRTM University acts as "Digital Proxies" for their parents, performing transactions on their behalf, which technically increases "usage statistics" but doesn't reflect individual empowerment of the account holder.

Objectives of the Study

1. To evaluate the level of awareness and usage of digital financial services (UPI, E-wallets, Mobile Banking) among the residents of Nanded City.
2. To identify the socio-economic barriers (age, education, income) that hinder digital financial empowerment in the local population.

Data collection

This section provides a rigorous Secondary Data Analysis for Nanded City, utilizing data from the Lead Bank Office (Nanded), RBI Financial Inclusion Index (2025), and the Maharashtra State Rural Livelihoods Mission (Umed).This research utilizes secondary data collected from:

- District Statistical Abstract of Nanded (2024-25).
- RBI Annual Reports on Digital Payments.
- Lead Bank Office (Nanded) reports regarding the Pradhan Mantri Jan Dhan Yojana (PMJDY) and MUDRA loan disbursements.
- Umed (MSRLM) data on Self-Help Group (SHG) digitalization in the Nanded district.

Data Analysis

The data analysis for this study is categorized into four critical dimensions: Financial Access, Digital Usage Velocity, Gender-Specific Empowerment, and the Literacy-Usage Paradox.

A. Analysis of Financial Access (Saturation Levels)

- According to the Ministry of Finance (Year Ender 2025) and Nanded district Lead Bank reports, the region has achieved "Inclusion Saturation" in terms of account ownership.
- PMJDY Performance: As of December 2025, Nanded district recorded approximately 18.4 Lakh PMJDY accounts.
- Banking Density: The city has seen a 12% increase in the installation of Micro-ATMs and Biometric Points in semi-urban patches like Loha and Ardhapur to bridge the last-mile gap.
- Interpretation: While "Access" is nearly universal (96%+), this data alone does not indicate "Empowerment." It simply confirms that the physical and digital infrastructure for receiving money is in place.

B. Digital Transaction Velocity in Nanded City

- A comparative analysis of the RBI Digital Payments Index (DPI)—which stood at 67.0 in March 2025—and local NPCI data for Nanded reveals:
- UPI Dominance: In Nanded City, UPI transactions account for 83% of all retail digital payments as of early 2026.
- Volume Growth: There was a 41% CAGR in digital transaction volume from 2018 to 2025.
- Market-Specific Trends: In major commercial hubs like Itwara Bazaar and Station Road, P2M (Person-to-Merchant) transactions surged, but the average ticket size remains small (₹200 - ₹1,500), indicating that digital tools are used for convenience rather than high-value financial management.

C. Empowerment through Self-Help Groups (SHG Data)

- Data from the Maharashtra State Rural Livelihoods Mission (MSRLM) 2024-25 highlights the "Gendered Empowerment" in the Nanded region:
- The "Umed" Impact: Over ₹13,883 Lakhs in Start-up Funds were distributed to 23,048 Village Organizations (VOs) in the district.
- The BC Sakhi Model: Nanded has successfully deployed over 230 "Business Correspondent Sakhis".
- Finding: Data indicates that women-led households in Nanded are 2.5 times more likely to use digital insurance (PMSBY/PMJJBY) than non-SHG households. This proves that mediated digital literacy (learning through a peer/Sakhi) is more effective than direct advertising.

D. The Literacy-Usage Paradox (NSSO 77th Round & 2025 Updates)

- By cross-referencing Nanded’s literacy rate (76.94% as per Census/DES reports) with digital usage data, we observe a paradox:
- The Usage Gap: While 78% of the urban population uses UPI for payments, only 19% use digital platforms for "Advanced Financial Products" like Mutual Funds (SIPs) or Digital Gold.
- Safety Concerns: Secondary data from Nanded Cyber Cell (2025) shows a 22% rise in reported digital scams. This has led to a "Usage Ceiling" where people limit their digital exposure out of fear, regardless of their education level.

Findings

- High Awareness, Low Trust: Residents are aware of digital tools but fear "cyber-fraud," which limits their transition from cash to a fully digital portfolio.
- Educational Correlation: There is a direct positive correlation between the level of education and the use of sophisticated financial products (Insurance and SIPs) in Nanded's urban pockets like CIDCO and Vishnupuri.

- Infrastructure: Internet connectivity in Nanded city is stable, but the lack of "vernacular" (Marathi) financial apps remains a barrier for the older trading community.

Suggestions

- Localized Literacy Camps: Banks and NGOs should conduct "Cyber-Safety" workshops in local languages at Nanded's weekly markets and community centers.
- Incentivizing Digital Usage: Local municipal bodies could offer small discounts on property taxes or water bills for payments made via digital channels to encourage habit-building.
- Support for Small Traders: Training programs for shopkeepers in Itwara and Taroda Naka to integrate digital bookkeeping tools.

Limitations

- The study relies on Secondary Data, which may not capture the most recent shifts in consumer behavior from the last 6 months.
- The findings are specific to Nanded City and may not be applicable to the extreme rural fringes of the district.

Conclusion

Digital financial empowerment in Nanded is at a "tipping point." While the infrastructure and basic awareness are present, the leap to "Digital Empowerment"—where citizens use technology for wealth creation and risk management—requires targeted intervention. Moving forward, the focus must shift from "access to accounts" to "quality of usage" and "consumer protection."

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Conflicts of interest

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

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