



Financial Literacy in India: Socio-Economic Survey Of (NCFE)

Aarti.S. Parmar
Research Scholar
Department of Economics,
Sardar Patel University,
Vallabh Vidyanagar.

Abstract

- **Purpose of the study** – To examine financial literacy in India with respect to socio-economic factors and to identify the reasons for variations (low or high) in financial literacy through a comparative analysis of these factors.
- **Research Methodology** - The present study is based on secondary data. It utilizes data published in the 2019 report by the NCFE (National Centre for Financial Education). Additionally, the study employs analytical methods based on reference literature
- **Conclusions** - he study found that financial literacy in rural India is lower than in urban India. The main reason is that many rural communities lack access to financial education. It was also observed that women have lower financial literacy compared to men in India. This is due to various educational and social barriers that make it difficult for women to acquire financial knowledge. In terms of social class, the general caste shows the highest level of financial literacy, while the scheduled caste shows the lowest. This difference exists because of unequal access to education and financial awareness due to the social structure. According to age, the 18–29 age group has higher financial literacy, whereas the 70–80 age group has the lowest. This is because younger people can easily understand modern technology and financial systems, while older people may find it difficult to adapt. Education also plays an important role. People with higher education levels have better financial literacy. When comparing occupations, government employees have the highest financial literacy, as they are more likely to receive training from financial institutions. On the other hand, people working in the agricultural sector have the lowest financial literacy. Finally, financial literacy is lower among low-income groups due to limited access to financial resources and information.
- **Keywords:** Financial Literacy, Socio-Economic Factors
- **JEL Code:** G, G5, G53

Introduction

For any country to achieve economic development, enhancing the human capacity of its citizens is essential. Financial literacy is one of the key components of human capacity that contributes to the development and well-being of individuals. According to the Organisation for Economic Co-Operation and Development (OECD, 2019) survey, only 27% of Indians are financially literate, and the percentage among women is even lower at 24%. These statistics indicate that financial literacy in India is significantly low compared to developed countries. As India aims to become a developed nation by 2047, improving financial literacy will be a crucial factor in empowering the country's human resources.

Therefore, the present study examines the current socio-economic conditions of the country and identifies the factors that influence financial literacy. It also attempts to suggest measures for improving financial literacy by enhancing access to financial opportunities. The study is based on data obtained from the survey conducted by the NCFE (National Centre for Financial Education), under the Department of Economic and Social Affairs, which provides insights into financial literacy across various socio-economic variables. Based on this data, the study analyzes the key factors responsible for the increase and decrease in financial literacy levels.

Importance of study

The present study seeks to analyse changes in financial literacy in India in relation to socio-economic factors and to determine the extent to which these factors contribute to increases or decreases in financial literacy levels

The reasons for the impact of socio-economic factors on financial literacy will be known.

- Social factors such as region, gender, caste, age, education, employment status, and income can be identified as barriers to financial literacy, and policy recommendations can be made to the government and financial institutions to address them.

Purpose of the Study

1. To examine financial literacy in India with reference to socio-economic factors.
2. To analyse the reasons for variations in financial literacy by comparing different socio-economic factors.

Research Methodology

The present study relies on secondary data sourced from the 2019 report of the National Centre for Financial Education (NCFE). Furthermore, analytical methods have been applied with reference to existing literature.

Review of literature

Studies conducted by Megha et al. (2023) and Sharma & Johri (2014) observed that in rural India, communities with limited resources in developing economies experience lower levels of social development. They also highlighted that illiterate and adult women face significant educational challenges. Rohini et al. (2015) examined the financial literacy status of rural populations in Kanyakumari district, Tamil Nadu, India. The study found that financial illiteracy among rural communities is influenced by various social factors. It also reported that financial institutions had not organized adequate financial literacy training programs in villages, and respondents were generally risk-averse in investment activities. Jayanthi & Rau (2019); Minakshi, (2022); Ula et al., (2023); Hernandez-Mejia & Moreno-Garcia, (2023) analysed the challenges and opportunities related to financial literacy among women. Their findings indicate that socio-economic factors act as significant barriers to financial literacy. Variables such as age, education, family size, gender, marital status, and occupation were found to be associated with financial literacy levels. Furthermore, factors such as education, marital status, family structure, and financial linkages with banks were positively related to financial literacy. A significant difference was also observed between joint and nuclear families in terms of financial literacy levels. Bankwala, (2021); Sharma & Johri, (2014); Bonga & Mlambo, (2016), Arora, (2016) consistently found that women exhibit lower levels of financial literacy compared to men.

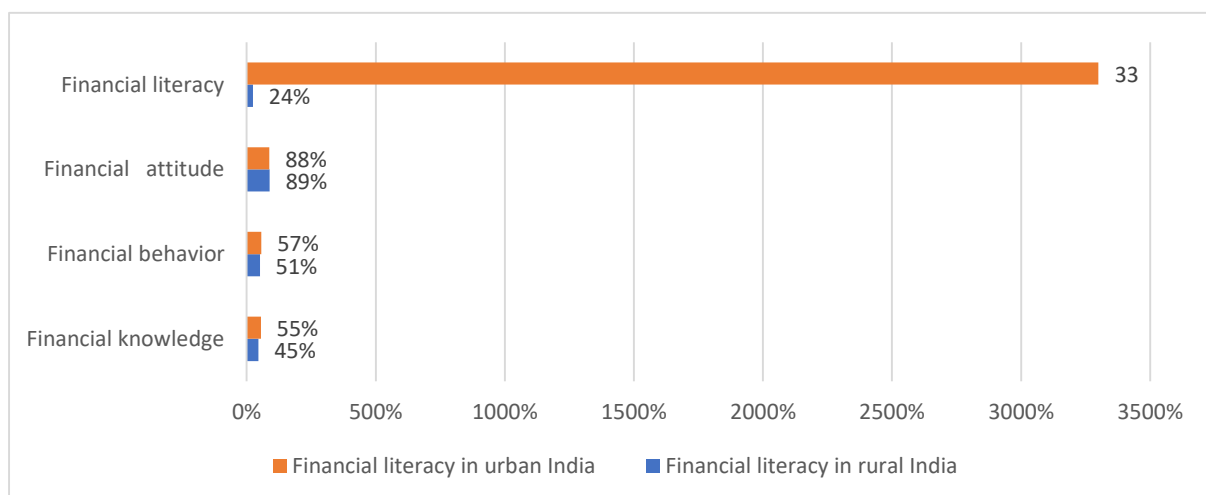
Statistical analysis

Table-1 Financial literacy rate in rural and urban India-

Area	Financial knowledge	Financial behavior	Financial trend	Financial literacy
Financial literacy in rural India	45%	51%	89%	24%
Financial literacy in urban India	55%	57%	88%	33

National Center for Financial Education 2019

Graph-1 Financial literacy rate in rural and urban India-



National Centre for Financial Education 2019

The table above presents financial literacy levels in India across rural and urban areas based on the components of financial knowledge, r, and attitude. It shows that financial literacy is 33% in urban India and 24% in rural India. This indicates that the level of financial literacy in rural areas is significantly lower compared to urban areas.

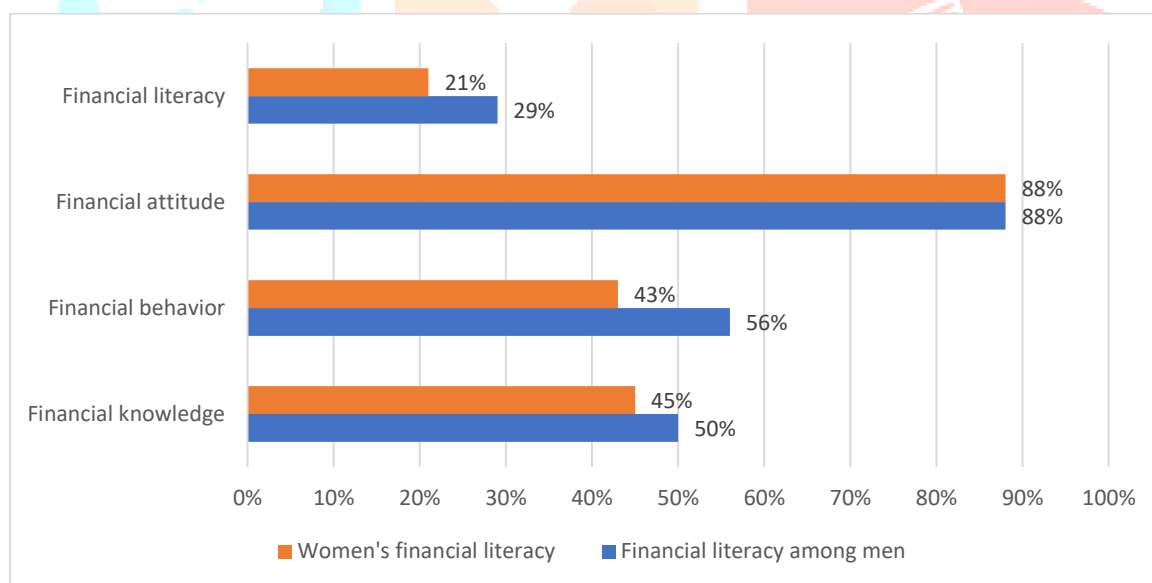
Based on the findings and supporting literature, several reasons have been identified for the low level of financial literacy in rural India. Czech et al., 2024 noted that one of the primary reasons is the lack of access to financial education among adults in rural areas. Similarly, Piaw et al., 2020 and Bankwala, 2021 highlighted that limited access to financial services and facilities among certain rural groups contributes to lower financial literacy levels.

Table -2 Gender and financial knowledge , attitudes and financial literacy

Gender	Financial knowledge	Financial behavior	Financial trend	Financial literacy
Financial literacy among men	50%	56%	88%	29%
Women's financial literacy	45%	43%	88%	21 %

National Center for Financial Education 2019

Graph -2 Gender and financial knowledge , attitudes and financial literacy



National Center for Financial Education 2019

The above chart indicates that the financial literacy rate among men in India is 29%, while it is 21% among women. This clearly shows that women have lower levels of financial literacy compared to men.

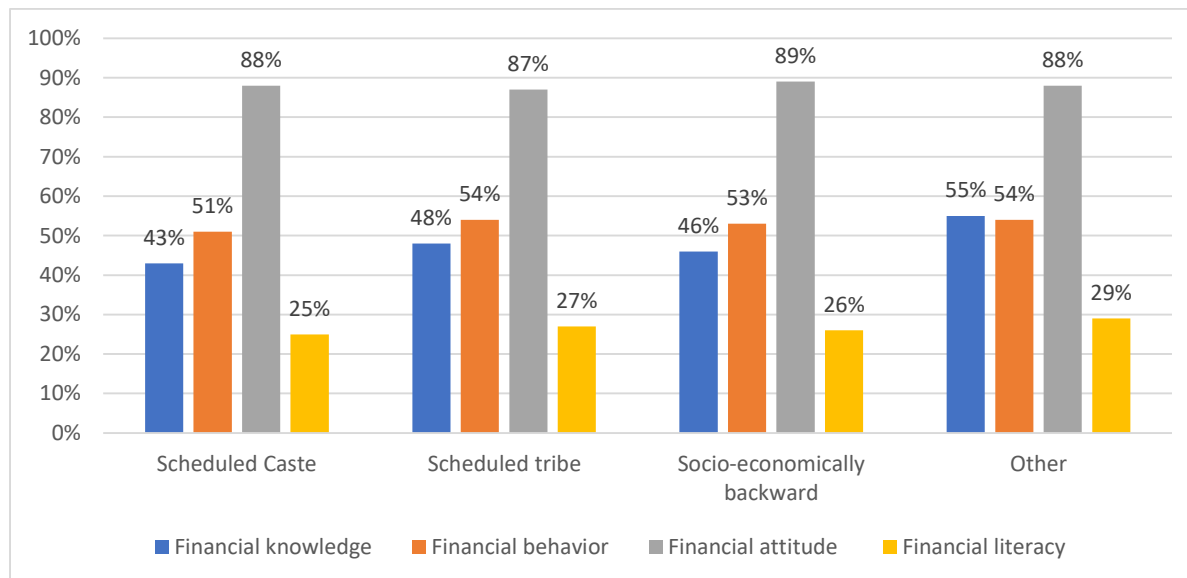
Several studies have identified the reasons for this disparity. (Muthulakshmi, 2014; Singh & Kumar, 2017; Bordoloi, 2019) reported that financial literacy among women, particularly in rural areas, remains low due to factors such as family responsibilities, limited access to education, and various socio-cultural challenges.

Table-3 Caste and Financial Knowledge, Behavior, Attitude and Financial Literacy

Caste	Financial knowledge	Financial behavior	Financial attitude	Financial literacy
Scheduled Caste	43%	51%	88%	25%
Scheduled tribe	48%	54%	87%	27%
Socio-economically backward	46%	53%	89%	26%
Other	55%	54%	88%	29%

National Center for Financial Education 2019

Graph -3 Caste and Financial Knowledge, Behavior, Attitude and Financial Literacy



National Center for Financial Education 2019

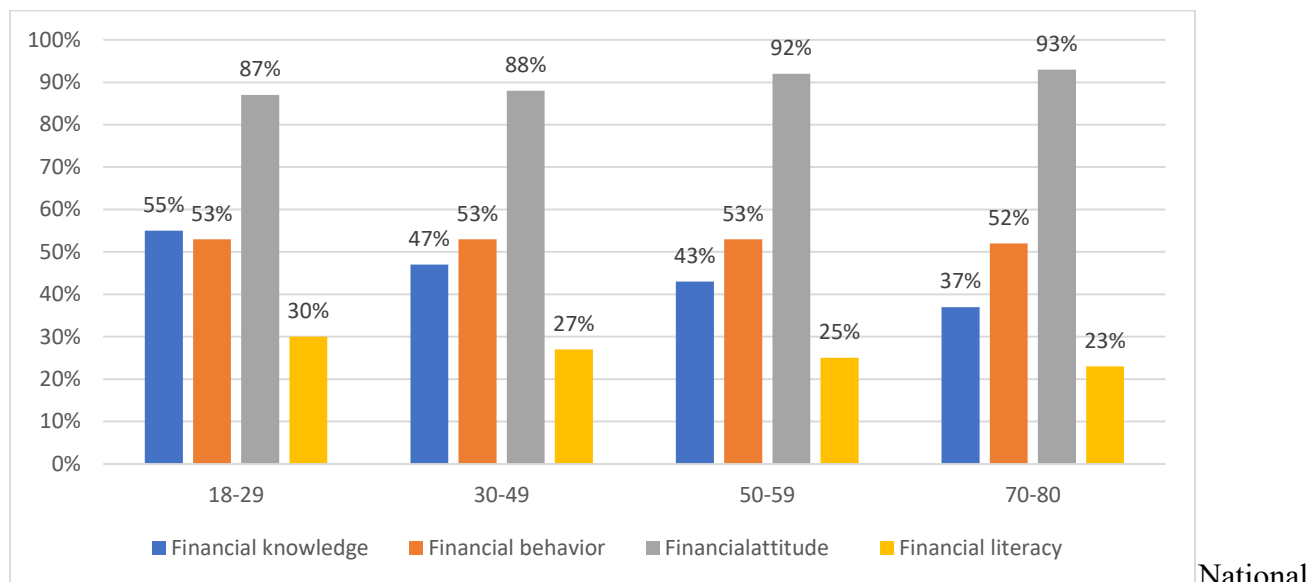
The information presented in the above table shows the level of financial literacy among different caste groups in society. It indicates that financial literacy levels are almost equal across these groups.

However, existing literature suggests that social structure can still influence access to financial knowledge. (B. Krishnakumar et al., 2019) noted that, in certain cases, social stratification leads to limited access to financial education and awareness.

Table-4 Age of the individual and financial knowledge, attitude and financial literacy

Age group	Financial knowledge	Financial behavior	Financial trend	Financial literacy
18-29	55%	53%	87%	30%
30-49	47%	53%	88%	27%
50-59	43%	53%	92%	25%
70-80	37%	52%	93%	23%

National Center for Financial Education 2019

Graph-4 Age of the individual and financial knowledge, attitude and financial literacy

Center for Financial Education 2019

Table 4 presents financial literacy across different age groups. It shows that the youngest age group (18–29 years) has the highest level of financial literacy, while the oldest age group records the lowest level, at 23%.

However, existing literature provides a slightly different perspective. Lusardi & Mitchell, (2011) reported that financial literacy tends to be lower among young individuals, whereas middle-aged individuals generally exhibit higher levels of financial literacy.

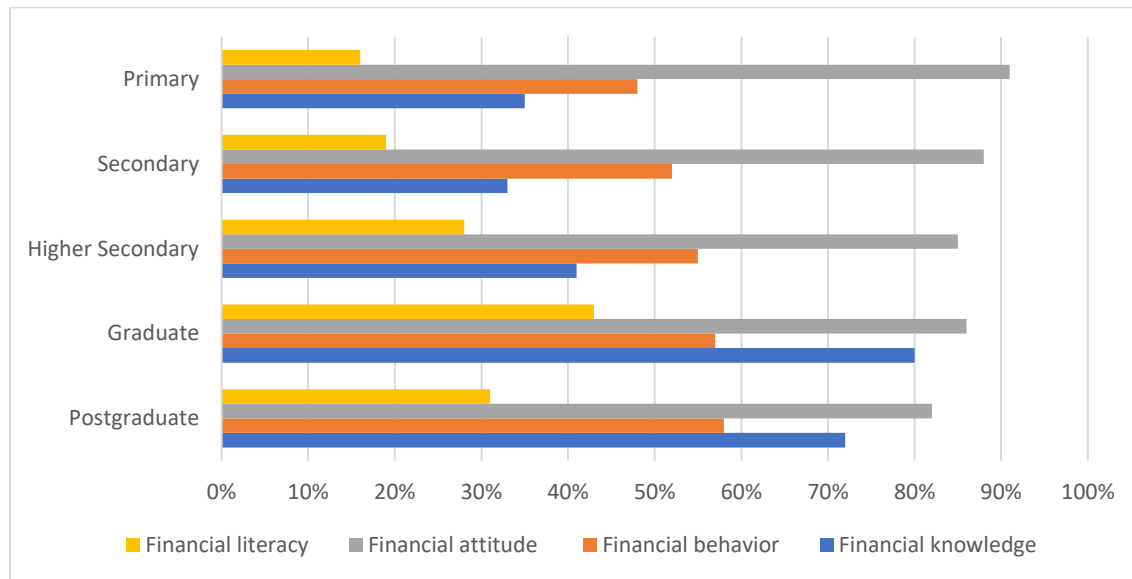
In the context of the present study, the relatively higher financial literacy among young adults may be attributed to their greater familiarity with modern technology and digital financial systems. This enables them to better understand and engage with contemporary financial transactions.

Table-5 Financial knowledge, behavior, attitude and financial literacy according to educational qualification

Educational Qualification	Financial knowledge	Financial behavior	Financial attitude	Financial literacy
Postgraduate	72%	58%	82%	31%
Graduate	80%	57%	86%	43%
Higher Secondary	41%	55%	85%	28%
Secondary	33%	52%	88%	19%
Primary	35%	48%	91%	16%

National Center for Financial Education 2019

Graph-5 Financial knowledge, behavior, attitude and financial literacy according to educational qualification



National Center for Financial Education 2019

The above table presents financial literacy levels based on educational attainment and highlights the relationship between the two variables. It shows that the highest level of financial literacy is observed among graduates (43%), which is higher than all other educational groups. In contrast, the lowest level of financial literacy is found among illiterate individuals, at only 13%.

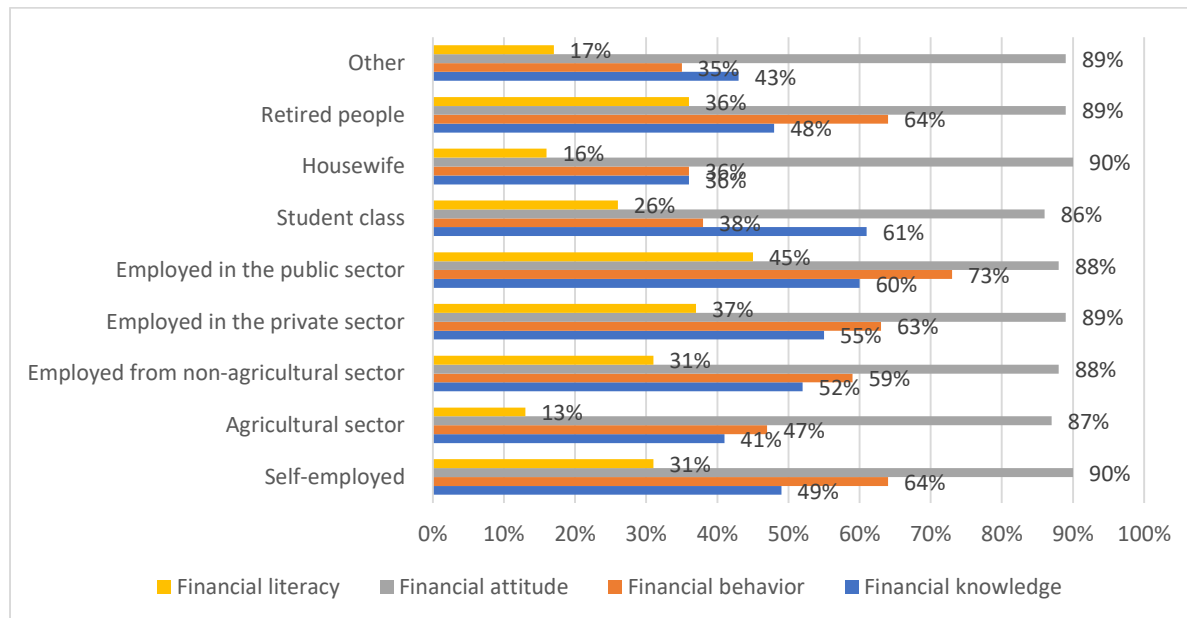
Existing literature supports this finding. Lusardi & Mitchell, (2011); B. Krishnakumar et al., (2019) state that higher levels of education lead to greater financial literacy, as education enhances individuals' ability to understand financial concepts and apply financial knowledge effectively in practice.

Table-6 Sector of employment and financial knowledge, behavior, attitude and financial literacy

Employment Various fields	Financial knowledge	Financial behavior	Financial attitude	Financial literacy
Self-employed	49%	64%	90%	31%
Agricultural sector	41%	47%	87%	13%
Employed from non-agricultural sector	52%	59%	88%	31%
Employed in the private sector	55%	63%	89%	37%
Employed in the public sector	60%	73%	88%	45%
Student class	61%	38%	86%	26%
Housewife	36%	36%	90%	16%
Retired people	48%	64%	89%	36%
Other	43%	35%	89%	17%

National Center for Financial Education 2019

Graph-6 Sector of employment and financial knowledge, behavior, attitude and financial literacy



The table presents financial literacy across different employment sectors. It shows that the highest level of financial literacy is observed among employees in the government sector (45%), which is higher than in other sectors. In contrast, the lowest level of financial literacy is found among agricultural laborers, at only 13%.

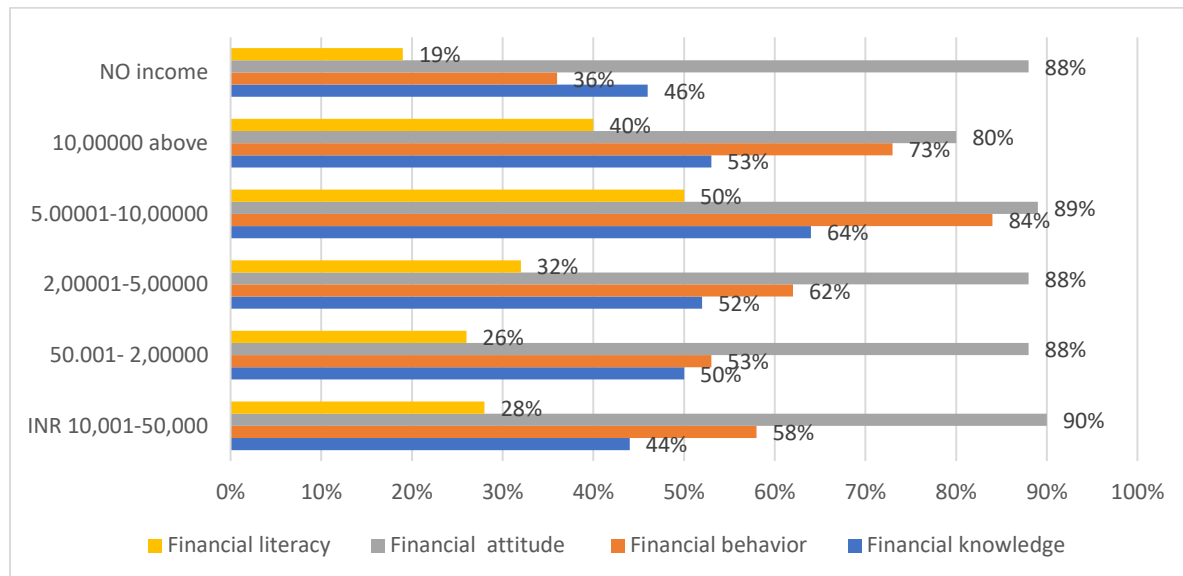
Existing studies support these findings. Chijwani, (2014); Arora, (2016); Anand et al., (2021) Yadav et al., (2023) report that employees in the government sector have greater access to financial education and training programs. In comparison, workers in unorganized sectors often lack such opportunities, as workplace-based financial literacy programs are generally unavailable to them.

Furthermore, the overall lower level of education among agricultural labourers contributes to their lower financial literacy, as limited educational attainment restricts their ability to understand and apply financial concepts effectively.

Table-7 Financial literacy by income group-

Income Group	Financial knowledge	Financial behavior	Financial trend	Financial literacy
INR 10,001-50,000	44%	58%	90%	28%
50,001- 2,00000	50%	53%	88%	26%
2,00001-5,00000	52%	62%	88%	32%
5,00001-10,00000	64%	84%	89%	50%
10,00000 above	53%	73%	80%	40%
NO income	46%	36%	88%	19%

National Center for Financial Education 2019

Graph-7 Financial literacy by income group-

National Center for Financial Education 2019

The above table presents financial literacy across different income groups. It shows that the highest level of financial literacy is observed among individuals in the income group of ₹50,001 to ₹1,000,000, at 50%. In contrast, the lowest level of financial literacy is found among individuals with no income, at only 19%.

Existing literature supports this finding. B. Krishnakumar et al., (2019) stated that individuals with lower income levels tend to have lower financial literacy due to limited access to financial resources, information, and educational opportunities.

Study findings

Financial literacy in rural India is lower than in urban areas, primarily due to limited access to financial facilities and services.

- Financial literacy levels are lower among women compared to men. This is largely due to factors such as family responsibilities, limited educational opportunities, and socio-cultural constraints, particularly among rural women.
- Younger individuals tend to have higher knowledge of modern financial transactions, as they are more familiar with digital technologies and contemporary financial systems.
- Education plays a significant role in enhancing financial literacy, as higher levels of education improve individuals' ability to understand and manage financial matters effectively.
- Financial literacy is higher among government sector employees due to better access to financial education and training. In contrast, individuals engaged in the agricultural sector exhibit lower financial literacy, partly due to lower levels of education.
- Financial literacy generally increases with rising income levels; however, beyond a certain level, the increase may stabilize or decline.

Suggestions

It is essential for the government and financial institutions to focus more on socio-economically disadvantaged groups. To improve financial literacy, targeted financial education and training programs should be implemented. Additionally, establishing financial literacy training centres in or near rural areas would enhance accessibility and awareness among the local population.

References

1. Anand, S., Mishra, K., Verma, V., & Taruna, T. (2021). Financial literacy as a mediator of personal financial health during COVID 19. *Emerald Open Research*, 2, 2 (59), 554-561. <https://doi.org/https://doi.org/10.35241%2Femeraldopenres.13735.2>
2. Arora, A. (2016). Assessment of financial literacy among working Indian women. *Business Analyst*, 36 (2), 219-237. Retrieved from https://www.researchgate.net/profile/Akshita-Arora-2/publication/298790053_Assessment_of_Financial_Literacy_among_working_Indian_Women/links/573acb1308ae9f741b2cba57/Assessment-of-Financial-Literacy-among-working-Indian-Women.pdf
3. B.Krishnakumare, SINGH2, S., & S.NIRANJAN3. (2019). A note on financial literacy and socio-demographic factors. *Pantnagar Journal of Research*, 17 (3), 1-4. <https://doi.org/https://www.gbpuat.res.in/uploads/archive/17.3.15.pdf>
4. Bankwala, DB (2021). An Empirical Study On Financial Literacy And Inclusion In Rural Area Of Surat District. *Veer Narmad South Gujarat University* . Retrieved from <http://hdl.handle.net/10603/369790>
5. Bonga, WG, & Mlambo, N. (2016). Financial Literacy Improvement Among Women in Developing Nations: A Case for Zimbabwe. *Quest Journals, Journal of Research in Business and Management*, 4 (5), 22-31. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2813494
6. Bordoloi, A. (2019). Financial Literacy and the Working Women of the Unorganized Sector with Special Reference to Guwahati City. *International Journal of Innovative Technology and Exploring Engineering*, 9 (2), 4350-4354. <https://doi.org/DOI: 10.35940/ijitee.B7746.129219>
7. Chijwani, M. (2014). A study of financial literacy among working women in Pune. *International Journal for Scientific Research & Development*, 1 (11), 2456-2458. Retrieved from https://d1wqtxts1xzle7.cloudfront.net/61742681/Financial_Literacy_in_working_women_in_Pune20200110-69743-borran-libre.pdf?1578682021=&response-content-disposition=inline%3B+filename%3DFinancial_Literacy_in_working_women_in.pdf&Expires=1696587508&Signatu
8. Czech, K., Ochnio, L., Wielechowski, M., & Zabolotnyy, S. (2024). Financial Literacy: Identification of the Challenges, Needs, and Difficulties among Adults Living in Rural Areas. *Agriculture* , 1-17. <https://doi.org/https://doi.org/10.3390/agriculture14101705>
9. Jayanthi, M., & Rau, S. (2019). Determinants of rural household financial literacy: Evidence from south India. *Statistical Journal of the IAOS*, 35 (2), 299-304. <https://doi.org/DOI 10.3233/SJI-180438>
10. Lusardi, A., & Mitchell, OS (2011). Financial literacy and retirement planning in the United States. *10* (4), 509-525. <https://doi.org/https://doi.org/10.1017/S147474721100045X>
11. Minakshi. (2022). A Study on Challenges and Opportunities in Financial Literacy among Women in India. *International Journal of Creative Research Thoughts*, 10 (7), 456-459.
12. Muthulakshmi.M. (2014). Financial literacy of rural women in tirunelveli district. Manonmaniam Sundaranar University. Retrieved from <http://hdl.handle.net/10603/231504>
13. Piaw, LL, Wen, DL, Audrey, LY, & Abdullah, AL (2020). Digital Financial Literacy A Case Study of Formers from Rural Areas in Sarawak. *International Journal of Education and Pedagogy*, 2 (4), 245-251. Retrieved from <https://myjms.mohe.gov.my/index.php/ijeap/article/view/11612/5569>

14. Rohini, A., C.Monika, & C.Monika. (2015). Financial Literacy Status in the Villages of Kanyakumari District in Tamil Nadu State, India. *Economic Affairs*, 60 (2), 215-218. <https://doi.org/DOI:10.5958/0976-4666.2015.00031.5>
15. Sharma, A., & Johri, A. (2014). Learning and empowerment Designing a Financial Literacy tool tp teach long-term investing to illiterate women in rural India. *Learning, Culture and Social Interaction* , 21-33. <https://doi.org/http://dx.doi.org/10.1016/j.lcsi.2013.10.003>
16. Singh, C., & Kumar, R. (2017). Study of Women's Financial Literacy – A Case of BHU. *Pacific Business Review*, 10 (4), 128-136. Retrieved from http://www.pbr.co.in/2017/2017_month/Oct/13.pdf
17. ula, FM, Hakimi, F., & Assadam, E. (2023). SOCIALIZATION OF ISLAMIC FINANCIAL CONTRACTS AND PRODUCTS AS AN ENDEAVOR TO INCREASE FINANCIAL LITERACY IN RURAL AREA. *Jurnal Pengabdian Masyarakat*, 5 (2), 491-502. <https://doi.org/doi:10.35316/assidanah.v5i2.491-502>
18. Yadav, S., Sridhari, C., & Balkur, P. (2023). A Study on Financial Literacy among Working and Non-working Women in Bangalore. *International Journal of Management*, 10 (3), 101-105. <https://doi.org/https://doi.org/10.34293/management.v10i3.5835>

