

An Evaluation of Financial Literacy among Rural Women: A Case Study of Shimla District, Himachal Pradesh

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Abstract

Financial literacy is widely recognized as a key instrument for strengthening economic independence and improving the socio-economic position of women, particularly in rural regions. Despite the expansion of financial inclusion initiatives in India, rural women continue to face limitations in accessing and effectively utilizing formal financial services. The present study examines the level of financial literacy among rural women in Shimla district of Himachal Pradesh. Primary data were collected from 180 respondents using a structured questionnaire, while secondary information was gathered from academic literature and official reports. The findings indicate that although most respondents possess bank accounts and basic awareness of ATM usage, knowledge related to credit facilities, investment options and independent financial decision-making remains inadequate. The study highlights the need for focused financial education programs, institutional support and gender-sensitive policies to enhance financial capability and economic empowerment among rural women.

Keywords: Financial Literacy, Rural Women, Financial Inclusion, Economic Empowerment, Shimla District

1. Introduction

Access to financial knowledge and services plays a vital role in empowering women and promoting inclusive economic growth. Financial literacy enables individuals to understand financial products, manage income efficiently, plan for future needs, and protect themselves against financial risks. For rural women in India, financial literacy holds particular importance as it directly influences household welfare, entrepreneurial activities, and long-term financial security. Traditionally, rural women have experienced limited participation in financial decision-making due to social norms, restricted educational opportunities and inadequate exposure to formal financial systems. Although several government-led initiatives such as Jan Dhan Yojana, Self-

Help Groups (SHGs), and microfinance programs have improved access to banking services, gaps persist in awareness and effective utilization of these services. In Himachal Pradesh, and especially in Shimla district, rural women play a significant role in agriculture and household management. However, their financial autonomy remains constrained. This study attempts to assess the existing level of financial literacy among rural women in Shimla district and to analyze the factors influencing their financial awareness and behavior.

2. Review of Literature

Agrawal (1988) emphasized that women's participation in economic decision-making in India is often limited, regardless of their income or educational background. Mason and Wilson (2000) described financial literacy as a dynamic process through which individuals interpret financial information using contextual knowledge and experience. Chen and Volpe (2002) found significant differences in financial literacy levels between men and women, with females generally demonstrating lower financial awareness. Lusardi and Mitchell (2008) highlighted that women, particularly older women, display lower levels of financial planning and preparedness for retirement. Mathivathani and Velumani (2014) reported that financial literacy among rural women in Tamil Nadu was notably low, thereby restricting informed financial decision-making. Arora (2016) concluded that although women often exhibit positive financial attitudes and responsible behavior, their understanding of financial products and planning tools remains insufficient. The reviewed studies underline the influence of education, income, access to financial institutions and cultural norms on financial literacy. However, region-specific studies focusing on rural women in Himachal Pradesh are limited, which justifies the relevance of the present research.

3. Research Methodology

3.1 Research Design

The present study adopts a descriptive and analytical research design to examine the level of financial literacy among rural women in Shimla district, Himachal Pradesh. The descriptive approach is used to present the socio-economic profile and financial literacy status of the respondents, while the analytical approach facilitates the examination of relationships between financial literacy and selected socio-economic and demographic variables.

3.2 Objectives the study

- To assess the level of financial literacy among women of rural areas in Shimla district, Himachal Pradesh.
- To study the relationship between demographic, socio economic, cultural profile of respondents and financial literacy of the rural women.

3.3 Hypothesis

- **Null Hypothesis (H_0):**

There is no significant difference in the distribution of financial literacy levels (Low, Moderate, High) among rural women.

- **Alternative Hypothesis (H_1):**

There is a significant difference in the distribution of financial literacy levels among rural women.

3.4 Study Area

The study was conducted in selected rural areas of Shimla district, Himachal Pradesh. The district was chosen due to its predominantly rural population and the active participation of women in agriculture and household economic activities, making it an appropriate setting for assessing financial literacy among rural women.

3.5 Population and Sample Design

The target population for the study comprises rural women residing in Shimla district. A sample of 180 rural women aged between 18 and 40 years was selected for the study. A purposive sampling technique was employed to ensure the inclusion of respondents who actively participate in household financial matters and are relevant to the objectives of the study.

3.6 Sources of Data

The study is based on both primary data collected through a structured questionnaire and secondary data obtained from academic journals, books, government reports, Reserve Bank of India publications and previous research studies related to financial literacy and women empowerment.

3.7 Instrument for Data Collection

A structured questionnaire was used as the primary instrument for data collection. The questionnaire consisted of both closed-ended and multiple-choice questions, divided into sections covering:

- Demographic and socio-economic details
- Awareness of banking services and ATM usage
- Knowledge of credit facilities and investment options

3.8 Tools and Techniques of Analysis

The collected data was coded, tabulated and analyzed using appropriate statistical tools:

- Percentage analysis was used to summarize demographic and financial literacy data.
- Chi-square test was employed to test the significance of associations between financial literacy and selected variables such as age, education, occupation, income and marital status.

4. Analysis and Interpretation:

4.1 Level of Financial Literacy among Rural Women (N = 180)

Table:1 Distribution of Respondents According to Financial Literacy Level

Financial Literacy Level	Description	No. of Respondents	Percentage (%)
Low Financial Literacy	Limited awareness of banking, credit and investment services	81	45.0
Moderate Financial Literacy	Basic knowledge of banking and ATM usage with partial awareness of credit/investment	69	38.3

High Financial Literacy	Adequate understanding of banking, credit, investment and financial decision-making	30	16.7
Total	—	180	100

Source: Primary Data

The findings clearly indicate that the overall level of financial literacy among rural women in Shimla district is low to moderate. Despite improved access to banking facilities, deeper financial knowledge and independent financial decision-making remain limited. This highlights the need for structured financial education and awareness programs targeted at rural women.

4.2 Hypothesis Testing

Calculation of Chi-Square Value (χ^2)

$$\chi^2 = \sum (O - E)^2 / E = \sum E(O - E)^2$$

Literacy Level	O	E	(O-E)	(O-E) ²	(O-E) ² / E
Low	81	60	21	441	7.35

Moderate	69	60	9	81	1.35
High	30	60	-30	900	15.00
Total χ^2					23.70

Degrees of Freedom

$$df = n - 1 = 3 - 1 = 2$$

Critical Value

- Level of significance (α) = **0.05**
- Critical value of χ^2 at $df = 2 \rightarrow$ **5.991**

Decision Rule

- Calculated $\chi^2 =$ **23.70**
- Critical $\chi^2 =$ **5.991**

Since $23.70 > 5.991$, the null hypothesis is rejected. There is a statistically significant difference in the distribution of financial literacy levels among rural women in Shimla district. The Chi-Square test confirms that financial literacy levels among rural women are not evenly distributed. A significantly larger proportion of women fall under the low and moderate financial literacy categories, while only a small percentage exhibit high financial literacy. This indicates an overall low to moderate level of financial literacy, emphasizing the need for targeted financial education and awareness programs.

4.3 Relationship between Profile of Respondents and Financial Literacy

Table: Relationship between Profile of Respondents and Financial Literacy

Factor Category	Variable	Major Findings (%)	Indication on Financial Literacy
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Demographic	Age	60% respondents are aged 21–25	Younger respondents show good basic banking access but low awareness of credit and investment schemes
	Marital Status	60% unmarried	Financial decisions largely influenced by family members rather than self
	Education	48.3% completed 12th, 33.3% graduates	Education supports basic banking knowledge, but not advanced financial literacy
Socio-Economic	Occupation	48.3% housewives	Economic dependency limits exposure to financial products and investments
	Income	73.7% earn below ₹1 lakh	Low income restricts savings, investment behavior and credit usage
Cultural	Family involvement	81.7% involve husband/father/guardian	Traditional family dominance reduces independent financial decision-making
Financial Inclusion	Bank account ownership	88.3% have bank accounts	High financial inclusion at basic level
	ATM operation	66.7% know how to operate ATM	Moderate operational financial knowledge
Financial Awareness	Awareness of credit facilities	53.3% not aware	Poor awareness of formal credit systems
	Awareness of investment schemes	60% not aware	Low exposure to investment planning
	Investment behavior	78.3% have not invested recently	Very low practical financial literacy
Financial Preparedness	Emergency preparedness	53.3% feel prepared	Moderate confidence, but actual financial readiness may

The consolidated chart clearly shows that while respondents demonstrate high basic financial inclusion, their financial literacy remains low, particularly in areas such as credit awareness, investment planning and independent decision-making. Demographic factors enable access; socio-economic limitations restrict participation and cultural dependency influences financial behavior.

Conclusion

The present study examined the level of financial literacy among rural women in Shimla district and analyzed its relationship with demographic, socio-economic, and cultural factors. The findings of the study reveal that the overall financial literacy level among rural women is predominantly low to moderate. Although a large majority of respondents have access to basic banking facilities such as bank accounts and ATM services, their understanding of advanced financial concepts including credit facilities, investment schemes, and long-term financial planning remains limited. The Chi-square test results confirm that the distribution of financial literacy levels among rural women is statistically significant, indicating that financial literacy is not uniformly spread across the population. A considerable proportion of respondents fall under the low and moderate literacy categories, while only a small segment exhibits high financial literacy. This reflects a clear gap between financial inclusion and effective financial empowerment. Demographic factors such as age and education contribute positively to basic financial awareness; however, they do not necessarily translate into higher levels of financial literacy. Socio-economic factors, particularly low income and occupational dependency restrict participation in savings, investments and credit usage. Cultural factors also play a crucial role, as financial decision-making is largely influenced by husbands, fathers or guardians, limiting independent financial behavior among rural women. Overall, the study concludes that while rural women are increasingly included in the formal banking system, they remain inadequately equipped with the financial knowledge and confidence required for independent financial decision-making. Strengthening financial literacy is therefore essential for improving their economic empowerment and financial security.

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