



## **BRIDGING THE FINANCIAL LITERACY GAP: IMPLICATIONS FOR WOMEN’S ECONOMIC EMPOWERMENT AND INCLUSIVE GROWTH IN INDIA**

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### **Abstract**

*Financial literacy is a critical driver of inclusive economic participation, especially in developing economies where disparities in access to financial resources are omnipresent (World Bank, 2014; OECD, 2020). This paper examines how financial literacy encompassing financial knowledge, attitudes, and behavioural competencies acts as a pathway from basic awareness of financial concepts to meaningful economic empowerment (Lusardi & Mitchell, 2014). Drawing on the multidimensional framework proposed by the OECD, the study explores the influence of financial literacy on savings behaviour, credit utilisation, digital financial adoption, risk management, and long-term financial planning through an exhaustive analysis of literature (OECD, 2018). With inputs from study carried out by Demirgüç-Kunt et al., (2022) on vulnerable groups, including women, rural populations, youth, and informal-sector workers, who face structural barriers to financial inclusion, the present research places special emphasis on the women. The paper analyses the relationship between financial capability and economic participation while assessing the efficacy of government initiatives, fintech innovations, and community-based training initiatives (G20, 2021). Findings of the study indicate that financial literacy enhances decision-making capacity, increases engagement with formal financial systems, and strengthens individuals’ ability to participate in economic activities, thereby promoting equitable development (Atkinson & Messy, 2012). The study concludes with a policy framework integrating financial education, digital inclusion, behavioural insights, and institutional support to advance inclusive development at scale (Sen, 1999).*



**Keywords:** *financial literacy, economic empowerment, developing economies, inclusive development, equity*

## 1. Introduction

Women’s economic participation is a cornerstone of inclusive and sustainable development, yet significant gender disparities persist in access to financial resources, decision-making power, and economic opportunities in India. Despite notable progress in financial inclusion through policy reforms, digital finance expansion, and welfare-oriented schemes, a large proportion of women particularly those in rural, informal, and marginalized settings remain excluded from meaningful participation in the formal economy. One of the most crucial factors underlying this gap is limited financial literacy. Financial literacy is much wider in scope than a basic awareness of financial products; it encompasses financial knowledge, attitudes, and behavioural skills that enable individuals to make informed and effective financial decisions across their life course.

In the Indian context, women often play a central role in household financial management, yet they frequently lack control over financial assets, access to credit, and exposure to formal financial systems. Social norms, educational disparities, mobility constraints, and institutional biases further compound these challenges, restricting women’s ability to translate financial access into economic empowerment. Financial literacy, therefore, emerges as a powerful tool that can transform access into agency by equipping women with the confidence and proficiency to engage with financial institutions, manage income and savings, undertake entrepreneurial activities, and plan for long-term economic security.

This paper examines how financial literacy serves as a pathway from basic financial awareness to economic empowerment. Drawing on existing literature and policy frameworks, the study examines the multidimensional nature of financial literacy and its influence on women’s savings behaviour, credit utilisation, digital financial adoption, risk management, and economic participation. It also analyses the role of government institutions, financial regulators, civil society organisations, academic institutions, and private-sector initiatives in promoting financial literacy among women. By highlighting institutional interventions, challenges, and



best practices, the paper seeks to highlight the importance of gender-responsive financial education in fostering inclusive growth, strengthening women’s economic agency, and advancing equitable development in India.

## **2. Financial Literacy and Women’s Development**

Financial literacy plays a transformative role in women's development by enhancing their autonomy, confidence, and economic agency (Kabeer, 2005). Without adequate financial knowledge and skills, women often remain financially dependent, limiting their ability to make informed economic decisions for self and their families (OECD, 2013). When women are financially literate, they gain the confidence, information, and ability to manage resources effectively, participate in economic activities, and contribute to national development (UN Women, 2019). This paper highlights the responsibility of women not only toward their families but also toward society and the country, and the manner in which financial literacy strengthens their capacity to fulfil these roles.

Financial literacy is a combination of financial knowledge, financial attitude, and financial skills (OECD, 2018). Improved financial literacy empowers women, enhances their decision-making abilities, and supports their participation in work both within and outside the home (Lusardi, Michaud, & Mitchell, 2017). The study analyses how financial literacy levels among women can be increased, the role of government policies, and the contribution of society in strengthening women’s economic participation (World Bank, 2020). Boosting financial literacy amongst both working and non-working women in India is of paramount importance for the nation’s inclusive development (Bhuttani *et al.*, 2022). In many regions, especially in underserved and rural areas, women require substantial support from government institutions and community organisations to overcome prevailing socio-economic challenges (RBI, 2022). Strengthening women’s financial literacy can also lead to greater social justice, improved rights, and enhanced economic independence (Sen, 1999).

## **3. Concept of Financial Literacy**



The concept of financial literacy refers to an individual’s ability to understand and use various financial skills, including budgeting, saving, investing, managing debt, and planning for the future (Huston, 2010). For women, financial literacy includes understanding basic concepts of investment and savings, managing household and personal financial resources, evaluating and utilising credit options, planning for long-term financial goals, and building financial security for their families (OECD, 2013).

Financial literacy enables women to make informed decisions related to buying a home, managing household budgets, planning for children’s education, purchasing essential goods, or improving their standard of living (Lusardi & Mitchell, 2014). Financially literate women contribute to a more stable home environment and engage more effectively in the broader economy (World Bank, 2014).

#### **4. Financial Literacy and Economic Participation**

Financial literacy is essential for the growth of a country, its families, and its communities (Atkinson & Messy, 2012). In fast developing countries like India, women’s financial literacy plays a key role in enhancing household welfare and driving economic development (RBI, 2022). When women understand investment, risk management, insurance, and financial planning, they can take informed decisions that strengthen the family’s financial foundation (OECD, 2020).

Financial literacy enhances income-generation capacity, ability to invest in children’s education, entrepreneurial participation, and engagement with formal financial institutions (Demirgüç-Kunt *et al.*, 2022). Without financial preparedness, neither women nor families can grow sustainably. Studies show that financial education increases economic opportunities, supports asset creation, and helps women achieve long-term financial stability (Lusardi *et al.*, 2017).

#### **5. From Awareness to Empowerment**



Financial awareness is the first step toward women's empowerment (Kabeer, 2005). Awareness enables women to understand their financial rights, available financial products, and opportunities for savings and investments (UN Women, 2019). Community groups, self-help groups (SHGs), microfinance initiatives, and local savings collectives play a vital role in fostering financial awareness and inclusion (NABARD, 2021). Even small savings can encourage women to start micro-enterprises or home-based businesses, leading to greater autonomy and self-reliance (World Bank, 2020).

## **6. Barriers to Financial Literacy and Inclusion**

In India, several barriers hinder women’s financial literacy and financial inclusion, including restricted access to structured financial education, mobility constraints, low formal education levels, male-dominated financial institutions, household responsibilities, limited entrepreneurial exposure, lack of institutional support, and persistent gender biases (OECD, 2013; RBI, 2022; World Bank, 2020). Barriers that hinder women’s financial literacy and financial inclusion are discussed in the following paragraphs:

1. **Lack of Structured Financial Education Programs:** Financial education initiatives are limited and not systematically integrated into community or educational systems. Many programs are underfunded and fail to reach women effectively.
2. **Limited Mobility and Safety Concerns:** Women often face restrictions on mobility due to social norms, safety concerns, and inadequate transportation facilities, preventing them from accessing training centres or financial institutions.
3. **Low Levels of Formal Education:** Lack of basic literacy reduces women’s interest and ability to understand financial concepts, limiting their participation in financial literacy programs.
4. **Male-Dominated Financial Sector:** Financial decision-making spaces are often dominated by men, creating psychological and institutional barriers for women who may feel intimidated or excluded.



5. Household and Care Responsibilities: Women shoulder significant household responsibilities. This gives them limited time and flexibility to attend training programs or engage in entrepreneurial activities.
6. Limited Exposure to Entrepreneurship: Women often lack awareness of entrepreneurial ecosystems and available support systems. Their low risk-bearing capacity further limits business participation.
7. Lack of Social and Institutional Support: Women frequently face insufficient support from family, community, and institutions. This lack of support affects their ability to start businesses, access credit, or participate in formal economic systems.
8. Gender Biases: These barriers reinforce economic exclusion and highlight the need for gender-responsive financial education policies and inclusive institutional frameworks (G20, 2021).

## **7. The role of institutions in promoting financial literacy**

Public institutions and government bodies play a foundational role in advancing financial literacy and inclusion in India. The Reserve Bank of India (RBI), as the central monetary authority, spearheads nationwide financial awareness initiatives through thematic campaigns such as Financial Literacy Week, often focusing on women’s financial prosperity and inclusion. In collaboration with banks, educational institutions, and civil society organisations, the RBI promotes financial education related to digital finance, banking services, credit management, pensions, and consumer protection. These efforts are aligned with the objectives of the National Strategy for Financial Education (NSFE), which seeks to integrate financial literacy into broader financial inclusion and holistic development goals. Complementing RBI’s efforts, rural agencies and national banks particularly through NABARD’s Self-Help Group–Bank Linkage Programme have successfully connected millions of women-led self-help groups to formal banking systems, fostering savings behaviour, credit discipline, and financial awareness. Government-supported initiatives such as Rashtriya Mahila Kosh (RMK) further contribute by providing microcredit and financial services to underprivileged women, enabling economic self-reliance.



Monetary organisations and supervisory authorities also play a crucial role in strengthening financial capability. The Investor Education and Protection Fund Authority (IEPFA) conduct targeted financial literacy workshops, with special emphasis on women’s participation in the digital financial ecosystem. These programs address critical areas such as cybersecurity, safe online transactions, and investor awareness. In addition, banks across the country operate Financial Literacy Centres (FLCs) that deliver localized training, personalised financial counselling, and community-based workshops, thereby translating national policies into effective grassroots interventions.

Civil society organisations and non-governmental organisations act as vital intermediaries between institutions and communities. Self-help groups (SHGs) serve a dual purpose by providing women access to savings and credit while also functioning as peer-learning platforms that build financial confidence and collective empowerment. NGOs such as the Self-Employed Women’s Association (SEWA) play an instrumental role in training women in financial management, savings practices, and cooperative financing models. Community foundations and inclusion-focused NGOs further enhance financial literacy by promoting behavioural change, awareness of financial rights, and participation in formal financial systems through grassroots engagement.

Academic institutions and private-sector partnerships contribute significantly to the sustainability and innovation of financial literacy initiatives. Universities and management institutes, including the Indian Institutes of Management (IIMs), collaborate with financial regulators and industry associations to deliver certified financial literacy programs and develop financial education ambassadors. These partnerships strengthen research-based interventions and capacity building. Simultaneously, private-sector initiatives, such as fintech platforms like Mahila Money, combine microcredit provision with financial education tools tailored for women entrepreneurs, thereby enhancing access to finance while building financial capability. Together, these institutional efforts create an enabling ecosystem that supports women’s transition from financial awareness to economic empowerment.

## **8. Enhancing Financial Literacy: Strategies and Best Practices**



Enhancing financial literacy requires a comprehensive and inclusive approach that combines education, access, and behavioural change. One effective strategy is integrating financial education in the curricula of schools and higher education institutions so that individuals develop essential financial skills such as preparing a budget, saving, and responsible borrowing from an early age. Community-based initiatives, delivered through self-help groups, NGOs, cooperatives, and local institutions, are equally important as they reach marginalized populations and use local languages and culturally relevant methods. Digital tools and technology-driven platforms further strengthen financial literacy by providing scalable, cost-effective learning opportunities combined with guidance on digital safety and fraud prevention. Workplace and adult financial education programs help individuals manage income, savings, credit, and retirement planning at key life stages. Best practices emphasize learner-centric and practical content, gender-sensitive program design, and the involvement of financial institutions to build trust and promote responsible use of financial services. Continuous engagement, partnerships among stakeholders, and regular monitoring and evaluation ensure that financial literacy initiatives lead not only to increased awareness but also to sustained behavioural change and long-term financial empowerment.

## **Conclusion**

Financial literacy has been recognised as a critical catalyst in transforming women’s economic roles from passive participants to empowered decision-makers within households, markets, and institutions. This paper demonstrates that financial literacy encompassing knowledge, attitudes, and behavioural competencies acts as a bridge between basic financial awareness and meaningful economic empowerment. By enabling informed decision-making, improving access to formal financial systems, and strengthening capabilities related to savings, credit utilisation, risk management, and long-term planning, financial literacy enhances women’s capacity for inclusive economic participation. The review highlights that women, particularly those belonging to vulnerable and underserved groups, face persistent structural, social, and institutional barriers that restrict their financial inclusion. However, targeted interventions led by government agencies, financial regulators, civil society organisations, academic institutions,



and private-sector innovations have shown significant potential in overcoming these constraints.

The findings highlight the importance of coordinated institutional efforts, including gender-responsive policies, community-based financial education, digital inclusion initiatives, and behavioural insights, such that financial literacy translates into sustained economic empowerment. Programs such as self-help groups, financial literacy centres, fintech platforms, and government-supported schemes play a pivotal role in moving women from awareness to active participation in economic activities. Strengthening financial literacy among women not only improves household welfare and financial resilience but also contributes to broader goals of equitable growth, social justice, and sustainable development. The study concludes that embedding financial literacy within inclusive development strategies is essential for advancing women’s economic agency and achieving long-term, inclusive economic progress in India.

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