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# Financial Literacy of Rural Women in India

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## ABSTRACT

*Financial literacy is a key aspect in the life of an individual. Today both men and women work at an equal level, but women in the rural areas of India are not given a lot of freedom in this field. For women in India, financial literacy is still falling behind. People tend to learn about financial management through experiences of their own and others. The role of females in every rural family should not be neglected. This paper studies the level of financial literacy across various rural districts in India, understanding the engagement of women in financial services, identifying the key challenges faced by them, and offering suggestions to improve the financial literacy of women and discussing policies introduced that help them.*

**Keywords:** *Financial Literacy, Financial Inclusion, Women's Financial Empowerment, Economic Independence, Government Policies.*

## INTRODUCTION

The development of an individual depends on their financial development. Financial planning is always an important aspect in the life of an individual. Financial planning is a step which involves the application of the study and careful analysis of all aspects of the economy, financial market risks, savings and management.

Financial literacy and financial planning are two different sides of the same coin. Financial Literacy is a skill that helps individuals make informed financial decisions, manage their resources effectively, manage personal finances, foster economic independence and promote societal growth. It is the ability to understand and use various financial skills in situations regarding financial matters and handle the economic needs of an individual in his lifetime. While financial planning is the process to manage its financial needs using the knowledge acquired.

“As per the OCED, it has defined financial literacy as “a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing”.” (Patil 67)

Financial literacy plays a major role in poverty alleviation and economic growth of emerging economies. The financially weaker sections of the society need to realize the ill effects of poor financial management and take steps to gain financial education.

Financial literacy of India is very low as compared to that of other countries. In today's world both men and women are working at equal level but financial literacy among women in India needs significant improvement, especially for rural women. This is an era where everyone has access to information and knowledge which has empowered individuals and helped improve quality of life, but the rural women are most of the time deprived of these opportunities.

Women in rural areas often face challenges in acquiring such financial knowledge and skills. Rural women do not get such information as easily as men. Even when information is available to them on the various financial resources, rural women find it difficult to process the information due to low levels of literacy and language barriers. It is often seen that women are not exposed to the financial services available to them. Many societies engage in traditional norms and roles that restrict women's participation in financial decision making. They are often left out during these discussions. The fear of the reaction of the society as to “what the people will say?”, this stigmatization does not allow women to hold financial control and make them economically dependent on their husbands or male members of the family.

With the rise in digital financial tools and government led initiatives and programs aim to solve these problems. Though Government schemes like the Pradhan Mantri Jan Dhan Yojana and various other Self-help groups promote building women's financial literacy skills, handling household finances and participating in local economic activities they have proved to lack awareness among the common public. They have failed to address the needs and circumstances of women.

Understanding the financial literacy of women in rural India is crucial because it directly influences their economic independence, household well being and formal financial systems. It is also a matter of their dignity, empowerment and hope in improving their quality of life. When a woman in rural India is financially informed, she can make better decisions in household financial decisions, savings, investing and accessing government schemes. When she learns how to manage her finances she not only gains knowledge but also confidence, independence and a voice of her own. It helps reduce poverty and strengthen local economies. In this digital world financial awareness helps protect women from digital frauds and enables them to use digital tools confidently. Various studies conducted in India show the difference of financial literacy of men and women. There continues a gap in factors influencing financial literacy of women and measures for improving them. There is a need to focus on factors influencing such differences and provide remedies.

In this study we aim to understand the current level of financial literacy among women in various rural districts of India. This will help us to explore the various financial engagements that women are into and those which are not yet available to them. To identify the key challenges and barriers faced by women in reaching and accessing these financial services. At the end suggestions and remedies on how we can improve financial literacy among women and empower them, are discussed.

### **ASSESSMENT OF LEVEL OF FINANCIAL LITERACY OF RURAL WOMEN**

Various studies conducted across India show that the urban population is more financially literate than the rural population. Men are found to be more financially literate than women. Further, in the study conducted on 700 working women of Rajasthan, it was observed that the awareness about financial planning tools and resources among women remains poor even today.

A survey conducted in the Kanpur District of India mainly focused on the financial literacy of women living in different sections of the district, urban and rural. "As per the observations it was found that the financial literacy levels were not satisfactory among both the sectors but it was even weaker in the rural areas. Working women had a higher understanding than the non-working women. This shows that rural women are weaker in terms of financial literacy." (Patil 68)

"The study of rural women in Kundapura Taluk, shows that 72% were housewives' dependent on the income of male members and 97% below secondary education levels which also restricts their involvement in financial activities." (Maiya and Nithyananda 692)

"Exactly 50% live in extended or joint family setup where the women have limited role in taking decision making. The financial literacy level of rural women at Kundapura Taluk is at the minimum level of Preparing Informal household Budgets (only 48%). The other facets such as financial negotiations, debt managing and use of banking are yet to be understood and practiced.

Exhibits that out of respondents 90% had bank accounts, 63% had insurance policies and 26% had post office savings. 30% had loans and 15% had deposits in banks. Among 270 women interviewed 65% were members of SHGs and 31% were members of local agricultural co-operative societies. About 75% of the respondents took loans for productive purposes and the remaining borrowings were for the purpose of functions and religion which are non-productive in nature. Other purposes (14.19%) include loans taken for repaying earlier debts etc. which shows that such women live under the pressure of a vicious circle of increasing debts.

It was observed that there is no alternate source of income for 35% of the rural women families.

The government and institutions have not reached rural women except for a few self-help groups. They do not decide on financial aspects, it a common rule over there that the one who earns, decides how to spend it." (Maiya and Nithyananda 693,694)

A survey conducted among the women of seven villages of the Shngimawlein Area of South West Khasi Hills District of Meghalaya targeted 7605 women. (Wahlang 14) It was observed that the majority of the women are illiterate which might be the reason for the low level of financial literacy. Most of the women are unfamiliar with how to open and operate a bank account, which limits their access to formal financial systems. They did not understand basic financial terms like savings, investments, loans and budgeting. "80% of them resorted to informal ways of saving, at home, through self-help groups, which are less secure and provide no growth." (Wahlang 16) Majority of them faced difficulties due to societal norms, limiting their financial independence. It was reported that the financial decision making was primarily taken care of by the male members of the household. Social norms and cultural beliefs restricted women from taking active part in the financial planning of their household. It was found that due to lack of digital literacy and access to the internet and smartphones many of them were not able to engage in the digital financial services.

A survey conducted by Visa, found that "34% of Indian women and 29% of Indian men claimed to have no savings. Similarly, it revealed that 43%" (Patil 69) of Indian women do not discuss matters of money management with their children, due in large part to their own lack of understanding. It is no surprise that in a society where women are less likely than their male counterparts to engage in paid work, and are therefore not expected to undertake decisions relating to the family budget, they do not educate their children in these matters.

### **KEY CHALLENGES AND HINDRANCES FACED**

The surveys conducted show various factors that affect women involvement in financial matters, one of the most significant is the patriarchal system, even today in rural areas this system is prevalent. This obstructs women from taking part in the financial decisions of the house, making them dependent on their husbands and hindering their financial freedom.

This is also followed by the numerous cultural barriers, traditional norms and the taboo behind women working and earning their living. It was inculcated in their minds from a young age that running family affairs and having control over the finances is the authority of the male members. As per the study conducted in Kundapura and Taluk, "Only 18% of the women decide the financial aspects of their family. Remaining agreed that in their family male members decide on financials." (Maiya and Nithyananda 694)

Education is a very important aspect in financial literacy. The survey conducted in Kundapura and Taluk showed that the majority of the women showed low educational attainment resulting in limited financial literacy, children especially female children are kept away from financial inclusion. Basic education of females is also very low compared to those of males. They were unaware of the concept of financial literacy and its importance highlighting a gap in community level financial education initiatives. They were not able to understand basic financial terms such as savings, investments, loans and budgeting. They followed indigenous methods of financial planning and were not aware of modern methods of financing. Issues connected with money management are hardly discussed at home which keeps women in the dark on knowledge of finance.

Lack of independence with respect to financial matters which is very limited. They are not allowed to spend as per their wish. There is no alternative source of income for 35% of the rural women families. They don't decide on financial aspects and they just follow the leader in financial decisions. If some neighbor does something they will also follow the same without assessing the need for it. (Maiya and Nithyananda 695)

The schemes are very limited with respect to women in India but those which are available are utilised for their family of male members not benefiting the woman. It was found that around 80% of the respondents are dependent on informal saving practices like saving at home, saving through self-help groups, which are less secure and offer no growth potential. (Wahlang 16)

## FINANCIAL ENGAGEMENT AND PARTICIPATION OF WOMEN

As per the surveys it was seen that a lot of women are unaware about the different financial institutions available to them. The government and institutional mechanisms have not reached the rural women educating them financially except the efforts of various SHG's.

Most of the women were unfamiliar with the basic financial terms, they lacked access to banking facilities due to logistic challenges such as distance of the banks and limited awareness of banking processes. It was found that women were confined mainly to informal knowledge such as cash savings at home, many saw gold as one of the most secure investments for future needs.

Many women agreed that they saved secretly to avoid mismanagement of cash and economic assets by male members of the family. "Around 56% save on weekly basis, 35% on monthly basis." (Maiya and Nithyananda 694)

Accounts were opened in the banks to get government subsidies. Some of the women were aware about the various investment opportunities. A significant portion of women relied on assistance from family and friends when investing money in financial instruments.

Their incapability to learn and explore these financial opportunities came from societal norms, male dominance and preserving their image in front of the village because a female taking charge of finances and being independent was seen as a taboo.

Younger women showed greater interest in learning about digital financial tools compared to older generations, indicating a potential opportunity to target different age groups with tailored strategies.

## STRATEGIES AND RECOMMENDATIONS FOR ENHANCING FINANCIAL LITERACY

Even though knowledge about various financial instruments and schemes is readily available on the internet, those people who are not privileged with such facilities should also be considered. Since matters regarding financial inclusion are barely discussed with the women of the house especially in the rural parts of the nation there should be various measures taken to spread such knowledge to help them develop economic independence.

To inculcate the knowledge of financial literacy regular workshops and seminars for women should be organised along with sessions covering topics like savings, investment, basic financial instruments, to teach women about the importance of creating emergency funds to handle unexpected financial challenges.

Digital financial literacy programs can also be beneficial with the growing surge of digital finance. These can encourage women to explore e-commerce platforms for small businesses by providing training on how to use online tools to start and manage businesses which can improve their financial independence.

Strengthen the existing Self-help groups or form new ones that focus on financial empowerment.

The basic knowledge of financial terms should be introduced at the school level. If we succeed in providing financial education at school level then the youngsters who are the future citizens will be helpful in the overall development of the nation. If people are made aware from the school level regarding financial literacy then they will be able to take appropriate decisions regarding saving and investment, budget, pension funds etc. which will assist them in their overall development.

The most important change which is required for making the women financially literate or educated is that of the cultural change. The mentality of all mankind should be changed towards seeing women at par with men. When we talk about cultural change it is associated with behavioural change also. Encourage male family members to participate in financial literacy programs as well. This will promote a more inclusive environment and reduce resistance from households that are traditionally patriarchal.

Create a platform where women from the same regions and society share their stories of how they attained financial independence and how it has helped them in the long run, this will inspire and encourage others to take similar steps.

## POLICIES FOR RURAL WOMEN IN INDIA

There are different policies programmed to help women in India to attain financial independence like SHGs. They aim to promote awareness among women about development programmes which can help them to improve their economic independence.

TATA Steel's Tejashwini programmes were designed to uplift the lives of women through SHGs, and they are successful in ensuring the economic empowerment of women in becoming independent. "Today Tejashwini reaches 800 villages spread across Jharkhand, Odisha and Chhattisgarh. They have also introduced lessons on pickle – making, chicken- rearing, handicrafts and other similar pursuits through SHGs so that women are economically self- reliant." (Shetty and Hans 347)

Similar self-employment opportunities of SHGs ventures in Kerala where some important financial organisations like Khadi and Village Industries Board, Department of Commerce & Industry, Jawahar Rozagar Yojana, Women Industrial Cooperative Societies, Kerala State Social welfare advisory Board, Kerala Financial Corporation, National Bank of Agriculture and Rural Development, District Rural Development agency and other Non-Government Organisations.

The Pradhan Mantri Jan Dhan Yojana (PMJDY) was introduced by the Finance Minister in August 2014 to ensure access to various financial services like availability of basic savings bank account, access to need- base credit, remittances facility, insurance and pension to excluded sections. According to the Global Findex Survey (2017) published by World Bank, 87 percent of Indian adults have bank accounts, which has improved from 53 percent in 2011 after the Jan Dhan Yojana.

"Self Help Group(SHG) - Bank linkage program has gained popularity over the years and has been pioneered by a few NGOs such as MYDRA in Karnataka and Professional Assistance for Development Action (PRADAN) in Rajasthan and later extending to Tamil Nadu and Jharkhand. The program involves organising the poor, usually 15 - 20 women, into self-help groups, and including in the group the habit of saving." (Shetty and Hans) Over the past years SHG- Bank linkage has become the dominant mode of microfinance in India and has been successful in encouraging significant savings and high payment rates. The number of SHGs linked to banks has increased from just 500 in the early 1990s to over 700,000 by 2003 and has now crossed the 1 million mark.

## CONCLUSION

Financial Literacy plays a very important role in an individual's life to develop a stable financial plan and be economically independent. It is observed from the various different studies that the financial literacy of women in India is much lower than that of men. Further urban women are more financially literate than rural women of India which brings us to the topic of developing their financial awareness and economic independence. For the overall development of individuals and nations there is a need to initiate certain awareness programs to enhance financial literacy among women in general and rural women specifically.

The gap of financial literacy of women needs to be filled assessing the factors that influence it by studying the current levels of financial literacy, looking at the different obstructions faced by women in achieving it and then giving suggestions to improve it. The surveys conducted across several villages in India show that more than half the women population are financially illiterate. They do not have knowledge about basic financial terms like banking, insurance, savings, etc. They turned to informal ways of saving at home which gave no room for growth. Most of the women are financially dependent on their husbands with no say in the financial working of the household and no alternative source of income. Most women live under the fear of societal norms, traditional beliefs, thinking about what would people say if a woman started taking part and helping financially. From a young age they were taught that earning and taking care of the financial decisions of the house was the job of the male members and they are not allowed to have a say in it which resulted in them not educating their daughters continuing this chain. It was observed that the basic education of the females was less than that of males which could be a reason for low levels of financial literacy.

It was reported that many of them are not aware about the various schemes and policies available to them. Some of them saved at home and saw gold as secure investments. They took help from family and friends in any financial decision. Younger women showed interest in learning and understanding the financial ways.

There are many Self-Help Groups that can help these women but only a few of them know about these to further spread awareness and knowledge regular workshops, seminars on different financial instruments like investing, saving and ways of digital finance should be held in these villages. Both women and men should be encouraged to attend these to avoid the mark of gender discrimination and provide a base for equality in the society. Basic education about financial terms should be introduced at school level itself for future benefits. Women successful in achieving their financial goals should be provided with a platform to encourage other women of their society to take similar steps towards their success.

The government can introduce different policies which provide a base for self-employment of women, ensuring access to digital financial facilities, and regular checks on the situation of women financially.

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