

THE ROLE OF FINANCIAL LITERACY IN STRENGTHENING WOMEN'S DECISION-MAKING CAPACITY: A STUDY OF RURAL AND URBAN AREAS OF ANAND CITY

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Abstract:

Financial literacy has emerged as a critical enabler of women's empowerment, directly influencing their ability to make informed decisions in households, entrepreneurship, and governance. This study explores the extent to which financial knowledge enhances women's confidence, independence, and agency in economic and social spheres. Drawing on surveys of urban and rural women, secondary data from national financial inclusion reports, and case studies of Self-Help Groups (SHGs) and microfinance initiatives, the research highlights the transformative role of financial literacy in strengthening decision-making capacity. Findings reveal that women with higher financial literacy are more likely to manage household budgets effectively, invest in productive assets, and participate in entrepreneurial ventures. Moreover, financial literacy reduces dependence on male family members, enabling women to negotiate better within households and communities. The study also identifies barriers such as limited education, cultural norms, and restricted access to training, which hinder women's financial empowerment. Policy implications emphasize integrating financial literacy into educational curricula, expanding digital literacy programs, and designing women-friendly financial products. Ultimately, the research underscores that financial literacy is not merely a technical skill but a pathway to agency, resilience, and inclusive development, positioning women as active contributors to sustainable economic growth in Anand city.

1.1. Introduction:

Financial literacy refers to the ability to understand and effectively use financial skills such as savings, credit management, investment planning, and household budgeting. It is increasingly recognized as a cornerstone of empowerment, particularly for women, who often face structural barriers in accessing and controlling financial resources. For women, financial literacy is not only about managing money but also about achieving economic independence, reducing vulnerability to exploitation, and strengthening bargaining power within households and communities. Despite its importance, limited financial literacy continues to restrict women's decision-making capacity, leaving many dependent on male family members for financial choices and limiting their participation in

entrepreneurial and governance activities. This research seeks to address that gap by examining the role of financial literacy in enhancing women's confidence and agency in economic and social spheres.

The **objectives** of the study are threefold: first, to assess current levels of financial literacy among women across different socio-economic contexts; second, to analyze how financial knowledge influences household financial management and entrepreneurial decision-making; and third, to explore policy measures that can strengthen financial literacy programs and ensure wider access. By situating financial literacy as a pathway to empowerment, this study underscores its potential to transform women into active contributors to inclusive and sustainable development.

1.2. Literature Review

Globally, financial literacy has been widely recognized as a key driver of women's empowerment. Studies from developed economies highlight that women with higher financial knowledge are more confident in managing household budgets, investing in long-term assets, and participating in entrepreneurial ventures. Research in countries such as the United States and Australia demonstrates that financial literacy not only improves women's economic independence but also strengthens their decision-making capacity in family and community contexts. Similarly, in developing regions, financial literacy programs have been linked to improved resilience against poverty and greater participation in governance structures.

In the Indian context, financial literacy has been closely tied to grassroots initiatives such as Self-Help Groups (SHGs), microfinance schemes, and digital literacy programs. SHGs have played a transformative role by enabling women to access credit collectively, thereby fostering financial awareness and confidence. Microfinance institutions have further expanded opportunities for women entrepreneurs, while government-led digital literacy campaigns have introduced rural women to mobile banking and digital payment systems, reducing dependency on intermediaries. These interventions have shown promising results in enhancing women's financial participation, yet challenges remain in ensuring widespread and sustainable literacy. Despite these advances, a significant gap persists in the literature. Most studies focus on women's access to financial resources and credit facilities, while fewer examine how financial literacy directly influences their decision-making capacity. The existing body of work often emphasizes financial inclusion as an end goal, overlooking the deeper impact of financial knowledge on women's agency, negotiation power, and leadership roles. This study seeks to address that gap by situating financial literacy not only as a tool for inclusion but as a foundation for strengthening women's decision-making capacity across households, entrepreneurship, and governance.

1.3. Methodology

This study adopts a mixed-methods approach, combining quantitative surveys, qualitative case studies, and secondary data analysis to provide a comprehensive understanding of the role of financial literacy in strengthening women’s decision-making capacity.

Quantitative Component. Structured surveys were conducted among women in Gujarat, with samples drawn from both urban and rural areas to capture diverse socio-economic contexts. The survey focused on assessing levels of financial literacy, including knowledge of savings, credit, investments, and budgeting, as well as the extent to which women apply this knowledge in household and entrepreneurial decision-making. Stratified sampling ensured representation across age groups, education levels, and occupational categories.

Qualitative Component. To complement the survey findings, case studies were undertaken with Self-Help Groups (SHGs), women entrepreneurs, and participants in financial literacy workshops. These case studies provided deeper insights into how financial knowledge translates into confidence, negotiation power, and agency in real-life situations. Semi-structured interviews and focus group discussions were used to capture narratives of empowerment, challenges, and strategies adopted by women in managing financial responsibilities.

Secondary Data Analysis. The study also relied on secondary data from authoritative sources, including Reserve Bank of India (RBI) reports, NITI Aayog publications, and World Bank financial inclusion datasets. These sources provided macro-level evidence on financial literacy trends, access to financial services, and policy initiatives aimed at promoting women’s empowerment.

By integrating quantitative, qualitative, and secondary data, the methodology ensures both breadth and depth in understanding how financial literacy influences women’s decision-making capacity. This triangulated approach enhances the reliability of findings and allows for nuanced policy recommendations.

Table 1. Financial Literacy Levels by Location

Location	High Literacy (%)	Moderate Literacy (%)	Low Literacy (%)
Urban	52	34	14
Rural	28	41	31

Table 2. Application of Financial Literacy

Area of Application	Urban (%)	Rural (%)
Household Budgeting	68	54
Savings & Credit Use	62	47
Investment Decisions	41	23
Entrepreneurship	36	18

Table 3. Barriers Identify

Barrier	Urban (%)	Rural (%)
Low Education	22	46
Cultural Norms	18	39
Limited Training Access	27	51
Digital Divide	24	44

1.4. Findings & Discussion

- The findings of this study reveal a strong relationship between financial literacy and women’s confidence in managing economic responsibilities. Women with higher levels of financial knowledge demonstrate greater ability to plan household budgets, allocate resources efficiently, and make informed investment decisions. This financial competence extends beyond domestic management into entrepreneurship, where financially literate women are more likely to initiate and sustain small businesses, negotiate credit terms, and diversify income sources. Such outcomes highlight the transformative role of financial literacy in enhancing women’s agency and independence.
- Another significant observation is that financial literacy reduces women’s dependence on male family members for financial decision-making. Women who understand savings mechanisms, credit facilities, and investment options are better positioned to exercise autonomy in financial matters, thereby strengthening their bargaining power within households and communities. This independence contributes to more equitable family dynamics and fosters women’s participation in broader economic activities.
- The study also underscores the importance of digital tools in empowering women. Access to mobile banking, Unified Payments Interface (UPI), and other digital platforms enables women to manage money independently, conduct transactions securely, and expand their financial networks. These tools not only simplify financial management but also bridge the gap for women in rural areas who may lack access to traditional banking services.
- Despite these positive outcomes, several barriers continue to hinder women’s financial empowerment. Low levels of formal education, entrenched cultural norms, and limited access to structured training programs restrict the spread of financial literacy. Many women remain

excluded from financial systems due to social constraints or lack of awareness, which diminishes their capacity to make independent decisions. Addressing these barriers is essential to ensure that financial literacy translates into meaningful empowerment across diverse socio-economic contexts.

1.5. Policy Implications

The findings of this study carry important implications for policymakers, financial institutions, and development organizations.

- First, the evidence suggests that financial literacy directly enhances women's confidence and autonomy in household and entrepreneurial decision-making. Therefore, integrating financial literacy into formal education curricula and adult learning programs is essential to ensure that women across socio-economic backgrounds acquire the skills needed to manage resources effectively. Such integration would not only prepare younger generations but also empower women who may have missed formal schooling.
- Second, the expansion of digital literacy initiatives is critical. As mobile banking and digital payment platforms become central to financial transactions, targeted training programs for women—particularly in rural areas—can bridge the digital divide and enable independent financial management. Partnerships between government agencies, banks, and community organizations can ensure that women are equipped to use these tools safely and effectively.
- Third, strengthening Self-Help Groups (SHGs) and microfinance institutions with structured financial training modules can amplify their impact. While SHGs have already proven effective in fostering collective empowerment, embedding financial literacy workshops within these groups would enhance individual decision-making capacity and reduce reliance on external actors.
- Finally, financial institutions should design women-friendly products that are accessible, transparent, and tailored to women's needs. Simplified loan procedures, savings schemes, and investment options can encourage greater participation while reducing barriers created by complex financial systems. Policymakers must also address cultural and social constraints by promoting awareness campaigns that challenge stereotypes and highlight the value of women's financial independence.

In sum, financial literacy should be treated not merely as a technical skill but as a strategic tool for empowerment. By embedding financial education into policy frameworks, expanding digital access, and tailoring financial products to women's needs, governments and institutions can strengthen women's decision-making capacity and contribute to inclusive and sustainable development.

1.6. Conclusion

This study demonstrates that financial literacy plays a pivotal role in strengthening women's decision-making capacity across households, entrepreneurship, and governance. Women who possess financial knowledge are better equipped to manage household budgets, evaluate investment opportunities, and initiate entrepreneurial ventures, thereby enhancing their economic independence and bargaining power. The findings further reveal that financial

literacy reduces reliance on male family members, enabling women to exercise greater autonomy in financial matters and contribute meaningfully to family and community development. Digital tools such as mobile banking and UPI have emerged as powerful enablers, allowing women to manage money independently and expand their financial networks.

At the same time, barriers such as low education levels, entrenched cultural norms, and limited access to structured training continue to restrict the spread of financial literacy. Addressing these challenges requires a multidimensional policy approach that integrates financial education into curricula, expands digital literacy initiatives, strengthens Self-Help Groups with structured training, and promotes women-friendly financial products.

Ultimately, financial literacy is not merely a technical skill but a pathway to empowerment, resilience, and inclusive growth. By equipping women with financial knowledge, societies can unlock their potential as active contributors to sustainable development, aligning with national and global goals of gender equality and economic inclusion (World Bank, 2024; NITI Aayog, 2025; Baskaran et al., 2024).

1.7. References

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