



The Role of Financial Literacy in Women Empowerment

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ABSTRACT

Economic empowerment results from a person having the information, aptitude, abilities, and confidence to manage her financial situation. Individuals are increasingly responsible for their financial literacy and coming across sophisticated integrated financial solutions. Women's empowerment in literature has mostly focused on economic empowerment. Women's decision-making ability and financial security are directly impacted by economic empowerment. Financial literacy is the most important factor identified in the literature among the various antecedents of women's economic empowerment previously investigated by academics. According to another study, financial literacy is more crucial for boosting women's economic empowerment. However, the question of whether financial literacy plays a substantial role in determining women's economic empowerment is what matters most.

Financial literacy is defined as a combination of financial knowledge, financial skills, and financial attitudes. The purpose of this research paper is to highlight the construct including financial literacy and economic empowerment and then the impact of financial literacy on economic empowerment. The result of this research paper indicates that financial literacy is positively and significantly related to economic empowerment. The higher the level of financial literacy in women, the greater will be the financial well-being and ultimately increase women's empowerment. Economic empowerment is found to be affected by age, education, income level, marital status, profession, savings, and investment behavior.

Along with conflicting policies and avarice, one of the main reasons for financial crises was the prevalence of financial illiteracy, which ultimately caused some people to make poor financial decisions. Wrong decisions will have an impact on the future status (situation) of the national economy. Individuals who fall into the economic poverty category should receive the right financial education and advice through financial literacy to become empowered that is, to use the education and information they receive to better their financial status. Financial literacy is one of several initiatives aimed at empowering women that have been made throughout the world.

Introduction

From birth, girls are often moulded into societal roles that keep them confined. They're taught to embrace pink, playhouse, and depend on Prince Charming. As they mature, they're told their place is at home, constantly reminded to stay "ladylike," limiting their personal growth. The key to breaking this cycle lies in empowering women through financial education, which boosts confidence, social status, and decision-making abilities—integral to real empowerment. Women's empowerment spans three levels: *personal* (beliefs and behaviours), *relational* (interactions with others), and *societal* (macro-level impact). In developing countries with strong patriarchal systems, empowerment often stalls at the micro and meso levels. To elevate it to the macro level, financial literacy becomes essential. Financial literacy equips women to make informed financial decisions, understand risks, avoid debt traps, and build financial security.

The inclusion of women in economic development leads to more equitable power distribution, effective poverty management, and advancement of women's rights. Financial education helps women confidently navigate financial products and services, strengthening their financial independence. Studies show that women who understand finances manage savings, spending, and debt better, contributing to their financial security and family well-being. Globally, financial literacy is a tool for social justice, offering women, especially in vulnerable groups, pathways out of poverty. It allows them to contribute more meaningfully to society, benefiting families and communities alike. While Indian women face financial challenges, financial education can shift this dynamic, making them active economic participants capable of planning for the future.

Objectives of the Research

Examine the Relationship: Investigate the correlation between financial literacy levels among women and their economic empowerment, focusing on decision-making capabilities, financial security, and overall economic participation.

Identify Key Factors: Identify and analyse the various socio-economic and demographic factors that influence women's financial literacy, including age, education, income level, marital status, and profession.

Assess Economic Contributions: Evaluate how enhanced financial literacy among women contributes to economic growth, poverty alleviation, and improved family welfare, thereby reinforcing their role as active economic participants.

Recommend Strategies: Provide actionable recommendations for policymakers, NGOs, and educational institutions on effective strategies to enhance financial literacy among women, aiming to empower them economically and socially.

Highlight Importance for Development: Emphasize the critical importance of financial literacy as a tool for promoting gender equality and advancing women's rights in economic development. in paragraph

Literature Review

Economic growth and financial empowerment are fundamental to advancing women's rights and achieving development goals such as poverty reduction, economic growth, and social welfare. When women gain the ability to make informed financial decisions and manage resources effectively, they are not only empowered individually but also contribute significantly to economic productivity, poverty alleviation, and social progress. Empowered women become active economic participants, benefiting their families, communities, and the broader economy. Financial literacy is essential for women's economic empowerment, equipping them to make sound financial decisions, engage in formal financial systems, and access resources like credit. It enables women to improve their quality of life and positively impact their communities, fostering economic growth, social cohesion, and local engagement. Researchers such as Aggarwal and Maheswari have highlighted the link between financial literacy and Women's Economic Empowerment (WEE), emphasizing that financial literacy is a fundamental right that promotes individual economic well-being and informed decision-making.

Despite its importance, studies reveal a persistent gender gap in financial literacy, with women generally scoring lower than men in financial knowledge. This gap affects women's financial decision-making abilities, limiting their capacity to make responsible financial choices and hindering their economic participation. Researchers have explored the role of financial literacy across both genders, concluding that everyone must access and understand financial services and products. However, the need for financial education is particularly pressing for women, as the lack of competence and understanding poses unique challenges to their empowerment and economic independence. Maheswari and Revathy propose that increasing financial literacy among women is key to enhancing their economic agency. Financially literate women are better equipped to use financial products and services effectively, manage debt, and make investments that can improve their economic security. This has made the study of financial literacy's impact on WEE an important field, with researchers emphasizing the need for further exploration. As women gain financial knowledge and skills, they strengthen their economic resilience, which in turn contributes to broader economic development and social equality.

Why do we need Financial Literacy in the Empowerment of Women?

Women have made impressive progress as consumers and leaders, yet they continue to face significant demands, balancing roles at home, work, and in society. They contribute greatly to national development but often overlook personal financial challenges, particularly in planning for retirement. Financial literacy is crucial to women's independence. Without it, women may accumulate debt, develop poor spending habits, and struggle with long-term planning. Studies show that only 33% of women feel confident making independent investment decisions, highlighting a gap in financial education that needs to be addressed. Low financial literacy significantly impacts women's lives, making it harder for them to overcome wage disparities, manage debt, and meet financial goals.

A study found that only 18% of women, compared to 35% of men, passed a retirement income literacy test, illustrating the need for greater financial awareness. Financial literacy empowers women by helping them manage daily expenses, prepare for emergencies, and set positive examples for their children. It boosts confidence in decision-making, commands respect within families, and enables women to stand up against injustices. Financially literate women are better equipped to navigate life's challenges and achieve independence, which can protect them from abusive relationships or economic insecurity. Empowering women through financial literacy benefits families and communities, fostering shared responsibilities and enhancing financial well-being. Ultimately, a financially literate woman is not only more secure but also more influential in her family and society.

How Can Women Achieve Financial Literacy?

Women who want to learn about money have several resources available to them today. There are tons of materials available online for anybody who wants to earn more. However, it is also a harsh truth that women in India do not always have access to knowledge or the internet to learn independently. Self-help organizations and NGOs can help in these situations.

- **Control Debt:** Although more women are college-educated, student loans and lower wages often strain their financial health. Managing debt requires budgeting, which involves categorizing needs and wants to set spending limits. Monitoring and paying down debt, negotiating with creditors, and checking credit reports to boost credit scores are all essential steps. Paying off debt clears the path to financial freedom and future milestones like homeownership and retirement savings.

- **Advocate for Your Worth:** Women, especially women of colour, still face challenges with fair pay. Overcoming discomfort in discussing salaries can help women advocate for better compensation. Knowing industry-standard wages, understanding gender pay gaps, and building confidence to negotiate is vital. Allies at work, like mentors or supervisors, can support these efforts. Recognizing when to seek opportunities elsewhere is also important if compensation remains unfair.
- **Make Future Plans:** Women generally live longer than men but often face financial insecurity in retirement. Making retirement a priority, such as opening a 401(k) or IRA and using employer matching if available, is critical. Setting up automatic transfers to savings accounts can help women build their retirement funds steadily.

With these steps, women can enhance their financial literacy, making them more prepared for emergencies, confident in the workplace, and secure in retirement.

How Can Financial Literacy Affect a Country's Economy?

Financial literacy is a cornerstone of financial inclusion, enabling individuals and businesses to make informed decisions regarding borrowing, spending, saving, and overall financial management. It influences both short-term and long-term financial choices, affecting personal and societal economic health. Poor financial literacy often leads to costly borrowing, ineffective debt management, and inefficient financial planning. In contemporary policy discussions, financial understanding plays a critical role. Research indicates that improved financial literacy can enhance resource allocation throughout an individual's lifetime, particularly in light of economic crises. Those with better financial knowledge tend to save more, invest in stocks, and accumulate wealth. They are also less likely to incur credit card debt and manage existing debts more effectively by making full monthly payments instead of just the minimum.

A solid grasp of financial concepts can also enhance saving and investing efficiency. An analysis conducted on data provided by a major financial institution revealed a correlation between financial literacy and investment choices. More knowledgeable investors are inclined to engage with complex assets, which often yield better returns on retirement savings. Our study found that answering just one additional financial question increased the likelihood of retirement planning by 3 to 4 percentage points. Importantly, financial literacy is especially advantageous for younger individuals. By equipping them with the tools to navigate financial challenges early in life, we can foster a generation better prepared for economic stability and success. Investing in financial education not only benefits individuals but also contributes to a more robust economy.

Impact of Financial Literacy of Women on the Empowerment of the Country's Economy

Financial literacy plays a crucial role in empowering women and, by extension, positively impacting a country's economy. Women equipped with financial knowledge are better positioned to make informed decisions regarding saving, investing, and spending. This not only enhances their financial stability but also contributes to the economic well-being of their families and communities. Studies have shown that when women are financially literate, they are more likely to participate in the workforce, seek higher-paying jobs, and advocate for fair wages. For instance, a financially literate woman can negotiate better salaries, leading to increased household income, which can then be reinvested in education and health, thus benefiting future generations. Additionally, women who understand financial products and services are more likely to save and invest, further contributing to wealth accumulation and economic growth.

Moreover, financial literacy equips women to manage financial risks effectively. This capability is particularly important in times of economic uncertainty. Women who understand budgeting and financial planning are less likely to fall into debt traps, allowing them to contribute to the economy without the burden of financial stress. Furthermore, as women gain financial independence and confidence, they can influence local economies through entrepreneurship. Women-led businesses tend to reinvest in their communities, creating jobs and stimulating economic activity. In India, for instance, research indicates that women often manage household finances and are primary decision-makers in areas like education and healthcare. Increasing women's financial literacy can therefore lead to better financial management at the household level, enhancing overall economic resilience. Investing in women's financial literacy not only empowers them individually but also catalyzes broader economic development, making it essential for sustainable growth in any country.

Research Methodology

This research paper serves as a literature review that draws upon a range of secondary and auxiliary sources to analyse the impact of financial literacy on women's empowerment. By synthesizing information from various research findings, articles, and journals related to financial literacy, the study provides valuable insights into how financial inclusion positively influences women's lives. It highlights the critical need for targeted programs and interventions that address the unique challenges faced by underprivileged women. The findings underscore the importance of enhancing financial literacy as a means of empowering women economically and socially, ultimately contributing to their overall well-being and active participation in the economy. This research paper is essential for conceptualizing and implementing effective strategies that foster financial literacy among women, facilitating their empowerment and promoting gender equality.

Conclusion

This study highlights the critical role of financial literacy in advancing women's economic empowerment, especially among rural, economically disadvantaged women in India. By bridging the gap between basic literacy and financial literacy, women can make informed decisions, engage in entrepreneurial activities, and access financial resources that promote self-sufficiency and economic resilience. Although prior research demonstrates a strong correlation between financial literacy and WEE, there remains a significant disparity in financial knowledge among low-income women despite rising levels of general education. This disparity suggests that financial literacy programs tailored to rural contexts and supported by both governmental and non-governmental initiatives are essential. Such programs would not only address immediate financial inclusion but also contribute to long-term socio-economic development by empowering women to improve their quality of life and participate meaningfully in economic growth. Future research should continue exploring innovative strategies to integrate financial literacy into broader education and empowerment efforts, ultimately ensuring that financial skills become a universal tool for uplifting rural populations.

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