Financial Literacy and Its Impact on Digital Payment Adoption: A Chhattisgarh Perspective

Dr. Manoj Minj

Department of commerce
V.R.D.G.G. College
Takhatpur, Bilaspur C.G. India.

Abstract:
The digital revolution in India has witnessed remarkable growth in mobile wallets, Unified Payments Interface (UPI), and payments banks. Despite this progress, gaps remain in the uniform adoption of digital payments across different socio-economic groups. This research investigates the role of financial literacy in influencing the adoption of digital payments. A mixed-methods approach involving surveys and interviews was applied across urban (Raipur, Bilaspur), semi-urban (Takhatpur), and rural villages near Bilaspur and Takhatpur. Findings suggest that higher levels of financial literacy positively correlate with awareness, trust, and sustained usage of digital payment systems. The study highlights demographic moderators such as education, age, and income, and concludes with policy recommendations to integrate financial literacy into the national digital agenda.

Keywords: Financial literacy, Digital payments, UPI, Payments banks, Financial inclusion, Chhattisgarh.

1. INTRODUCTION
The Indian financial ecosystem has undergone a paradigm shift with the emergence of fintech innovations. The introduction of UPI in 2016, the expansion of mobile wallets, and the growth of payments banks have redefined financial transactions. However, despite these advancements, India continues to face challenges in ensuring equal access and adoption. According to the Reserve Bank of India (2022), over 70% of India's population has access to digital payment infrastructure, but only about 35–40% actively engage with it. The underlying gap often stems from financial literacy deficits, resulting in mistrust, fear of fraud, or lack of awareness. This study focuses on how financial literacy impacts digital payment adoption in Raipur, Bilaspur, Takhatpur, and nearby villages, and how demographic variables moderate this relationship.

Research Objectives:
1. To analyse the relationship between financial literacy and digital payment adoption.
2. To examine demographic moderators such as age, gender, education, income, and location.
3. To identify key barriers to adoption linked to literacy gaps.
4. To suggest region-specific strategies for policymakers, fintech providers, and financial institutions

2. LITERATURE REVIEW
2.1 Financial Literacy: Concept and Importance
Financial literacy refers to the knowledge and skills required to make informed financial decisions (Lusardi & Mitchell, 2014). It includes understanding concepts such as budgeting, interest rates, inflation, risk diversification, and digital fraud protection.
2.2 Digital Payment Adoption in India
Digital payments in India have grown at a CAGR of 50% between 2016–2022 (NPCI, 2022). UPI has become the fastest-growing payment instrument, crossing 10 billion transactions per month in 2023. However, adoption is uneven: while urban areas lead, rural regions lag behind due to literacy and infrastructure gaps.

2.3 Financial Literacy and Technology Adoption
The Technology Acceptance Model (Davis, 1989) emphasizes that perceived usefulness and ease of use influence adoption. Financial literacy enhances both by building awareness and confidence. Global studies (Demirguc-Kunt et al., 2018) confirm that literacy significantly drives digital inclusion.

2.4 Research Gap
Although studies have separately explored financial literacy and digital adoption, few focus on the **direct relationship between literacy and digital payment adoption** in regional Indian contexts such as Chhattisgarh.

3. RESEARCH METHODOLOGY
3.1 Research Design
- **Quantitative:** Structured surveys.
- **Qualitative:** Semi-structured interviews.

3.2 Sample and Data Collection
- **Sample Size:** 500 respondents.
- **Region:** Urban (Raipur, Bilaspur), Semi-urban (Takhatpur), Rural (villages near Bilaspur & Takhatpur).
- **Sampling Technique:** Stratified random sampling.

3.3 Tools and Variables
- **Financial Literacy Index:** Budgeting, compound interest, inflation, fraud awareness.
- **Digital Payment Adoption Index:** Frequency of UPI, wallet, card, and net banking use.

3.4 Data Analysis
- **Quantitative:** Correlation and regression analysis (SPSS).
- **Qualitative:** Thematic coding of interview transcripts.

4. FINDINGS & DISCUSSION
4.1 Descriptive Statistics
- **Overall adoption rate:** 67% of respondents actively used digital payments.
- **Urban (Raipur, Bilaspur):** 82% adoption, strong UPI penetration, high literacy.
- **Semi-Urban (Takhatpur):** 64% adoption, youth-driven, but elders hesitant.
- **Rural villages:** 49% adoption, hindered by low literacy and mistrust.

Most Popular Instruments:
- Urban → UPI (78%) + Net Banking (22%).
- Semi-Urban → UPI (72%), Wallets (15%), Cards (13%).
- Rural → UPI (52%), Wallets (10%), cash still dominant.

Table 1: Digital Payment Adoption by Location

Location	Adoption %	Non-Adoption %
Urban (Raipur, Bilaspur)	82	18
Semi-Urban (Takhatpur)	64	36
Rural (Villages near Bilaspur & Takhatpur)	49	51

Source: Field Survey, 2024

Interpretation:
- The table highlights clear **regional disparities** in adoption.
- **Urban centers (Raipur & Bilaspur)** lead with **82% adoption**, indicating high literacy levels, better infrastructure, and exposure to digital campaigns.
- **Semi-urban Takhatpur** shows moderate adoption (**64%**), reflecting a society in transition where younger groups drive adoption, while elders remain hesitant.
- **Rural villages** display the lowest adoption (**49%**), where **cash remains dominant** due to limited trust, poor internet connectivity, and lack of literacy.

Table 2: Financial Literacy Score vs Digital Payment Adoption

Location	Financial Literacy Score	Adoption %
Urban (Raipur, Bilaspur)	78	82
Semi-Urban (Takhatpur)	63	64
Rural (Villages near Bilaspur & Takhatpur)	48	49

Source: Field Survey, 2024

Interpretation:

- The data shows a **direct proportionality** between financial literacy and adoption.
- Urban respondents, with the highest literacy score (**78/100**), also recorded the highest adoption (**82%**).
- Semi-urban respondents scored **63/100** and had moderate adoption (**64%**).
- Rural respondents had the lowest literacy (**48/100**) and correspondingly the lowest adoption (**49%**).

Table 3: Correlation & Regression Results

Variable	Correlation (r)	Significance (p-value)
Financial Literacy ↔ Adoption	**0.74**	<0.01
Education ↔ Adoption	0.65	<0.05
Age ↔ Adoption	-0.4	<0.05
Income ↔ Adoption	0.52	<0.05

Interpretation:

- **Financial literacy and adoption** have a **strong positive correlation (r = 0.74, p < 0.01)**, meaning that as financial literacy increases, digital payment adoption rises significantly.
- **Education** is also a strong predictor (**r = 0.65**), showing that more educated respondents are more likely to adopt digital payments.
- **Age** has a **negative correlation (r = -0.40)**, confirming that older populations are more resistant to adoption, often due to lack of trust and difficulty in using new technology.
- **Income** shows a **moderate positive effect (r = 0.52)**, suggesting that higher-income groups adopt digital payments more, though literacy and education remain stronger drivers

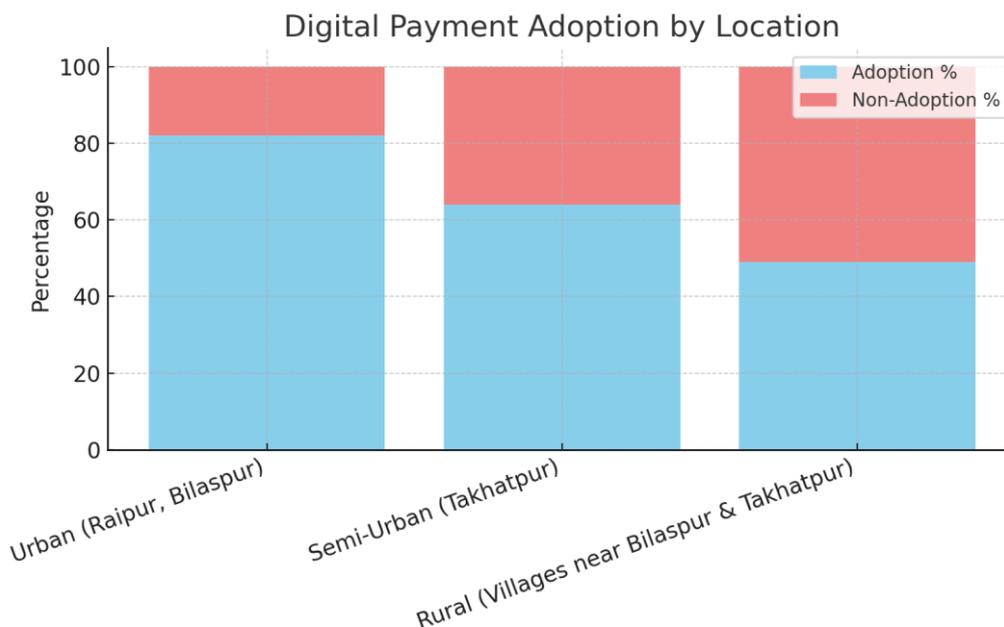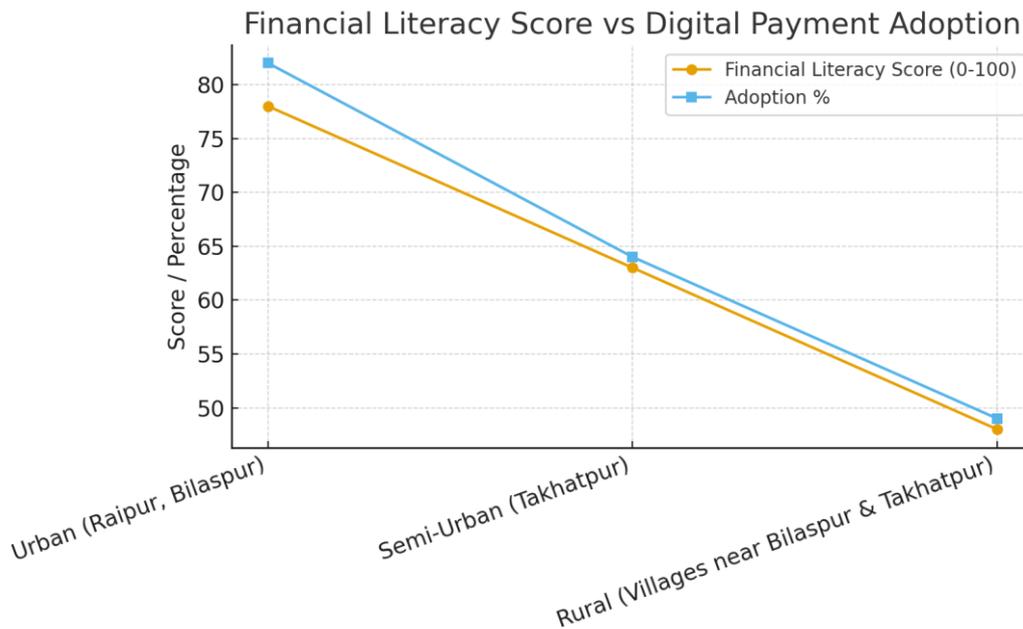**Figure 1: Digital Payment Adoption by Location**

Figure 2: Financial Literacy Score vs Digital Payment Adoption

The regional analysis shows clear differences:
- Urban Raipur & Bilaspur: Highest adoption (82%) due to better infrastructure and literacy.
- Semi-urban Takhatpur: Moderate adoption (64%), youth-driven but elders hesitant.
- Rural villages: Lowest adoption (49%), hindered by literacy gaps and fraud fears.

These results confirm that financial literacy is a strong predictor of digital payment adoption, but demographic and regional factors continue to moderate outcomes.

4.2 Qualitative Insights
- **Urban:** High adoption, but cybersecurity concerns persist.
- **Semi-Urban:** Youth drive adoption, merchants hesitant.
- **Rural:** Women and elderly face barriers due to literacy gaps; cash dominates daily trade.

4.3 Regional Discussion
- **Raipur & Bilaspur:** Leading adoption, but fraud awareness campaigns needed.
- **Takhatpur:** Transitional economy; peer influence strong, literacy uneven.
- **Rural Villages:** Lowest adoption; digital divide most visible here, requiring grassroots interventions.

5. CONCLUSION

This study clearly demonstrates a strong and consistent relationship between financial literacy and digital payment adoption in Chhattisgarh. The evidence from Raipur, Bilaspur, Takhatpur, and nearby rural villages shows that while technology has become available to a large section of the population, its effective utilization depends heavily on the knowledge, skills, and confidence that financial literacy provides.

In urban centres such as Raipur and Bilaspur, the relatively high level of financial awareness, combined with access to smartphones and better internet infrastructure, has created an ecosystem where UPI and other digital payment modes are widely accepted. Yet, the persistence of fear related to cyber fraud, data breaches, and online scams highlights that literacy must go beyond basic financial concepts and incorporate digital security education as a core element.

In semi-urban regions like Takhatpur, adoption patterns reveal a transitional stage. Younger generations and students are emerging as early adopters and influencers of digital payments, largely driven by peer networks and social acceptance. On the other hand, older populations remain hesitant, reflecting the dual nature of literacy gaps—technical as well as psychological. The role of local merchants becomes critical here, as their adoption can create a multiplier effect by normalizing digital payments in everyday transactions.

In rural villages surrounding Bilaspur and Takhatpur, adoption is the lowest. Here, issues such as lack of trust in digital systems, fear of fraud, poor internet connectivity, and limited training opportunities are deeply rooted. Women, in particular, face barriers due to both social restrictions and lack of targeted literacy

initiatives, which limits their participation in the digital financial ecosystem. For rural communities, literacy interventions must therefore be practical, community-led, and embedded into existing social structures such as self-help groups (SHGs), farmer cooperatives, and panchayats.

The findings from this research reinforce the idea that financial literacy is not merely an economic tool but a social equalizer. It reduces dependency on cash, minimizes vulnerability to exploitation, and empowers individuals to participate in the broader digital economy. At the same time, the regional disparities highlight that a "one-size-fits-all" approach to financial literacy is insufficient. What works in Raipur or Bilaspur may not be directly effective in rural Takhatpur, and therefore region-specific strategies must be developed.

From a policy perspective, the study recommends the integration of digital financial literacy modules into school and college curricula, government awareness campaigns tailored to local dialects, and partnerships between fintech firms, state governments, and local institutions. Industry stakeholders must design simplified, user-friendly apps with multilingual support, while banks must adopt grassroots outreach models that focus on awareness, fraud prevention, and grievance redressal.

In conclusion, the journey toward a truly cashless and financially inclusive Chhattisgarh requires not just technological advancement but also a sustained investment in financial literacy at all levels of society. By empowering citizens with knowledge and confidence, financial literacy can bridge the rural-urban divide, promote gender inclusivity, and accelerate the pace of digital transformation. Future research should explore longitudinal impacts of literacy interventions, study post-pandemic behavioural changes, and examine emerging technologies like CBDCs and digital lending platforms to understand how they intersect with financial literacy. Only by combining education, technology, and trust-building can India's digital payment revolution reach its full potential in both urban centres and the remotest villages of Chhattisgarh.

REFERENCES:

1. Davis, F. D. (1989). Perceived usefulness, perceived ease of use, and user acceptance of information technology. *MIS Quarterly*, 13(3), 319–340.
2. Demirguc-Kunt, A., Klapper, L., Singer, D., & Ansar, S. (2018). *The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution.* World Bank.
3. Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44.
4. NPCI. (2022). Annual report on digital payments in India. National Payments Corporation of India.
5. Reserve Bank of India. (2022). Financial literacy and inclusion survey report.