

The Impact of Financial Literacy on Women's Economic Empowerment in India

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Abstract

The relationship between financial literacy and women's economic empowerment has gained significant attention, particularly in developing countries. Financial literacy empowers women by enhancing their decision-making abilities, enabling them to manage their personal and business finances more effectively. Research studies highlight that economic empowerment, a key component of overall women's empowerment, plays a pivotal role in improving their financial well-being and decision-making power. Access to financial education equips women with the knowledge to understand financial concepts, including savings, investment, and budgeting, which directly impacts their economic stability. This empowerment also helps reduce gender inequalities in financial access and inclusion, thereby allowing women to participate more actively in economic activities. Several factors contribute to financial literacy, such as educational opportunities, social norms, and government policies. Fostering financial awareness among women, particularly in rural areas, communities witness not only personal but broader socioeconomic growth, contributing to sustainable development. Various programs are leads to financial literacy of women empowerment and economic development.

Purpose: *This research explores how financial education enhances women's decision-making abilities, various benefits and contributes to their economic stability and financial well-being towards women's economic empowerment particularly in developing countries.*

Originality/Value: *The study provides new insights into the relationship between financial literacy and economic empowerment among women, practical recommendations for policy interventions aimed at improving women's access to financial education. Emphasizing its role in reducing gender disparities in financial inclusion. Created a conceptual model to achieve financial literacy, women empowerment and economic development. Analysed the data and interpreted.*

Paper Type: *Research article - Conceptual study*

Findings: *The study finds that financial literacy significantly contributes to women's economic empowerment by increasing their financial autonomy and decision-making power. Women with higher financial literacy and community-based financial education programs demonstrate better management of savings, investments, and financial planning.*

Key words: *Financial literacy, women empowerment, economic development*

1. INTRODUCTION:

Financial literacy is a critical determinant of economic empowerment, particularly for women in India, where traditional gender roles and socio-economic barriers often impede

their financial independence. As of 2024, India has made strides toward enhancing women's financial literacy; however, significant gaps remain. A report by the World Bank (2023) indicates that only 27% of Indian women

possess basic financial literacy, contrasting sharply with 47% of men. This disparity is concerning, as financial literacy directly influences women’s ability to engage in economic activities, manage resources, and make informed financial decisions.

The importance of financial literacy extends beyond individual empowerment; it has profound implications for household and community welfare. Women, when financially literate, are more likely to participate in the workforce, improve their savings rates, and invest in their families' health and education. Studies show that women who manage finances effectively can increase household savings by as much as 20% (NSSO, 2024). Additionally, financially empowered women contribute to economic growth, as their increased participation in the economy can lead to a substantial rise in national GDP.

Numerous barriers inhibit women’s financial literacy in India. Cultural norms often restrict women's mobility and access to education, and societal expectations frequently limit their involvement in financial decision-making. Moreover, access to financial products and services remains skewed; according to the Reserve Bank of India (2023), only 21% of women have bank accounts compared to 39% of men. This lack of access not only hinders women's financial empowerment but also perpetuates cycles of poverty.

Recent initiatives, such as government-sponsored financial literacy programs and partnerships with non-governmental organizations (NGOs), aim to address these challenges. For instance, the National Financial Literacy Mission has been instrumental in increasing awareness and providing educational resources to women, particularly in rural areas. Moreover, microfinance institutions focusing on women have emerged as crucial players in promoting financial literacy and economic participation.

As of 2024, approximately 10 million women are part of Self-Help Groups (SHGs), which not only facilitate savings and credit access but also enhance financial knowledge (NABARD, 2024).

Enhancing financial literacy among women in India is essential for fostering their economic empowerment and achieving broader societal benefits. Bridging the financial literacy gap will enable women to take charge of their financial futures, contributing to a more inclusive and sustainable economy.

2. Review of Literature

Table 1: Shows various literature review

Sl. No	Focus Area	Year & Author
1	Research article emphasizes the role of technology in enhancing financial literacy among women in India. The study shows that mobile financial literacy applications can significantly impact women's financial behaviour and empowerment. It calls for more research on how technological tools can be leveraged to improve financial literacy in diverse socio-economic contexts.	Patel, P. (2021) ¹
2	This paper focuses on the relationship between financial literacy and household decision-making power among women in India. The authors find that financial literacy positively influences women's ability to participate in household financial decisions, leading to greater empowerment. They suggest further research on how cultural factors impact financial literacy and empowerment.	Rani, S. & Verma, R. (2020) ²
3	This study investigates the role of financial literacy in enhancing women's economic participation in urban India. The authors find that increased financial knowledge leads to improved saving behaviors and investment decisions among women. They emphasize the need for targeted financial education programs that address the unique challenges faced by women in urban settings.	Lal, R. & Choudhary, S. (2020) ³
4	Discuss the barriers women face in achieving financial literacy in India, including societal norms and lack of access to financial resources. They argue that overcoming these barriers is crucial for enhancing women's economic empowerment. The study highlights the importance of policy interventions aimed	Kumar, S. & Prakash, A. (2019) ⁴

	at increasing women's financial access and education.	
5	Article explores how financial literacy influences women's entrepreneurial success in India. The research indicates that women with higher financial literacy are more likely to start and sustain businesses. The paper suggests integrating financial literacy training into entrepreneurship programs to empower women effectively.	Saxena, K. (2018) ⁵

3. Research Gap

Most studies emphasize short-term outcomes of financial literacy, with little research on its long-term sustainability. Limited analysis exists on how existing policies can be optimized to enhance women's financial literacy and economic empowerment. Also, socio-cultural barriers that prevent women from accessing financial literacy programs are often overlooked. Future research should focus on rural areas and explore sustainable, culturally-sensitive educational models to improve financial literacy among women and more research is required on how digital tools and platforms can specifically cater to women's unique financial literacy needs and challenges.

4. Objectives

1. Assess the role of government initiatives in enhancing financial literacy among women in India.
2. Examine the relationship between financial literacy and economic empowerment of women across different states in India.
3. To identify barriers that prevent women from acquiring financial literacy and how these obstacles can be addressed.
4. To create a conceptual model for improving financial literacy programs aimed at economically empowering women.

5. Research Methodology

For a comprehensive understanding of the importance financial literacy among women empowerment in India, extensive academic literature, government publications, websites, and research articles have been analysed, and secondary data have been collected for the research.

6. Conceptual analysis:

6.1 Barriers preventing women from acquiring financial literacy in India

Barriers preventing women from acquiring financial literacy in India include socio-cultural constraints, limited access to resources, and systemic gender biases. Addressing these obstacles requires a multi-faceted approach to create inclusive and accessible financial education for women across diverse communities.

6.1.1 Identified Barriers

1. **Socio-Cultural Norms and Family Roles:** Traditional norms often restrict women's financial independence and reinforce reliance on male family members for financial decisions. This dependence limits their motivation and opportunities to gain financial knowledge.⁶
2. **Limited Access to Financial Resources:** Many women, particularly in rural areas, lack access to banking services, financial institutions, and digital technology, which are crucial for gaining financial literacy. This isolation limits their ability to learn about and participate in formal financial systems.⁷
3. **Educational Disparities:** Lower levels of formal education among women in certain regions lead to limited financial literacy, as financial

concepts can be difficult to grasp without a foundational education.⁸

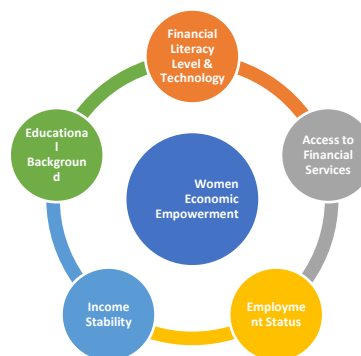
4. **Lack of Tailored Programs:** Generic financial literacy programs often do not address the unique needs and challenges faced by women, particularly those in the informal sector. This lack of specificity reduces the impact and relevance of such programs for women.⁹

6.1.2 Solutions to Overcome Barriers

1. **Community-Based Financial Education:** Leveraging self-help groups (SHGs) and local NGOs can facilitate community-led financial education that respects cultural norms while gradually encouraging financial independence. These platforms can foster peer learning and support networks, especially in rural areas.¹⁰
2. **Targeted Financial Inclusion Programs:** Financial literacy programs should be customized to address the unique needs of different groups, such as uneducated women or women in low-income households. For instance, simple language, visual aids, and practical examples can make financial concepts more accessible.¹¹
3. **Increasing Digital Access and Literacy:** Digital financial literacy programs can help bridge access gaps, especially as mobile technology spreads to rural areas. Collaborations with telecom companies can make financial literacy resources more widely available through mobile apps and SMS-based learning tools.¹²
4. **Supportive Policy Interventions:** Government initiatives should focus on removing structural barriers by improving women's access to banking and financial services, especially in

underserved regions. Policies that encourage financial institutions to provide women-specific services, such as low-interest loans and tailored savings programs, can increase women's active participation in the financial system.¹³

6.2 Conceptual Model on women's economic empowerment



Source: Author

6.2.1 Dependent Factor: Women's Economic Empowerment (Measured by income levels, financial independence, decision-making power, business ownership, and access to financial resources)

6.2.2 Independent Factors:

- **Financial Literacy Level and Technology** (Knowledge of savings, investments, loans, budgeting and digital literacy)
- **Access to Financial Services** (Access to bank accounts, loans, mobile banking, microfinance)
- **Employment Status** (Self-employed, salaried, unemployed)
- **Income Stability** (Level of regular income, saving capacity)
- **Educational Background** (Level of education achieved)

7. Data Analysis

Table 2: Financial literacy levels, Bank accounts, Micro credit and Financial decisions

Particulars	Explanation
Financial literacy	27% of Indian women are financially literate, compared to 33% of men. In rural areas, only 15% of women are financially literate.
Bank accounts	As of March 2023, 36.4% of bank accounts in India belong to women.
Microcredit loans	11% of women have ever taken a microcredit loan. Women in rural areas are more likely to use microcredit programs than women in urban areas.
Financial decisions	18% of married women with earnings make autonomous decisions on how to spend their money.

Source: Business Standards 16 Aug 2024 and Mint, Statista

Table 3: The financial literacy levels of women in different regions of India

Year	National Average (%)	North (%)	South (%)	East (%)	West (%)	Northeast (%)
2019	27	32	35	22	30	28
2020	29	34	37	23	32	29
2021	31	36	39	24	34	31
2022	34	38	42	26	36	33
2023	37	40	45	28	39	35

Source: NCFE and RBI

Interpretation:

Financial literacy among women in India has improved in the last five years, regional disparities remain. Targeted efforts in underrepresented areas, especially rural and eastern regions, could help bridge the gap and further empower women to participate in the economy more effectively.

Table 4: Financial Literacy Levels by States

Year	National Average (%)	States with High Financial Literacy (%)		States with Low Financial Literacy (%)	
		State	Value	State	Value
2018	21	Kerala	28	Bihar	13

2019	23	Maharashtra	27	UP	15
		Karnataka	29	Jharkhand	14
		Tamil Nadu	28	Chhattisgarh	16
2020	24.6	Gujarat	30	Odisha	15
		Delhi	29	Rajasthan	16
2021	26	West Bengal	31	Assam	16
		Punjab	30	MP	18
2023	28	Maharashtra	32	Bihar	17
		Telangana	30	UP	18

Source: NCFE

Interpretation:

General Trends: There has been a gradual increase in the financial literacy rate among women, moving from 21% in 2018 to around 28% in 2023. This growth can be attributed to initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY), digital payment adoption, and targeted financial literacy campaigns by the NCFE and Reserve Bank of India (RBI).

Regional Disparities: Southern states like Kerala, Karnataka, and Tamil Nadu have consistently shown higher levels of financial literacy among women. This is often linked to better education systems, higher economic development, and a greater focus on digital banking services.

Challenges in Rural Areas: States like Bihar, Jharkhand, and Odisha continue to have lower financial literacy levels. Rural women often face challenges in accessing banking services and financial education, making it harder for literacy programs to have a widespread impact. Cultural norms also play a role in limiting their involvement in financial decision-making.

Table 5 : Central and State-level financial literacy programs aimed at women’s economic empowerment in India

Program Name	Level	Description & Focus Area	Current Status / Coverage (2023)	Achievements

Pradhan Mantri Jan Dhan Yojana (PMJDY)	Central	Financial inclusion through zero-balance bank accounts with linked RuPay cards.	Active in all states; over 320 million accounts nationwide.	Mobilized ₹175,224 crore in deposits; approx. 53% accounts held by women.
Pradhan Mantri MUDRA Yojana (PMMY)	Central	Micro-credit to women entrepreneurs via Shishu, Kishore, and Tarun loans.	Active; over 78% of loans are used for business expansion or start-ups.	Facilitated credit access for over 68% female entrepreneurs.
Stand-Up India Scheme	Central	Loans for women and marginalized entrepreneurs to start new ventures.	Over 100,000 beneficiaries, 80% of them women.	Enhanced financial independence for women entrepreneurs.
Lakshpati Didi (NRLM Initiative)	Central (NRLM)	Income and skill development for women in SHGs to achieve annual incomes of ₹1 lakh.	Covering 1 crore women; Karnataka among top 10 states with ~5.47% of beneficiaries.	Over 83 lakh women in SHGs reached; 1 crore women became "Lakshpati Didis" (goal increased to 3 crore).
Swavalamban Financial Literacy Program	State-level (SIDBI supported)	Financial literacy through modules on planning, saving, and budgeting.	Implemented in MP, Bihar, UP, Karnataka with local MFIs.	Reached 50,000 women; observed improvement in household financial decision-making.
Bank Sakhi Initiative (Karnataka)	Karnataka	Community-led financial literacy; "Bank Sakhis" help rural women access banking.	Active in rural Karnataka through SHG network.	Over 10,000 rural women have received assistance in banking and financial services.
Mahila Udyami Sashaktikaran Program	Karnataka	Capacity building for women entrepreneurs via training and skill development.	Ongoing across Karnataka with rural focus.	Approximately 40% increase in female-run microenterprises.

Source: PMJDY, SIDBI, NRLM

8. FINDINGS:

Studies shows that women with a strong grasp of financial concepts are better positioned to make informed savings, investments, and budgeting choices, which bolsters their confidence and independence. 27% of Indian women are financially literate, 36.4% of bank accounts in India belong to women, 11% of women have ever taken a microcredit loan. This statistic gives the current position of financial literacy of women. The states with high and low financial literacy will give the clarity to what type of programs are required to achieve the goal of women empowerment. Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri MUDRA Yojana (PMMY), Stand-Up India Scheme, Lakshpati Didi (NRLM Initiative), Swavalamban Financial Literacy Program, Bank Sakhi Initiative (Karnataka), Mahila Udyami Sashaktikaran Program etc., are concentrating towards financial literacy and empowerment of women that leads economic development of the country.

In rural India, financial literacy programs targeted at women have led to notable improvements in income stability and asset ownership, which contributes directly to household resilience. Women equipped with basic financial knowledge tend to advocate for themselves and their families more effectively, translating to more substantial social influence. Moreover, increased awareness of formal financial services, such as savings accounts, credit, and insurance, is essential for reducing dependency on informal credit systems, which often carry higher costs and risks. These studies emphasize that financial literacy is an essential tool for women's socio-economic upliftment and aligns with national development goals aimed at reducing gender-based economic disparities.

9. Suggestions:

To optimize the impact of financial literacy on economic empowerment, a multipronged

approach is essential. First, tailored financial literacy programs for different socio-economic and cultural contexts in India are needed, especially for rural and marginalized communities. Integrating financial literacy with digital literacy could further expand access to online banking and digital financial tools. Collaboration with NGOs, microfinance institutions, and government bodies can help ensure that programs reach wider audiences and are sustained over time. Schools and community centres could be leveraged to incorporate financial literacy as part of women's continuing education. Establishing mentorship and support networks can help women apply their knowledge practically, especially in areas like business management and investment, fostering self-reliance. Such a strategy would not only empower individual women but also have a ripple effect, uplifting entire communities.

10. Conclusions:

Financial literacy is a key for women's economic empowerment in India, promoting not only individual financial security but also broader socio-economic advancement. Educating women on financial matters helps dismantle long-standing barriers to economic participation, contributing to gender equality and family welfare. The cascading effect of financial empowerment boosted entrepreneurship, informed decision-making, and reduced economic vulnerability strengthens community resilience and aligns with India's development goals. Central government and state government programs and schemes towards financial literacy and women empowerment will boost the socio-economic development of the country.

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