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## Status of Digital Financial Literacy in Lakshadweep Islands: Bottlenecks and Way Forward

Today the Reserve Bank of India placed on its website a research study titled "[Status of Digital Financial Literacy in Lakshadweep Islands: Bottlenecks and Way Forward](#)" under the Project Research Study<sup>1</sup>. The study is based on the primary data collected from all the ten inhabited islands in Lakshadweep - Agatti, Amini, Andrott, Bitra, Chetlat, Kadmat, Kalpeni, Kavaratti, Kiltan and Minicoy - to analyse the present status of digital financial literacy and digital financial inclusion. While households were the primary unit of enumeration of the survey, SHG members, bank employees, school authorities, students and business-persons in the islands were also interviewed.

The major findings of the study are the following:

- All individual respondents in the surveyed islands reported access to bank deposit accounts. Not just access but the usage of deposit accounts was higher with about 90 per cent of the respondents reporting an operation of their accounts for the purposes of savings.
- Though there was no gender gap in the access to bank deposit accounts, there was a considerable difference between men and women with regard to banking habits in general, usage of deposit accounts in particular. While about 91 per cent of the men operated their accounts by themselves, the corresponding figure among women was 71 per cent.
- Not just basic literacy but also digital literacy, assessed in terms of possession as well as competency to use mobile phones and computers, was found to be high among the survey respondents.
- Automated Teller Machines (ATMs) were the most popularly used means of digital banking in the islands. About 90 per cent of the respondents in the islands had ATM cards, while 80 per cent reported an actual usage of these cards. Internet banking was not widely prevalent in the islands and only about 38 per cent of the respondents used mobile banking.

<sup>1</sup> This study was undertaken by the Centre for Rural Management, Kerala as part of the Programme Funding Scheme of the Reserve Bank of India. The Reserve Bank introduced the Programme Funding Scheme for external research institutions/ scholars to facilitate research projects of long-term nature which are of specific interest to the Bank. On completion of these projects, these Reports/ Studies are released on the Reserve Bank's website for wider circulation with a view to generating constructive discussion among the professional economists and policy makers. The views expressed in all the research publications of the Reserve Bank, including the Research Project Studies/ Reports, do not necessarily reflect the views of the Reserve Bank. The copyright for these Research Project Reports/ Studies rests with the Reserve Bank of India.

- Despite a high degree of financial inclusion and digital literacy, a major barrier towards digital financial inclusion in the islands was the poor Internet connectivity; respondents reported apprehensions about digital transaction failures, which often discouraged them from using Internet and mobile banking.
- Only about 30 per cent of the survey respondents were familiar with digital hygiene habits assessed in terms of usage of public Internet connections, which can be risky; closing of digital payment apps after transactions; and usage of secure passwords.

In sum, despite being secluded geographically and with limited economic activity primarily surrounding fisheries and tourism, the financial sector in the Lakshadweep islands is well-entrenched primarily on account of banks. Banks have played an important role in the financial inclusion of the islands. Going forward, strengthening of Internet and mobile network connectivity can be a key to expanding digital financial inclusion in the islands.

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