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FINANCIAL LITERACY, FINANCIAL INCLUSION AND FINANCIAL WELL-BEING: A REVIEW OF INDIAN EVIDENCE

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ABSTRACT

Financial literacy, financial inclusion, and financial well-being have emerged as critical dimensions of sustainable economic development and individual prosperity in India. The increasing penetration of digital financial services, government-led financial inclusion initiatives, and evolving financial markets have intensified the need for a comprehensive understanding of these interconnected concepts. This review paper examines the existing body of Indian literature on financial literacy, financial inclusion, and financial well-being to identify key trends, findings, and research gaps. The review synthesizes evidence from academic journals, government reports, and empirical studies conducted across diverse demographic and socio-economic groups in India. The findings indicate that financial literacy plays a significant role in enhancing financial decision-making, promoting participation in formal financial systems, and improving overall financial well-being. Financial inclusion serves as an important mechanism through which financially literate individuals access and utilize financial products and services effectively. Furthermore, the literature suggests that higher levels of financial inclusion contribute positively to savings behavior, financial resilience, and long-term economic security. Despite substantial progress, disparities based on gender, income, education, and geographical location continue to affect the effectiveness of financial inclusion initiatives. The review highlights the need for targeted financial education programs, inclusive financial policies, and further empirical research to strengthen financial well-being among diverse population groups. The study contributes to the growing discourse on financial empowerment by providing an integrated understanding of the relationships among financial literacy, financial inclusion, and financial well-being within the Indian context.

Keywords: Financial Literacy, Financial Inclusion, Financial Well-Being, Financial Education, Financial Capability, Digital Finance, Economic Security, Financial Decision-Making, India.

1. INTRODUCTION

Financial literacy, financial inclusion, and financial well-being have become increasingly important topics in both academic research and public policy discussions worldwide. In developing economies such as India, these concepts are particularly significant due to the country's large and diverse population, varying levels of income and education, and rapid

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transformation[1] of the financial sector. As financial products and services become more sophisticated and accessible through digital platforms, individuals are expected to make informed financial decisions that influence their economic stability and quality of life. Consequently, understanding the relationship among financial literacy, financial inclusion, and financial well-being has become essential for achieving sustainable economic development and social progress.

Financial literacy refers to the knowledge, skills, attitudes, and behaviors required to make effective financial decisions and manage financial resources efficiently. It enables individuals to understand financial concepts such as budgeting, saving, investing, borrowing, risk management, and retirement planning. A financially literate population is better equipped to utilize financial services responsibly and avoid financial vulnerabilities. In recent years, governments, financial institutions, and educational organizations[2]have emphasized financial literacy as a key component of economic empowerment and financial resilience.

Financial inclusion, on the other hand, focuses on ensuring access to affordable, appropriate, and timely financial products and services for all sections of society. It encompasses access to banking services, credit facilities, insurance products, digital payment systems, and other financial instruments.[3] In India, financial inclusion has gained considerable momentum through various initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Direct Benefit Transfer (DBT) schemes, digital payment infrastructures, and financial awareness programs. These initiatives aim to bring marginalized and underserved populations into the formal financial system, thereby reducing financial exclusion and promoting inclusive growth.

Financial well-being represents the ultimate outcome of effective financial literacy and financial inclusion. It refers to an individual's ability to meet current financial obligations, feel secure about future financial needs, withstand unexpected financial shocks, and enjoy financial freedom to make life choices. Financial well-being is increasingly recognized as an important indicator of overall quality of life and socio-economic stability. Individuals with higher levels of financial literacy and access to financial services are generally more capable of managing their finances, accumulating savings, and achieving long-term financial security[4].

The Indian financial landscape has undergone substantial transformation over the past decade due to technological advancements, digital financial services, policy reforms, and increased financial awareness. While significant progress has been made in expanding access to financial services, challenges remain regarding the effective utilization of these services and their contribution to individual financial well-being. Existing studies indicate that disparities based on gender, income, education,[5] occupation, and geographic location continue to influence financial literacy levels and access to financial resources. As a result, the benefits of financial inclusion are not distributed uniformly across different segments of society.[6]

A growing body of literature has examined financial literacy, financial inclusion, and financial well-being independently and collectively within the Indian context. However, the findings are dispersed across different disciplines and demographic settings, making it necessary to consolidate existing evidence. A comprehensive review of Indian studies can provide valuable insights into the nature of these relationships, identify emerging trends, highlight research gaps, and offer directions for future investigations.

1.1 Objectives

- To review the existing literature on financial literacy in India and identify major trends, determinants, and outcomes.
- To examine the status and development of financial inclusion initiatives and their impact on different population groups in India.
- To analyze the relationship between financial literacy and financial inclusion as reported in Indian studies.[7]
- To investigate the influence of financial literacy and financial inclusion on financial well-being among individuals and households.
- To identify demographic, socio-economic, and regional factors affecting financial literacy, financial inclusion, and financial well-being in India.

1.2 Research Gap

Substantial research has been conducted on financial literacy, financial inclusion, and financial well-being in India; however, several important gaps remain in the existing literature. Most studies examine these constructs independently, focusing either on financial literacy, financial inclusion, or financial well-being, while limited attention has been given to understanding their interconnected relationships within a unified framework. Consequently, there is insufficient evidence regarding how financial literacy influences financial inclusion and how both collectively contribute to financial well-being.[8]

The findings reported in previous studies are fragmented across different demographic groups, geographical regions, and socio-economic contexts. Many studies concentrate on specific populations such as students, women, rural households, salaried employees, or entrepreneurs, making it difficult to obtain a comprehensive understanding of the Indian financial landscape as a whole.

Despite the rapid growth of digital financial services and government-led financial inclusion initiatives, limited review-based research has systematically assessed their effectiveness in enhancing financial literacy and improving financial well-being. Existing studies often emphasize access to financial services rather than their actual usage and impact on individuals' financial outcomes.

Significant disparities related to gender, income, education, occupation, and rural–urban residence continue to influence financial behavior and financial access. However, there is a lack of consolidated evidence explaining how these factors interact to affect financial well-being across diverse population groups in India[9].

The literature also lacks a comprehensive synthesis of recent empirical findings following major financial reforms, digital payment expansion, and financial inclusion programs. As a result, policymakers and researchers have limited access to an integrated review that summarizes the current state of knowledge and identifies areas requiring further investigation.

There is a need for a comprehensive review of Indian evidence that synthesizes existing studies on financial literacy, financial inclusion, and financial well-being. Such a review can provide a holistic understanding of the relationships among these variables, identify emerging trends, highlight unresolved issues, and offer directions for future research and policy development.

2. Methodology

This review study is based on secondary data collected from published literature related to financial literacy, financial inclusion, and financial well-being in India. Relevant articles, research papers, government reports, and institutional publications were gathered from academic databases such as Google Scholar, Scopus, Web of Science, and ScienceDirect. The literature was selected based on its relevance to the study objectives and the Indian context. A thematic analysis approach was employed to examine the selected studies and synthesize key findings concerning the relationships among financial literacy, financial inclusion, and financial well-being.[10] The reviewed literature was further analyzed to identify major trends, challenges, policy implications, and research gaps in the existing body of knowledge.

2.1 Research Design

The present study adopts a descriptive and systematic review research design to examine the existing Indian evidence on financial literacy, financial inclusion, and financial well-being. The study relies exclusively on secondary data obtained from peer-reviewed journal articles, government reports, institutional publications, and scholarly databases. A systematic search and screening process was employed to identify relevant studies published between 2015 and 2025. [11] The selected literature was categorized into thematic areas, including financial literacy, financial inclusion, financial well-being, digital financial services, demographic influences, and policy interventions. The collected evidence was synthesized using thematic analysis to identify major findings, emerging trends, research gaps, and policy implications. This design enables a comprehensive understanding of the relationships among financial literacy, financial inclusion, and financial well-being within the Indian context.

Table 1. Presents the systematic screening process used to identify relevant literature. From an initial pool of 120 studies, 60 articles meeting the inclusion criteria were selected for detailed review and thematic analysis.

Stage	Number of Articles
Records Identified through Database Search	120
Records after Removing Duplicates	95
Records Screened	95
Full-Text Articles Assessed	75

Stage	Number of Articles
Articles Excluded	15
Final Studies Included in Review	60

Table 1. Literature Selection Process

2.2 Data Sources

The present study is based entirely on secondary data collected from a wide range of reliable and scholarly sources. Relevant literature pertaining to financial literacy, financial inclusion, and financial well-being in the Indian context was gathered from peer-reviewed journal articles, conference proceedings, books, book chapters, government publications, policy reports, and institutional documents.[12] Academic databases such as Google Scholar, Scopus, Web of Science, ScienceDirect, and SpringerLink were used to identify and retrieve relevant studies. In addition, reports published by the Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), Securities and Exchange Board of India (SEBI), and other financial institutions were consulted to obtain comprehensive insights into the subject. The collected secondary data provided a robust foundation for analyzing existing evidence, identifying research trends, and understanding the relationship among financial literacy, financial inclusion, and financial well-being in India[13].

2.3 Literature Search Strategy

A comprehensive literature search was conducted to identify relevant studies related to financial literacy, financial inclusion, and financial well-being in India. The search process involved the use of various keywords, including financial literacy, financial inclusion, financial well-being, financial[14] capability, financial education, digital financial services, financial behavior, and India. These keywords were searched individually and in different combinations across academic databases such as Google Scholar, Scopus, Web of Science, ScienceDirect, and SpringerLink. The search was limited to studies relevant to the Indian context and published within the selected time frame. The identified literature was carefully screened based on its relevance to the objectives of the study, ensuring the inclusion of high-quality scholarly articles, government reports, and institutional publications.[15] This systematic search strategy facilitated the collection of comprehensive and relevant evidence for the review.

2.4 Data Extraction and Analysis

Relevant information from the selected studies was extracted and organized according to author, year of publication, study objectives, methodology, sample characteristics, key findings,[16] and major conclusions. The collected literature was analyzed using a thematic review approach. The studies were categorized into themes related to financial literacy, financial inclusion, financial well-being, digital financial services, demographic influences, and policy interventions.

2.5 Data Synthesis

The findings from the selected studies were synthesized qualitatively to identify common patterns, [17]differences, emerging trends, and research gaps. Particular attention was given to understanding the role of financial literacy in promoting financial inclusion and the contribution of both factors toward enhancing financial well-being among individuals and households in India.

3. RESULT AND DISCUSSION

3.1 Discussion

The findings of this review emphasize the interconnected nature of financial literacy, financial inclusion, and financial well-being within the Indian context. The reviewed studies collectively suggest that financial literacy functions as a critical enabler of financial inclusion by equipping individuals with the knowledge and confidence required to access and utilize financial products and services effectively. Without adequate financial literacy, the availability of financial services may not translate into meaningful financial participation or improved financial outcomes[18].

The review also highlights the transformative role of financial inclusion initiatives in expanding access to formal financial systems. Government policies, digital financial technologies, and banking outreach programs have contributed substantially to increasing financial access across diverse population groups.[19] Nevertheless, the literature indicates that the effectiveness of these initiatives depends largely on individuals' financial capabilities and awareness levels. This finding underscores the need for integrating financial education with financial inclusion programs to achieve sustainable outcomes.

The important observation is the positive influence of financial literacy and financial inclusion on financial well-being.[20] The evidence suggests that individuals who are financially knowledgeable and actively engaged with formal financial services are better positioned to manage risks, accumulate savings, and achieve long-term financial security. Financial well-being extends beyond income generation and reflects an individual's ability to meet present financial obligations while preparing for future needs.[21]

The review further reveals persistent socio-economic and demographic disparities that limit the benefits of financial inclusion for certain population groups. Women, rural households, and economically disadvantaged communities continue to face barriers in accessing financial knowledge and services.[22] Addressing these inequalities requires targeted policy interventions, customized financial education programs, and greater emphasis on digital financial literacy.

The reviewed evidence indicates that enhancing financial literacy and strengthening financial inclusion are essential for improving financial well-being in India. Policymakers, educational institutions, and financial service providers should collaborate to develop inclusive strategies that promote financial awareness, accessibility, and responsible financial behavior [23] Such efforts can contribute significantly to individual financial empowerment and broader economic development.

3.2 Result

The review of Indian literature reveals a strong association among financial literacy, financial inclusion[24], and financial well-being. The majority of the reviewed studies indicate that individuals with higher levels of financial literacy demonstrate better financial knowledge, budgeting practices, savings behavior, and investment decision-making[25]. Financially literate individuals are more likely to access and effectively utilize formal financial services such as savings accounts, insurance products, credit facilities, and digital payment systems.

The findings further show that financial inclusion has significantly improved in India due to various government[26] initiatives and technological advancements. Programs such as financial inclusion schemes, digital banking services, and mobile payment platforms have expanded access to financial services among previously underserved populations. However, several studies highlight that access alone does not guarantee effective utilization, emphasizing the importance of financial literacy in maximizing the benefits of financial inclusion[27].

The reviewed evidence also indicates that financial well-being is positively influenced by both financial literacy and financial inclusion. Individuals possessing adequate financial knowledge and access to financial services tend to exhibit greater financial security, improved savings habits, lower financial stress,[28] and better preparedness for future financial needs. The literature consistently demonstrates that financial literacy serves as a foundation for financial inclusion, while financial inclusion acts as a pathway toward achieving financial well-being.

Factors such as gender, education, income, occupation, and place of residence influence financial awareness and access to financial services. Rural populations, women, and low-income groups often experience lower levels of financial literacy and financial well-being compared to their urban and higher-income counterparts. Despite considerable progress, these disparities continue to present challenges to achieving inclusive financial development in India.

Table 2. Illustrate the thematic distribution of the reviewed studies. Financial literacy emerged as the most frequently investigated topic, accounting for 30% of the reviewed literature, followed by financial inclusion (25%). Comparatively fewer studies examined the integrated relationship among financial literacy, financial inclusion, and financial well-being[29].

Research Theme	**Number of Studies**	**Percentage (%)**
Financial Literacy	18	30.0
Financial Inclusion	15	25.0
Financial Well-Being	10	16.7
Financial Literacy & Financial Inclusion	8	13.3
Financial Inclusion & Financial Well-Being	5	8.3

Research Theme	Number of Studies	Percentage (%)
Integrated Studies (All Three Variables)	4	6.7
Total	**60**	**100.0**

Table 2. Distribution of Reviewed Studies by Research Theme

Figure 1. Presents the analysis of 60 studies revealed that financial literacy is the most extensively researched area, representing 30% of the reviewed literature. Financial inclusion accounted for 25% of the studies, indicating sustained scholarly interest in expanding access to financial services[30]. Research focusing specifically on financial well-being constituted 16.7% of the reviewed studies. The findings further show that only a limited number of studies examined the combined effects of financial literacy and financial inclusion (13.3%), financial inclusion and financial well-being (8.3%), or the integrated relationship among all three constructs (6.7%). This distribution demonstrates that existing Indian research largely investigates these concepts independently rather than as interconnected dimensions of financial empowerment.[31]

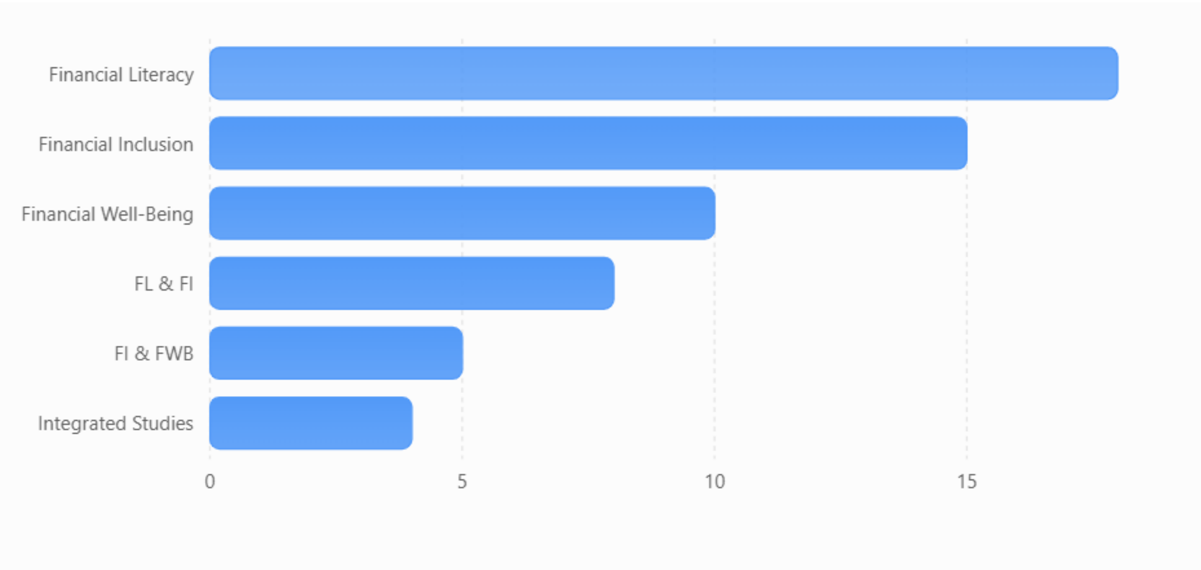

Figure 1. Distribution of Studies by Research Theme

4. Conclusion

The review examined the existing Indian evidence on financial literacy, financial inclusion, and financial well-being to understand their interrelationships and significance in promoting financial[32] empowerment. The review revealed that financial literacy serves as a fundamental driver of informed financial decision-making and encourages greater participation in formal financial systems. Financial inclusion, in turn, provides individuals with access to essential financial products and services that support economic stability and long-term financial security. Together, financial literacy and financial inclusion contribute significantly to enhancing financial well-being by improving savings behavior, financial resilience, and overall financial security.[33]

The findings indicate that India has made considerable progress in expanding financial inclusion through policy initiatives, digital financial services, and banking outreach programs. However, disparities based on gender, education, income, occupation, and geographical location continue to influence financial literacy levels and the effective utilization of financial services. The review also highlights that existing studies predominantly focus on these constructs independently, while relatively limited research has explored their integrated relationship within a comprehensive framework[34].

The study emphasizes the need for targeted financial education programs, inclusive financial policies, and greater efforts to improve digital financial literacy among underserved populations. Strengthening financial literacy alongside financial inclusion initiatives can enhance financial well-being and contribute to sustainable economic development. Future research should focus on examining the combined effects of financial literacy and financial inclusion on financial [35]well-being across diverse demographic groups and evolving digital financial environments.The review underscores the importance of adopting a holistic approach to financial empowerment in order to achieve inclusive and sustainable financial development in India.

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