

The Role of Financial Literacy in Strengthening Women's Participation in the Indian Economy

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Abstract:

Financial literacy has emerged as a crucial tool for fostering inclusive economic growth and empowering women in developing countries. In India, while women make up almost half of the population, their involvement in formal economic sectors remains relatively limited due to barriers in education, job opportunities, financial services, and decision-making authority. Financial literacy, which includes knowledge of savings, budgeting, investment, credit, insurance, and digital financial services, has the potential to transform women from passive economic participants into active contributors to national development. This research paper examines the role of financial literacy in strengthening women's participation in the Indian economy by analysing its impact on financial inclusion, entrepreneurship, labour force participation, investment behaviour, and digital financial engagement. The study is descriptive and analytical in nature and relies on secondary data collected from government reports, RBI publications, Economic Surveys, SEBI reports, NITI Aayog documents, and scholarly research articles. The findings reveal that financial literacy significantly enhances women's economic confidence, entrepreneurial abilities, savings and investment practices, and participation in digital financial systems. However, socio-cultural barriers, educational inequality, digital illiteracy, and limited institutional support continue to restrict women's financial empowerment. The paper concludes that strengthening financial literacy among women is essential not only for gender equality but also for accelerating India's economic growth and achieving sustainable development.

Keywords: - Financial Inclusion, Financial Literacy, Women Entrepreneurship, Digital Financial Literacy

Introduction

Financial literacy refers to the ability of individuals to understand, analyse, and effectively use financial knowledge to make informed decisions about savings, investments, credit management, insurance, and financial planning. According to the *World Bank*, 'Financial literacy can be defined as the ability to make informed decisions about the use and management of one's money.' In recent times, financial literacy has gained considerable importance worldwide due to the growing complexity of financial systems, the expansion of digital banking, and the increasing use of online payment platforms, necessitating individuals to secure their financial future independently. In the Indian setting, financial literacy has become essential for women as it is closely linked to social empowerment, poverty reduction, entrepreneurship development, and inclusive economic growth.

Historically, women in India have faced structural inequalities in education, employment, inheritance rights, and access to financial resources. In spite of the fact that women contribute substantially to household management, agriculture, informal labour, and small-scale enterprises, their participation in formal economic activities remains significantly lower than that of men. According to national reports and surveys, a large proportion of Indian women continue to remain financially dependent on male family members for major financial decisions due to a lack of awareness regarding banking services, investments,

credit facilities, insurance, and digital financial platforms, which has further limited women's economic independence.

The Government of India has introduced several initiatives, such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Digital India, Stand-Up India, Pradhan Mantri Mudra Yojana (PMMY), Sukanya Samriddhi Yojana, and National Strategy for Financial Education (NSFE), to improve financial inclusion and awareness among women. These schemes have increased access to bank accounts and formal financial services. However, mere access to banking facilities is insufficient unless women possess the necessary financial knowledge and confidence to utilise these services effectively.

Financial literacy empowers women by enabling them to manage household income efficiently, participate in entrepreneurial activities, invest in productive assets, reduce dependence on informal borrowing, and secure long-term financial stability. Financially literate women are more likely to save regularly, use digital financial services safely, access institutional credit, participate in financial markets, and contribute actively to economic development. Therefore, financial literacy serves as a bridge between financial inclusion and economic empowerment.

This study examines how financial literacy strengthens women's participation in the Indian economy and explores the major challenges, opportunities, and policy measures associated with women's financial empowerment.

Objectives of the Study

The major objectives of the study are as follows:

1. To understand the concept and significance of financial literacy among women in India.
2. To analyse the role of financial literacy in enhancing women's participation in the Indian economy.
3. To examine the relationship between financial literacy and women's financial inclusion, entrepreneurship, savings, and investment behaviour.
4. To identify the major barriers faced by women in achieving financial literacy.
5. To evaluate the effectiveness of government initiatives and financial education programs for women.

Research Methodology

The current study is both descriptive and analytical in nature, relying entirely on secondary data sources. Secondary sources were chosen due to their ability to provide comprehensive and reliable information regarding women's financial literacy, financial inclusion, and economic participation in India.

The data utilised for this study have been gathered from a range of reputable sources, including reports from the Reserve Bank of India (RBI), the Economic Survey of India, the National Family Health Survey (NFHS), publications by the Securities and Exchange Board of India (SEBI), and reports from NITI Aayog. Additionally, relevant information has been sourced from research journals, academic texts, governmental publications, and reports issued by international organisations such as the World Bank and the Organisation for Economic Co-operation and Development (OECD). Furthermore, insights have been extracted from peer-reviewed research articles that concentrate on financial literacy, women's empowerment, and economic development.

The gathered data were qualitatively analysed to identify patterns, trends, and connections between financial literacy and women's economic involvement. The study employs comparative analysis, conceptual interpretation, and policy analysis to draw significant conclusions about the role of financial literacy in enhancing women's contributions to the Indian economy.

Literature Review

Financial literacy has become an important area of research due to its strong association with financial inclusion, poverty reduction, and economic empowerment. Several scholars and institutions have examined the relationship between financial literacy and women's participation in economic activities.

Lusardi and Mitchell emphasised that financial literacy is essential for improving financial decision-making and long-term economic security. Their studies highlighted that individuals with higher financial knowledge are better able to plan savings, investments, and retirement. In developing economies, women with low financial literacy are often excluded from formal financial systems, resulting in economic vulnerability. *Arjun and Subramanian (2025)* conducted a study on self-help groups in India, which revealed that participation in microfinance and SHG-based activities significantly improves women's financial literacy and entrepreneurial confidence. The researchers observed that women associated with SHGs demonstrated better savings behaviour, budgeting practices, and loan repayment discipline compared to women without financial training. Research conducted by the *National Centre for Financial Education (NCFE) and RBI* indicated that financial literacy levels in India remain relatively low, particularly among rural women. The reports showed that many women possess bank accounts but lack adequate understanding regarding insurance, investment, digital banking, and formal credit systems. This gap between financial access and financial usage continues to affect women's economic empowerment. Recent studies by *NITI Aayog* on women-led development have emphasised that women with financial awareness play a crucial role in enhancing entrepreneurship, digital commerce, and household financial management. It was found that financially literate women entrepreneurs are better equipped to maintain business records, manage loans, understand market risks, and utilise digital payment systems effectively. Recent empirical findings further reinforce the connection between financial literacy (FL) and financial inclusion (FI). *Reddy, Wallace, and Wellalage (2025)* explored the relationship between financial literacy and financial inclusion by analysing survey data from owners of micro, small, and medium enterprises (MSMEs). Their research showed that financial literacy has a statistically significant positive impact on all three aspects of financial inclusion: access, usage, and quality of financial services. The results indicate that MSME owners with financial literacy are more inclined to open formal bank accounts, make active use of financial products, and receive better quality financial services. The study also looked into gender disparities and found that specifically tailored financial education programs can enhance financial outcomes more effectively, particularly for underrepresented groups like women entrepreneurs. *K. Reddy, D. Wallace, and N. H. Wellalage* therefore highlighted the significance of gender-sensitive policies in financial education.

Research indicates that mobile banking and UPI-based payments have improved financial access for women in rural and semi-urban areas. Nonetheless, digital illiteracy, concerns about cyber insecurity, and limited smartphone access still hinder women's full use of fintech services.

Another important area of research focuses on women's investment participation. Recent studies indicate that financially literate women are increasingly participating in mutual funds, systematic investment plans (SIPs), insurance products, and equity markets. Financial awareness enables women to diversify their investments and improve long-term wealth creation.

Overall, the literature suggests that financial literacy positively influences women's economic participation by enhancing financial confidence, entrepreneurial skills, savings habits, investment awareness, and digital financial engagement. However, the existing literature also highlights persistent challenges related to education, gender norms, and unequal access to financial resources.

Research Gap

Although considerable research has been conducted on financial inclusion and women's empowerment, there remains a significant gap in understanding the direct role of financial literacy in strengthening women's participation in the Indian economy. The existing studies focus either on banking access or on women's empowerment separately, without establishing a comprehensive relationship between financial literacy and economic participation.

Many existing studies are geographically constrained and primarily concentrate on rural areas, self-help groups, or microfinance institutions. There is a notable deficiency in comprehensive nationwide analyses

that examine the simultaneous impact of financial literacy on women's labour force participation, entrepreneurial endeavours, investment decisions, and the adoption of digital financial services.

Furthermore, recent advancements in financial technology, digital banking, UPI payments, and online investment platforms have significantly transformed the financial landscape in India. However, limited research has addressed how women's financial literacy influences their capacity to engage with this evolving digital economy.

The present study aims to bridge these gaps by providing a broader and integrated understanding of how financial literacy contributes to women's economic participation in India.

Concept of Financial Literacy

According to the *Organisation for Economic Co-operation and Development (OECD)*, Financial literacy refers to the combination of financial awareness, knowledge, skills, attitude, and behaviour required to make sound financial decisions and achieve financial well-being. It involves understanding basic financial concepts such as budgeting, saving, interest rates, inflation, risk diversification, insurance, taxation, and investment planning.

Financial literacy is categorised into different dimensions. Financial knowledge talks about understanding banking systems, investment products, and financial terminology. Financial behaviour refers to practical financial activities such as saving regularly, maintaining budgets, and repaying loans on time. Financial attitude relates to an individual's mindset regarding money management and financial planning.

In the contemporary era, digital financial literacy is crucial, which is the ability to use online banking services, mobile payment applications, UPI systems, digital wallets, and cybersecurity measures effectively and safely.

For women, financial literacy is closely associated with empowerment. It plays a pivotal role in increasing their ability to control financial resources, manage risks, give decision-making power to contribute actively to household and national economic activities.

Role of Financial Literacy on Women's Participation in the Indian Economy

Financial Inclusion and Banking Participation

Financial literacy plays a critical role in promoting financial inclusion among women. Financial inclusion refers to providing affordable and accessible financial services to all sections of society. In India, government initiatives such as PMJDY have significantly increased women's ownership of bank accounts. However, many women remain inactive account holders due to a lack of financial knowledge. According to the *World Bank Global Findex Database* and government reports, around 78% of Indian women now possess bank accounts, reflecting major improvements in financial inclusion after schemes such as PMJDY. Additionally, women contribute approximately 39.7% of total bank deposits in India, indicating growing financial participation.

Financial literacy enables women to understand banking procedures, savings schemes, interest calculations, insurance products, and credit facilities. Financially literate women are more likely to use formal banking channels instead of relying on informal borrowing sources. This reduces financial exploitation and enhances economic security.

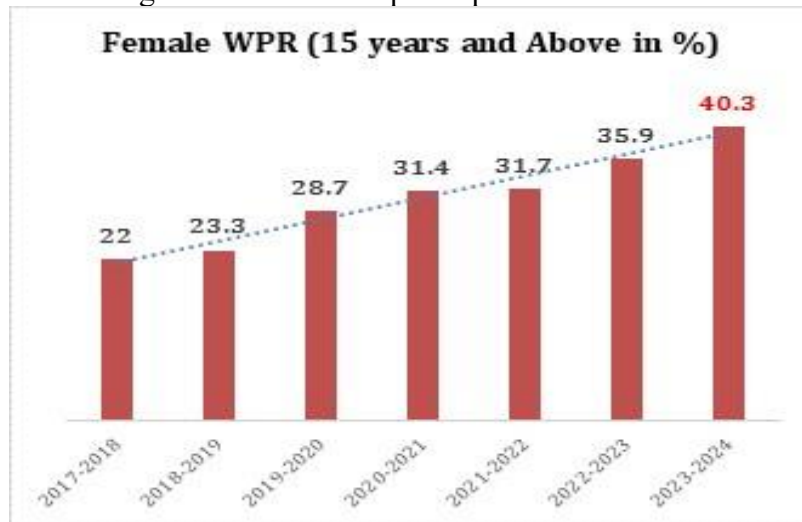
Women who understand financial systems are also more capable of utilizing government welfare transfers, pension schemes, and subsidy benefits through digital banking platforms.

Women Entrepreneurship and Self-Employment

Financial literacy strengthens women's entrepreneurship and makes them self-reliant by improving managerial and financial decision-making skills. Women entrepreneurs require knowledge regarding budgeting, accounting, pricing, credit management, taxation, and digital transactions to operate businesses successfully.

Financially literate women are better able to prepare business plans, assess investment risks, manage working capital, and maintain financial discipline. They are also more confident in approaching banks and financial institutions for loans and government assistance.

Government schemes such as Mudra Yojana, Stand-Up India, and SHG-bank linkage programs have encouraged women entrepreneurship. The Government's Nari Shakti se Viksit Bharat initiative shows that 68% of total MUDRA loans received by women and 44% of beneficiaries under PM SVANidhi are women, indicating an increasing trend in women's participation.



(source: PIB, GOI)

According to the *Press Information Bureau (PIB)*, India witnesses a significant hike in the female workforce participation rate. PLFS show the women's employment rate (WER) grew from 22% to 40.3% between 2017-18 and 2023-24. Making women truly Self-Reliant (Atmanirbhar), PLFS data shows female self-employment grew by 30% from 51.9% in 2017-18 to 67.4% in 2023-24.

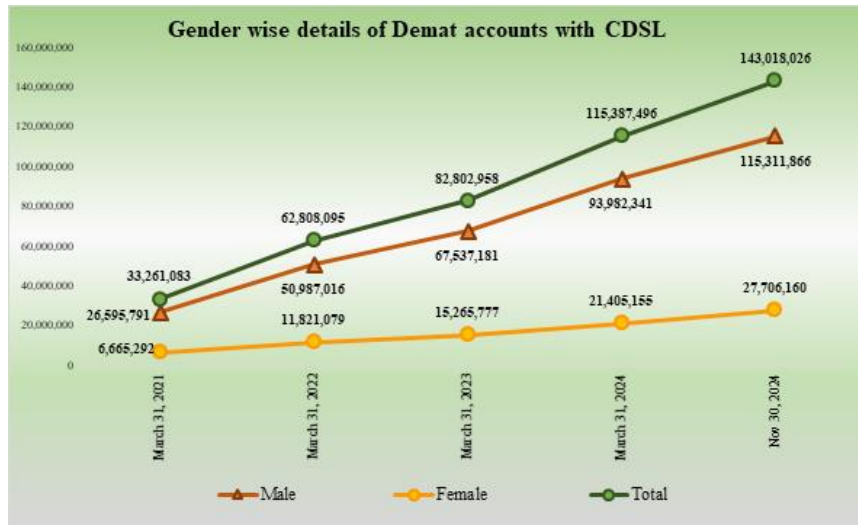
Financial literacy also encourages women to participate in small-scale manufacturing, online businesses, handicrafts, retail trade, and service enterprises, thereby contributing to employment generation and economic growth.

Improvement in Savings and Investment Behaviour

Traditionally, many Indian women preferred saving money through informal methods such as cash holdings, gold purchases, and rotating savings groups. Financial literacy encourages women to shift toward formal savings and investment instruments such as fixed deposits, mutual funds, insurance, pension schemes, and stock markets.

According to the *Ministry of Statistics and Programme Implementation Report (MoSPI)*, which shows women owns 39.2% of all bank accounts in India, with a rural area seeing a higher participation rate at 42.2%. This reflects a notable shift in women's financial inclusion across the country. Women contribute 39.7 to total bank deposits, showing their increasing participation in the nation's banking system. Women understand the importance of long-term financial planning, risk diversification, and wealth creation. They are more likely to invest in education, healthcare, property, and productive assets for future security.

The growth of SIPs, digital investment platforms, and women-focused financial awareness campaigns has increased women's participation in formal investment markets in recent years. It can be seen through the growing trend of female participation in the stock market. Female DMATE account holders increased from 6.67 million to 27.71 million by 2024, indicating growing financial literacy and awareness regarding investment opportunities.



(Source: MoSPI, PIB, 2024)

Digital Financial Participation

India’s rapid digital transformation has increased the importance of digital financial literacy. The expansion of UPI, mobile banking, e-wallets, online trading platforms, and fintech services has created new opportunities for women’s economic participation.

Financially literate women are more capable of using digital payment systems for business transactions, online shopping, utility payments, and savings management. Digital finance reduces transaction costs, increases convenience, and promotes transparency.

For rural women entrepreneurs, digital financial literacy provides opportunities to connect with broader markets through e-commerce platforms and social media-based businesses. However, the lack of digital skills, internet access, and cybersecurity awareness continues to limit the participation of many women in the digital economy.

Employment and Economic Decision-Making

Financial literacy enhances women’s confidence and bargaining power in both households and workplaces. Women who understand financial planning and income management are more likely to participate in employment opportunities and negotiate better wages.

Financially empowered women contribute more effectively to household financial decisions related to education, healthcare, savings, investments, and consumption. This not only improves family welfare but also contributes to human capital development and national productivity.

Economic independence achieved through financial literacy also reduces women’s dependence on others and strengthens gender equality in society.

Navigating Challenges Faced by Women in Achieving Financial Literacy

Despite significant progress, several challenges continue to hinder women’s financial literacy in India. One of the major barriers is educational inequality. Many women, especially in rural areas, lack access to quality education and financial training programs. Low literacy levels directly affect their understanding of financial concepts and digital technologies.

Socio-cultural norms and patriarchal attitudes also restrict women’s financial independence. In many households, men continue to dominate major financial decisions, limiting women’s exposure to banking and investment activities.

The digital divide represents another significant challenge. Many women lack access to smartphones, internet connectivity, and the digital skills necessary for participating in digital financial systems.

Limited awareness regarding government schemes and financial products also reduces women's participation in formal financial institutions. In addition, women working in the informal sector often face irregular income, lack of collateral, and limited access to institutional credit. These challenges collectively reduce women's ability to benefit fully from financial literacy initiatives.

Government Initiatives and Policy Measures

The Government of India has launched several initiatives to improve women's financial inclusion and literacy.

Pradhan Mantri Jan Dhan Yojana has significantly expanded women's access to bank accounts and direct benefit transfers. The National Strategy for Financial Education aims to promote financial awareness among all sections of society through educational programs and outreach campaigns.

The Self-Help Group (SHGs)-Bank Linkage Programme has played a transformative role in promoting savings habits, microfinance participation, and entrepreneurship among rural women. According to the Economic Surveys 2025-26, 10.05 crore women registered under SHGs. Programs such as Mudra Yojana and Stand-Up India provide financial assistance to women entrepreneurs for starting small businesses.

Digital India initiatives have promoted the use of digital payments and online financial services. SEBI, RBI, and financial institutions also conduct investor awareness and financial education campaigns specifically targeting women.

Although these initiatives have improved access to financial services, there remains a need for stronger implementation, localised training, and gender-sensitive financial education strategies.

Findings of the Study

The study reveals that financial literacy plays a crucial role in strengthening women's participation in the Indian economy. Financially literate women are more likely to use formal banking services, save regularly, invest in financial products, and participate in entrepreneurial activities.

The study also finds that financial literacy improves women's confidence, decision-making power, and economic independence. Self-help groups and microfinance institutions have significantly contributed to improving financial awareness among rural women. Also, increase the labour force participation

Digital financial literacy has emerged as a major factor influencing women's participation in the modern economy. Women who possess digital financial skills are better able to access online banking, e-commerce, and digital investment opportunities.

However, educational inequality, socio-cultural barriers, digital illiteracy, and limited institutional support continue to hinder women's financial empowerment. The study emphasizes that financial inclusion alone is insufficient without adequate financial literacy.

Conclusion

Financial literacy has emerged as a powerful catalyst for women's economic empowerment and inclusive development in India. It strengthens women's ability to manage financial resources, participate in entrepreneurship, access formal financial systems, utilize digital technologies, and contribute actively to economic growth.

In recent years, India has made substantial progress in expanding financial inclusion and promoting women-centric financial schemes. However, true empowerment can only be achieved when women possess the knowledge, confidence, and skills necessary to utilize financial opportunities effectively.

Strengthening financial literacy among women is therefore essential not only for reducing gender inequality but also for enhancing household welfare, increasing labor force participation, promoting entrepreneurship, and accelerating national economic development.

A financially literate woman contributes not only to her own economic security but also to the prosperity of her family, community, and the nation as a whole. Therefore, policymakers, educational institutions,

financial organizations, and civil society must work collectively to ensure that financial literacy becomes an integral component of women's empowerment in India.

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