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Impact of Financial Literacy on Resilience and Empowerment: Evidence from Women in Rural Bengaluru

Nuzhatul Abrar Siddiqua[1,*], Sathya Narayan[2], Tejas Reddy[3].

[1] Assistant Professor, School of Management, CMR University, Bengaluru.
[2,3.] PG Scholar, Master Business Administration, School of Management, CMR University, Bengaluru.

Email address*: nuzhatul.a@cmr.edu.in
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Abstract: This study examines whether financial resilience transmits the relationship between financial literacy and women's economic empowerment in Bengaluru Rural District, India.

A cross-sectional survey covered 550 women across Doddaballapur, Devanahalli, Hosakote and Nelamangala taluks. The sample was proportionally distributed across the four taluks and exceeded the calculated minimum of 384. Measures covered financial knowledge, behaviour and attitude; budgeting, planning, cushion, debt management and strategic spending; and five empowerment domains. The archived analysis used descriptive statistics, Friedman tests, MANOVA and covariance-based structural equation modelling.

Financial literacy positively predicts financial resilience ($\beta = .258$, $p < .001$), but financial resilience does not predict women's economic empowerment ($\beta = .026$, $p = .538$). Consequently, the proposed mediation mechanism is not supported. Financial attitude is the strongest literacy dimension; budgeting is the strongest resilience dimension; and economic decision making is the strongest empowerment dimension. The lowest scores occur for financial knowledge, financial planning, and community leadership.

The study identifies a literacy-to-empowerment conversion gap. Knowledge and household coping capacity may be necessary, but they are insufficient where women lack asset control, market access, bargaining power and institutional opportunity.

Keywords: Financial literacy, financial resilience, women's economic empowerment, mediation, rural India, Bengaluru, financial inclusion.

1. Introduction

Financial inclusion has expanded account ownership in India, yet access does not automatically produce active use, resilience or control over economic choices. The Global Findex 2021 reported account ownership of 78% in India and no gender gap in ownership, while also identifying unusually high account inactivity (World Bank, 2022). This distinction between access and agency is central to women's economic empowerment.

Financial literacy can strengthen knowledge, behaviour and attitudes; resilience captures the capacity to budget, plan, maintain a cushion, manage debt and adapt spending. A common policy assumption is that literacy builds resilience and resilience then produces empowerment. However, empowerment also depends on control over resources, intra-household bargaining, labour-market opportunity, mobility and community voice. Individual financial capability may therefore fail to cross the institutional and social boundary into economic agency.

This paper tests that boundary with data from 550 women in Bengaluru Rural District. Its contribution is not another claim that literacy "matters," but evidence that the resilience pathway stops short of empowerment in the reported model.

2. Theory and hypotheses

2.1. Capability, resilience and conversion

Financial literacy combines knowledge, behaviour and attitude *(Lusardi and Mitchell, 2014)*. Financial resilience concerns the resources and practices that allow households to absorb shocks and recover. Women's economic empowerment is broader: it includes financial well-being, decision authority, management, prioritisation and community leadership. A capability perspective distinguishes possession of a resource from the freedom to convert it into valued outcomes *(Kabeer, 1999)*.

- H1: Financial literacy is positively associated with financial resilience.
- H2: Financial resilience is positively associated with women's economic empowerment.
- H3: Financial resilience mediates the relationship between financial literacy and women's economic empowerment.

2.2. Why mediation may fail

Resilience can remain household-protective rather than autonomy-enhancing. Budgeting and debt control may stabilise consumption without changing who controls assets or income. Social norms, mobility restrictions, unpaid care, weak market linkages and limited formal credit can obstruct conversion into empowerment. The empirical question is therefore whether resilience is a bridge or merely a buffer.

3. Method

The study used a quantitative cross-sectional survey in the four taluks of Bengaluru Rural District. Although the methodology initially describes stratification and random selection, the field procedure also states that convenience sampling was used; the design is therefore reported conservatively as quota-guided convenience sampling. The achieved sample was 550: Doddaballapur 166, Devanahalli 117, Hosakote 150 and Nelamangala 117. Forty participants were used for pilot testing. The 74-item pilot instrument achieved α=0.928.

Respondents were assisted in Kannada where required. The sample included 40.2% aged 31–40, 46.5% with high-school education, 76.4% married women, 43.5% self-employed women and 38.5% employed women. Self-report and assisted administration may introduce social-desirability and interviewer effects.

The archived SEM reports maximum-likelihood path estimates and global fit indices. Because the raw data and covariance matrix were unavailable, this manuscript reproduces rather than re-estimates the model.

4. Results

The profiles reveal three bottlenecks: knowledge trails attitude, planning trails budgeting, and community leadership trails household decision making. Friedman tests confirm within-construct differences for literacy (χ^2 = 127.102, df = 2, p < .001), resilience (χ^2 = 267.335, df = 4, p < .001), and empowerment (χ^2 = 143.869, df = 4, p < .001).

Table 1: Dimension-level descriptive statistics (five-point scales).

Construct	Dimension	Mean	SD	Mean %
Financial literacy	Knowledge	3.30	.740	66.0
	Behaviour	3.33	.771	66.6
	Attitude	3.58	.682	71.6
Financial resilience	Budgeting	3.78	.615	75.6
	Planning	3.29	.643	65.8
	Financial cushion	3.43	.569	68.6
	Debt management	3.74	.507	74.8
	Strategic spending	3.59	.652	71.8
Economic empowerment	Financial well-being	3.52	.744	70.4
	Economic decision making	3.81	.557	76.2
	Financial management	3.61	.700	72.2
	Financial prioritisation	3.74	.577	74.8
	Community leadership	3.40	.764	68.0

Table 2: Structural model

Path	B	β	SE	CR	p	Decision
Financial literacy → financial resilience	.148	.258	.024	6.262	<.001	Supported
Financial resilience → economic empowerment	.028	.026	.046	.615	.538	Not supported

Table 3: Model-fit and mediation audit

Index	Reported	Editorial assessment
χ^2 (p)	0.164 (.686)	Consistent with df=1
χ^2/df	.164	Consistent with df=1
CFI / GFI / AGFI	1.000 / 1.000 / .999	Near-perfect fit reflects a near-saturated model
NFI / IFI / TLI	.996 / 1.022 / 1.071	Values >1 signal sampling correction, not "superior" fit
RMSEA	.000	Expected when χ^2 <df; not proof of no error
PGFI	.167	Low parsimony

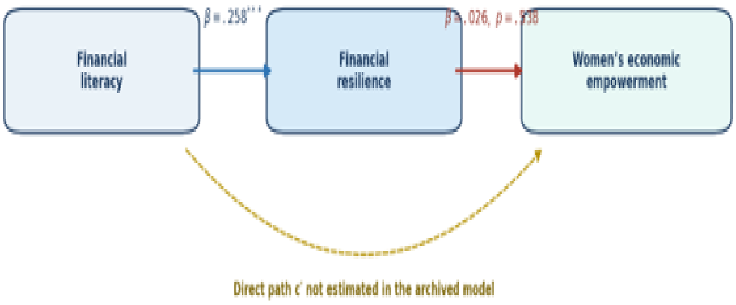

Figure 1: Reported SEM with the unestimated direct path required for a formal mediation test.

The global fit is not informative because the model has only one degree of freedom and two structural paths. More importantly, mediation requires estimates of the total effect (c), direct effect (c′) and indirect effect (ab), preferably with a bootstrapped confidence interval. The archived model omits literacy→empowerment and reports no indirect effect. H3 must therefore be classified as untested by a complete mediation procedure, although the nonsignificant b-path makes the proposed indirect mechanism unlikely.

5. Discussion

The results distinguish household financial competence from economic agency. Literacy strengthens resilience, but resilience does not independently explain empowerment. This pattern is substantively plausible in rural and semi-urban settings where women may manage budgets and debt while lacking independent control over assets, earnings, mobility or public leadership.

The descriptive hierarchy reinforces the argument. Attitude exceeds knowledge; budgeting exceeds planning; and economic decision making exceeds community leadership. Financial education may improve proximal skills while the distal outcomes that define empowerment remain constrained by institutions and norms.

The finding cautions against evaluating literacy programmes solely through knowledge tests or savings behaviour. Programmes should measure whether women control accounts, initiate transactions, own productive assets, access suitable credit, make independent investment decisions and participate in enterprise and community institutions.

6. Implications

Policy should combine financial education with conversion supports: assisted digital use, safe and affordable credit, enterprise mentoring, market linkages, asset-ownership pathways, childcare and mobility support, and household/community norm interventions. Content should prioritise the weak domains identified here—financial knowledge, forward planning and community leadership—while leveraging strong attitudes and budgeting routines. RBI's financial-education infrastructure and self-help-group channels offer delivery platforms, but programme evaluation should track agency and control, not attendance alone.

7. Limitations and future research

The design is cross-sectional and cannot establish temporal mediation. The sampling description is internally inconsistent, and the sample includes unusually high upper-income and supplementary-income shares for a rural population, limiting external validity. Respondents were targeted partly through familiarity with financial-literacy programmes, creating selection risk. All constructs are self-reported; measurement-model reliability and validity are not reported by construct. Future work should use probability sampling, confirmatory measurement models, cluster-robust estimation by village/taluk and bootstrapped longitudinal mediation with direct and indirect effects.

8. Conclusion

Financial literacy appears to build resilience among women in Bengaluru Rural District, but resilience does not automatically produce economic empowerment. The missing conversion is the paper's central contribution. Knowledge and coping capacity need enabling institutions, resource control and social opportunity before they become durable agency.

Submission note — Insert author identities, ethics approval and consent details, funding/conflict statements, CRediT roles and a journal-compliant data-availability statement. Re-estimate the full mediation model before submission.

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