

Financial Literacy as a Catalyst for Women's Empowerment: A Thematic Review Study

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ABSTRACT

Women form the backbone of every family and play a pivotal role in society and national development. Their socio-economic progress is therefore fundamental to the overall economic growth of any community or country. In the current Indian context, financial literacy policies are increasingly recognized as essential tools for enhancing the use of banking products and services. Financial literacy refers to the ability to understand financial market products and services, as well as the associated risks and rewards, in order to make informed decisions. Research indicates that women generally exhibit lower confidence in their financial knowledge and skills compared to men, largely due to limited financial education. Hence, strengthening financial literacy among women is crucial for empowering them to make sound financial decisions. Improved financial awareness not only enhances women's economic independence but also reinforces their central role in society, contributing significantly to national development. This paper provides an overview of financial literacy and explores how empowering women through financial education can generate substantial benefits for both individual development and the broader socio-economic landscape.

Keywords: Financial literacy, Financial decisions, Economic progress, Women empowerment

An Overview:

Currently, one of the major challenges facing our country is women's empowerment, which can be significantly strengthened through financial independence, with financial education serving as a key instrument. Financial literacy, in simple terms, refers to understanding how money functions. It encompasses the skills and knowledge that enable individuals to make sound, informed, and effective financial decisions, especially when resources are limited.

A substantial gender gap in financial literacy persists in almost every country, making it even more critical to promote financial awareness among women. Enhanced financial literacy plays an essential role in improving women's financial circumstances, thereby elevating their economic and social status and contributing to long-term financial stability. As a result, financial literacy becomes a powerful tool for achieving women's empowerment, enabling better financial planning and informed decision-

making.

Ultimately, strengthening women's financial capabilities contributes to broader social and economic growth. For India, raising financial literacy levels, particularly among women, is vital to fostering fair, inclusive development and reducing gender disparities. Such efforts will lead to meaningful and sustainable socio-economic progress for the nation (Mathivathani and Velumani, 2014).

In India, women have traditionally played a secondary role in financial management. As noted by West (2012), persistent gender biases have positioned men as the primary financial decision-makers, while women have largely been confined to managing routine household expenditures. This gap, however, can be narrowed by financially empowering women, enabling them to make independent financial decisions with confidence and competence. Women possess immense potential to contribute meaningfully to the nation's

economic growth and development. A financially independent woman is not only better equipped to improve her own well-being but also serves as a strong catalyst for broader economic progress.

Equitable and sustainable development in any country is closely tied to the degree of financial inclusion across all sections of society. Achieving this requires empowering women to make informed financial decisions and exercise greater control over their economic choices. However, significant socio-economic disparities between men and women continue to persist. Reducing this gap through financial literacy, a powerful instrument for social and economic change, is essential. Financial literacy not only supports women's empowerment but also helps cultivate well-informed citizens who take responsibility for their financial behaviour.

The present paper examines the role of financial literacy in advancing women's empowerment and contributing to broader social and economic development. Its objectives include evaluating the current status of women in society, understanding the need for women's empowerment, analysing the importance of financial literacy, and reviewing the challenges and constraints that hinder empowerment (Carpena *et al.*, 2011).

Defining Financial Literacy:

The OECD (2005) defines financial literacy as "a combination of awareness, knowledge, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being." In essence, financial literacy refers to the capacity to make informed judgments and effective decisions about money management. It encompasses the skills and knowledge required to manage personal finances responsibly, including the prudent use of credit, effective budgeting and saving, minimizing financial risk, and ensuring long-term financial benefits.

Financial literacy serves as a critical facilitator of financial inclusion. It extends beyond merely providing financial information; it aims to positively influence financial attitudes, behaviours, and practices. The ultimate objective is to empower individuals to act in their own best interest. When people have adequate knowledge about financial products and can evaluate their advantages and limitations according to their needs, they are better equipped to make confident and informed financial choices.

Financial literacy consists of three core components:

financial knowledge, financial behaviour, and financial attitude.

- **Financial knowledge** involves understanding both micro- and macro-level economic concepts.
- **Financial behaviour** reflects how individuals manage money, such as bill payments, budgeting, saving, and investing habits.
- **Financial attitude** shapes these behaviours by capturing individuals' beliefs and perspectives on saving, planning, and investing for the future.

Together, these elements- knowledge, behaviour, and attitude- collectively enhance an individual's level of financial literacy (Dodkey, 1999).

Need of Financial Literacy:

In the era of global integration, the significance of financial education has grown substantially. As countries work to strengthen their economies and achieve higher growth rates, improving the financial well-being of citizens has become a central focus. Consequently, promoting financial literacy is now a priority for nations worldwide. Financial literacy is vital because it provides individuals with access to institutional finance and empowers them to make informed and responsible financial decisions (Mitchell, 2010).

Karen *et al.* (2005) highlighted that the rapid emergence of complex financial products and services, driven largely by digital technology, combined with low levels of financial awareness, underscores the urgent need for financial literacy. Limited access to reliable financial information often results in low confidence and inadequate understanding, which can lead to misguided investment decisions.

Enhancing financial literacy enables individuals to make sound financial choices and ultimately improves their overall financial well-being. Financial education helps investors understand the risks and returns associated with various financial instruments, evaluate investments from multiple perspectives, and compare alternative options effectively. To strengthen financial literacy at a national level, it is essential to integrate financial education into the general curriculum of high schools and colleges, as well as into training modules for corporate and government employees (Varcoe *et al.*, 2001; 2002).

Influence of Financial Literacy:

Arora (2016) assessed the financial literacy levels of 444 working women in urban areas of Rajasthan using

three parameters: financial knowledge, financial behaviour, and financial attitude. The study revealed that although women displayed relatively strong financial attitudes and behaviours, their level of financial knowledge remained low, indicating limited awareness of financial planning tools and techniques.

Similarly, Deka (2015) examined the relationship between women's empowerment and financial inclusion, facilitated by financial literacy. The study concluded that financial literacy-driven financial inclusion significantly contributes to women's empowerment. It further emphasized the need for the government to create an enabling environment in which banks can adopt sustainable models to extend services to low-income women without compromising operational profitability.

Bhushan and Medury (2013) found that overall financial literacy among respondents was generally low. Their study showed that demographic factors such as age, gender, education, income, employment status, and workplace significantly influence financial literacy. Interestingly, they noted that government employees tend to have lower levels of financial literacy than private-sector employees, while geographical location does not appear to influence literacy levels. The authors emphasized that financial literacy involves the ability to read, understand, analyse, and manage personal finances, thereby directly affecting an individual's financial well-being.

Joshi (2013) underscored the importance of financial literacy by reviewing government-led initiatives in India and abroad. The study observed that although financial literacy in India is gradually improving, supported by programs launched by the Reserve Bank of India and the Government of India, greater effort is still needed. A large proportion of the population continues to survive on limited income, which restricts opportunities for saving and investment.

Sarma and Pais (2011) posed a critical question: does economic development lead to a more inclusive financial system? Their research empirically explored the relationship between financial inclusion and economic development and identified key country-specific factors associated with financial inclusion levels. They found that financial inclusion and human development tend to progress together. Socio-economic factors such as income, inequality, literacy, and infrastructure-related elements like urbanization and connectivity were identified as crucial determinants of financial inclusion.

Chen and Volpe (1998) examined financial literacy across variables such as nationality, race, gender, age, education, income, and work experience. Their findings showed significant variation in financial literacy levels across different demographic and socio-economic groups. Individuals under 30, women, students in lower academic ranks, and those with limited work experience were found to have lower financial knowledge. The study concludes that financial literacy is strongly influenced by age, gender, experience, education, and income.

Empowering Women through Financial Literacy:

In today's global landscape, both developed and emerging economies are placing increasing emphasis on improving the financial literacy of their citizens. This remains one of the major challenges worldwide, as financial literacy is integral to achieving sustainable development. A nation's financial system plays a crucial role in its economic growth, and financial literacy serves as a prerequisite for the effective implementation of financial inclusion. It ensures that financial products and services reach underprivileged, underserved, and economically disadvantaged groups.

Financial markets now offer a vast array of complex products and services, making financial literacy indispensable for informed decision-making. In the absence of adequate financial knowledge, low-income and unbanked individuals often rely on high-cost and risky alternatives. Financial literacy benefits individuals across all age groups, making the shift from general literacy to financial literacy essential for young people, elderly citizens, women, households, and workers alike. As financial markets evolve and individual economic responsibility increases, informed decision-making becomes particularly important for the economic empowerment of women. Financial knowledge equips women to make sound choices and to manage their finances effectively. The importance of financial literacy cannot be overstated, as it enhances women's well-being and strengthens their economic independence (West, 2012).

Recent research further underscores the transformative role of financial literacy in empowering women socially and economically. A study in North Karnataka found that financial literacy strongly correlates with greater fin-tech adoption, enhancing women's autonomy in financial decision-making and boosting their resilience in uncertain economic environments (Mahat

and Karade, 2024). Similarly, in the Middle East, financial literacy was shown to improve women's financial performance primarily through increased autonomy, demonstrating that greater control over resources can strengthen their societal bargaining power (Mawad *et al.*, 2025). Moreover, the Women's World Banking report (2025) reveals that when women are not just included but are capable of using a full suite of financial services, they report increased confidence, control, and pride; outcomes that go beyond monetary gains. These findings suggest that policies aiming to raise financial literacy must also address digital access, gender norms, and behavioural barriers, because meaningful empowerment depends on more than just access — it requires agency.

Suggestions and Recommendations to Improve Financial Literacy:

- **Increase Awareness Programmes:** More awareness initiatives should be developed and implemented at various levels, especially in rural, remote, and underserved regions, to educate people about basic banking services, financial products, and their benefits.
- **Promote Government Initiatives:** Government-led programmes such as the *Pradhan Mantri Jan Dhan Yojana* (PMJDY) must be effectively promoted among women, particularly those in rural and tribal areas. Strengthening outreach efforts will help ensure widespread access to basic banking facilities and support the objective of inclusive financial growth (PMJDY, 2014).
- **Encourage Women's Participation in Financial Education:** Women should be motivated to participate in workshops, seminars, financial literacy camps, and locally available financial management courses. This will help enhance their financial knowledge, decision-making skills, and confidence.
- **Integrate Financial Literacy into Formal Education:** Financial literacy should be introduced as a subject within school curricula to cultivate financial awareness from an early age. Embedding financial education in the formal education system can create a financially informed and responsible future generation.

Conclusion:

In India, as in many other countries, women generally exhibit lower levels of financial literacy compared to men. This gap is largely attributed to limited financial knowledge and inadequate skills required for making informed financial decisions. A range of social and economic barriers further restricts women's ability to access and choose appropriate financial products and services, thereby reinforcing gender disparities in financial literacy. Tullio (2009) emphasized that these disparities are closely linked to differences in the socioeconomic conditions of each country, which consequently limit women's access to education, employment opportunities, and formal financial markets.

Given these challenges, addressing the financial literacy needs of women becomes essential. This calls for the development and implementation of more structured, comprehensive programmes and policies on financial education at the national level. Strengthening financial literacy is not only vital for enhancing women's financial independence but is also crucial for fostering inclusive economic growth. This paper highlights the importance of financial literacy in empowering women and underscores the need for government-led policies and initiatives that ensure the benefits of financial education reach grassroots communities. Empowered women contribute significantly to the economic and social progress of a nation, making financial literacy a key driver of sustainable development.

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