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Financial Literacy As A Determinant Of Financial Inclusion: An Empirical Study Of Rural Households In India

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KEYWORDS

Financial Literacy, Financial Inclusion, Rural Households, Jharkhand, Banking Access, Digital Finance, Economic Development.

ABSTRACT

Financial inclusion has been found to be an urgent policy of inclusive economic development, especially in rural India where formal financial services access is skewed. This paper will discuss financial literacy as a major factor that determines financial inclusion among rural households in Jharkhand. The study is grounded on primary data obtained through the use of structured questionnaire comprising 60 respondents on a Likert scale. The research design is descriptive and the statistical tests including the percentage analysis and regression analysis using SPSS are used to investigate the relationship between the variables. The results show that there is a moderate positive relationship between financial literacy and financial inclusion that is statistically significant. The regression analysis indicates that the financial literacy level explains 33.8 percent of the variation in financial inclusion, which is significant in determining the financial behaviour. Demographics indicate that financial inclusion differs in relation to education, occupation and gender. The research points to the fact that the effective use of banking services, digital payments, and financial schemes can be improved through financial knowledge. It concludes that financial literacy is an important element that facilitates financial inclusion and curbs economic inequalities in rural communities. The results can offer helpful data to policymakers to create specific financial education frameworks and enhance financial ecosystems in the rural areas..

1. INTRODUCTION

In India, fair economic growth is now significantly influenced by rural financial inclusion and literacy. Due to these two factors, millions of people who live in isolated and agriculturally dependent areas are able to participate in the official financial system. Because financial inclusion gives rural residents access to banking, credit, insurance, and digital payment systems, they are able to abandon old cash methods. In addition, financial literacy gives consumers the information and abilities they need to manage their money, use these financial services effectively, and make wise financial decisions. Together, they improve financial stability, reduce poverty, and promote inclusive development in rural areas.

Financial inclusion is defined as a process of providing low-cost, timely and trusted financial services to underserved and marginalized groups of people, including savings accounts, credit access, insurance coverage, pension plans, and electronic payment systems. Financial literacy, in its turn, is devoted to the improvement of the knowledge of people about financial aspects such as budgeting, saving, borrowing, investing, online banking, and the ability to avoid financial fraud. In India, the two are closely related in the rural setting. Financial knowledge without proper access to financial services may result in improper use or under-utilization of the financial products, whereas financial knowledge without proper access to financial services may be more of a figment of imagination and useless. Consequently, to be financially empowered, it is necessary to strengthen access and knowledge at the same time.

India has achieved impressive strides in enhancing financial inclusion especially in rural communities in the past few years. The RBI Financial Inclusion Index stood at 67.0 at the end of March 2025 which is much higher than 64.2 at the end of March 2024 and an appreciation of 24.3 percent since its inception in 2021. The index evaluates financial inclusion by using three pillars, which are Access (35 percent weight), Usage (45 percent), and Quality (20 percent). The quality element consists of monetary literacy, consumer protection and redressal of grievances. The quality and usage pillars have improved, which means that the level of literacy campaigns, digital banking awareness, and improved service delivery in the rural areas are increasing (Kyeyune & Ntayi, 2024)..

One of the biggest factors in this development has been the flagship financial inclusion programme by the government dubbed Pradhan Mantri Jan Dhan Yojana. By the beginning of March 2026, the scheme has enabled over 57.81 crores bank accounts to be opened in the country. Majority of these accounts are in rural and semi-urban areas with about 45.19 crore accounts in the rural and semi-urban regions. The number of women who are beneficiaries is also a large proportion as they represent approximately 32.23 crore accounts, which is almost half. The deposits through the scheme have been 2.98 lakh crore and over 40 crore Repays debit cards have been issued to account holders. The earlier statistics of March 2025 have shown 55.02 crore total accounts which include 36.63 crore in rural and semi-urban regions proving that rural involvement remains to prevail in the finance inclusion strategies.

A number of complementary financial plans have also empowered the financial ecosystem of the rural Indian population. Pradhan Mantri Suraksha Bima Yojana offers cheap accident insurance and was enrolled more than 50 crore individuals whereas Pradhan Mantri Jeevan Jyoti Bima Yojana provides life insurance cover and has registered up to 23 crore beneficiaries. Atal Pension Yojana has gained over 7.65 crore subscribers of which females constitute approximately 48 percent of all subscribers. Also, the Kisan Credit Card program is serving approximately 7.72 crore farmers by issuing them with affordable farming credit. Financial participation has also been increased due to the increase in the digital payment infrastructure through the Unified Payments Interface, and billions of transactions are made each month. Rural access to digital finance has increased at a very high pace because of the combination of banking, identification, and mobile connection over the JAM Trinity, the combination of Jan Dhan accounts, Aadhaar identification, and mobile connectivity (PIB, 2025a).

In a bid to enhance financial literacy at the grassroot level, some of the targeted programs have been established in rural India. Reserve Bank of India Centres on Financial Literacy, which was established in 2017, is important in terms of informing rural communities about financial products and responsible financial behaviour. By March 31, 2025, 2,421 Centres are set to have been established in the country, with each centre normally comprising three blocks. These centres are involved in community-based training programmes and sensitization with the view of enhancing the financial decision-making process among the rural communities.

Moreover, the National Bank of Agriculture and Rural Development promote different financial and digital literacy programmes with the help of rural banks, Financial Literacy Centres, and awareness camp in villages. Several of these programmes are executed with Self-Help Groups (SHGs), in which the participants undergo training on account management, use of credit, and instilling creditworthiness, and use of digital financial services. These efforts empower the grassroots financially and promote the sound borrowing and saving behaviour.

Financial education and inclusion have also been facilitated at the policy-level. The National Strategy of Financial Education 2020-25 took the model of 5-C of Content, Capacity, Community, Communication and Collaboration to increase financial awareness in the country. On this basis, in December 2025, the Reserve Bank of India published the National Strategy on Financial Inclusion 2025, 2030, which presented a Pancha-Jyoti framework which comprises five key goals. These involve offering fair and affordable household and micro-enterprise financial services and being gender inclusive in financial inclusion, connecting livelihood progress with financial access, reinforcing financial education to help in-still financial discipline, and enhancing customer security and grievance recompense mechanisms. The plan contains 47 action points specifically that will address the enhancement of the last-mile financial service delivery in the country.

Additional sources of rural financial inclusion include grassroots financial infrastructure in the form of Bank Mitras and digital correspondents. Over 13.55 lakh Bank Mitras are currently functioning in India, which allows last-mile banking services in the remote areas. Other government campaigns like account saturation campaigns have also streamlined the inclusion efforts; an example is a one-month long campaign in July 2025 that saw 6.65 lakh new Jan Dhan accounts opened. In conjunction with all these, cyber-fraud awareness programmes and digital literacy campaigns are being carried out so that the population of the rural areas not only access the financial services, but also use them in a safe and responsible manner (PIB, 2025b).

Review of Literature

Pandey et al., (2025) This study examines the effects of key financial inclusion (FI) drivers, including usage, digitization, technology, and gender perspective, on the success of financial inclusion in North India, with financial literacy (FL) acting as the mediating variable, in light of the need to assess the effectiveness of FI interventions. The direct effect of financial initiatives on FIs' outcomes is also discussed in the study. Primary data on 1510 clients of banks in the public and private sectors was gathered using a standardized questionnaire. The data was analyzed using partial least squares structural equation modeling, or PLS-SEM. The findings show that consumption, digitalization, and technology all contribute significantly to FI, and that the employment of FL as a mediator amplifies these effects. The success of financial inclusion is measured by economic and social empowerment, and the results show that financial efforts significantly and favorably contribute to financial inclusion success. The mediating function of FL even amplifies the impact of financial education on inclusion initiatives, highlighting the significance of financial education in inclusion efforts. These results provide useful suggestions for policymakers who want to reduce gender and income inequality, encourage economic and social empowerment, and expand access to financial services, particularly in underserved rural regions. Additionally, the findings

align with the emerging methods to open innovation, which suggest cooperative, technologically advanced, and easily navigable financial solutions that may be used to more effectively expand inclusion.

Kanungo (2025) In the Puri district of Odisha, India, this study investigates the link between digital financial literacy (DFL) and modes of digital operations (DOP), digital financial inclusion (DFI), access to digital infrastructure, and the reason for utilizing digital financial services (DFS). The research specifically views DOP as a mediating variable and examines how the efficient use of digital financial services is impacted by the dependence on others for digital operations. It is analyzed using primary data collected from 776 respondents using a standardized questionnaire. To estimate and infer the suggested hypotheses and model associations with high statistical significance, the study used the Bootstrap approach in conjunction with Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings demonstrate a robust and favorable relationship between digital financial inclusion and digital financial literacy, particularly with regard to the possession and use of digital financial services. Furthermore, it has been shown that people's usage of digital financial services is significantly impacted by digital financial inclusion. Even though more people are using digital methods to conduct various financial transactions, the study finds that true inclusivity is still low because a sizable portion of the population still needs assistance from others in order to complete digital transactions, which prevents users from using it independently. Additionally, the results show that there is a digital gap based on geographic location and age, which affects accessibility and effective usage of digital financial services. By identifying DFL as a higher-order construct that encompasses the ability to use digital money services, financial literacy, and awareness of digital processes, as well as by introducing DOP as an intermediary to construct a more economical and comprehensive model of digital financial inclusion, the research contributes to the body of existing literature. Overall, the findings may help policymakers create targeted actions to enhance digital inclusion.

Debnath & Paul (2024) examined the level and determinants of financial inclusion among rural families in the Barak valley area of Assam, as well as the dearth of household-level research on financial inclusion (FI) in Northeast India. In accordance with the framework established by the Reserve Bank of India (RBI), the research expands upon a Composite Financial Inclusion Index (CFII) utilizing primary data on the chosen rural households using many characteristics, such as availability, utilization, and quality of financial services. To create the index, qualitative elements like living conditions, use, and access to financial services are transformed into binary variables. In order to get a robust assessment of the relationship between socioeconomic characteristics and the degree of financial inclusion, the research used a logistic-transformed linear regression model to identify the key drivers of financial inclusion. The findings indicate that the research area's rural households' overall level of financial inclusion is lower than the RBI's 2022 national average figures, indicating that the disparities in access to and use of formal financial services remain. The empirical results show that economic capacity and human capital are significant characteristics that define financial access and participation, and that income, education, quality of living, and employment have a significant impact on the degree of financial inclusion.

Maji & Laha (2023) Financial literacy (FL) is important in improving financial decision-making, financial inclusion, and overall economic welfare of people especially in agrarian economies such as India. This is a modest attempt to gauge the level of financial literacy among Indian farmers and identify the key components of financial literacy. The Financial Inclusion Insight Survey, 2017, which gathered secondary data on 11,030 farmers throughout the nation, will serve as the foundation for the research. The Standard and Poor Global Financial Literacy questions, which ensure the use of a trustworthy and internationally comparable framework, are used to evaluate the respondents' knowledge of finances. The study will employ the appropriate statistical tools and sophisticated econometric techniques, such as censored Tobit regression and generalized structural equation models, to analyze the factors that influence financial literacy. This will allow for a comprehensive assessment of both the latent and observed relationships among variables. Financial illiteracy is widespread in the agricultural sector, according to the findings, which show that Indian farmers have a poor level of financial literacy with an average score of only 33%. The survey also notes that there are notable regional variations in the degree of financial literacy across different parts of India. In addition to regional variations, a number of socioeconomic and demographic factors—such as the type of farming being done, state-level agricultural productivity, gender, marital status, age, educational attainment, and degree of financial inclusion—have been shown to have a substantial impact on farmers' financial literacy. The study's emphasis on a research gap on farmers' financial literacy, particularly in rising countries like India, and its use of a large and comprehensive dataset to provide more insights into the factors influencing financial literacy make it appropriate for the present literature.

Pandey et al. (2022) The present study examines how successful we have been in promoting financial inclusion and how financial initiatives, financial literacy, and financial inclusion (FI) drivers affect sustainable development. Digitalization, technology, and consumption are the FI aspects that need to be considered. Instead of following the same route, this study investigates how financial literacy acts as a mediator between the drivers and sustainable development. Understanding if mediation may enhance the impact of FI drivers on sustainable development is the basic goal. In order to achieve sustainable development, it is crucial to understand how consumers see FIs' accomplishment of the SDGs, namely SDGs 1, 3, 5, 8, 9, 10, 11, and 17 in relation to poverty alleviation, gender inequality elimination, and industrial growth. The authors use PLS-SEM analysis to investigate how financial initiatives, financial literacy, and FI drivers affect sustainable development. The results highlight how FinTech, use, and digitization emerged as some of the key forces propelling FI. Through the mediation

of financial literacy, the research evaluates both the direct and indirect effects of FI drivers on sustainable development. This underscores the importance of financial literacy in highlighting the drivers' contribution to sustainable development. However, financial initiatives can have a good impact on sustainable development in northern India.

Kandari et al. (2021) The study's goal is to examine the relationships between financial inclusion and other socioeconomic and demographic factors in Uttarakhand's rural communities. The following metrics are used to measure financial inclusion: bank account ownership, credit facility availability, and mobile banking services. In order to widen and cover all rural regions, 780 rural homes in three hill districts were chosen using a combination of stratified and judgment sampling. This study is based on primary data. The association between financial inclusion and explanatory factors is investigated using a binary logistic regression model, which allows for robust assessment of the likelihood that individuals would utilize formal financial systems. Because access to and usage of financial services are significantly impacted by income, education, and financial literacy, the findings have shown a substantial association between socioeconomic characteristics and financial inclusion. It is noteworthy that the results show that people in these remote hill communities who are more financially educated are more likely to have a bank account, have access to credit, and have mobile banking services. Concurrently, the study indicates the existence of gender-based disparities as women are more likely than males to use credit facilities and mobile banking, which is an indication of persistent structural and societal injustices. One of the main drivers of financial inclusion, according to the general evaluation, is the need to increase financial literacy. Based on the study's findings, the researchers think that policymakers should focus on the population's economically disadvantaged segments, particularly those who are less financially involved, and develop targeted interventions to improve financial accessibility and awareness. These will help close the existing socioeconomic disparities in rural Uttarakhand and promote more inclusive financial development.

Azeez & Akhtar (2021) The digitalization of banking and financial institutions has altered access and delivery of financial services in a major way, especially due to the rapid change of digitalization taking place. However, despite the expansion of digital communication channels, a sizable segment of the populace—particularly in rural areas—remains unable to conduct financial transactions. This disparity highlights the growing need of digital financial literacy—the skills, understanding, and mindset required to effectively use digital financial tools and platforms. Since it enables people to participate in the official financial system with trust and safety, digital financial literacy is widely recognized as a prerequisite for genuine financial inclusion. The main factors influencing digital financial literacy in rural families are examined in this study, with a focus on socioeconomic and demographic factors. The study uses Ordinary Least Squares (OLS) multiple regression analysis to ascertain how independent variables—such as age, gender, income, religion, social group, family size, marital status, educational attainment, and occupation—affect respondents' degree of digital financial literacy. The research is backed by primary data collected from 500 rural residents of the Aligarh area using a standardized questionnaire. The research will identify the major factors that promote or discourage digital financial activity by examining how these factors contribute to variations in digital financial literacy. In order to improve digital financial literacy and, consequently, enable inclusive and equitable access to financial services for rural populations, policymakers, financial institutions, and development agencies are expected to find great value in the findings when creating special interventions and awareness campaigns.

Kaur & Kapuria (2020) It is well known that access to finance is one of the effective tools that can be used to enhance economic growth, social integration, and women empowerment in rural India. Here, the current research analyses the factors that affect the access of the households to institutional and non-institutional sources of finance with the specific emphasis on the disparities between the male headed households (MHHs) and female headed households (FHHs). The analysis classifies access to finance into four different categories namely only institutional finance (IF), only non-institutional finance (NIF), both sources of finance (BF) and neither source of finance (N). To measure the effect of both household-level and state-level factors on these sets of financial access, a multinomial logistic regression model will be used. The paper makes use of the household-based data of the Situation Assessment Survey (NSSO, 70th round) and provides supplementary data on the state level through the Basic Road Statistics 2016, Agricultural Statistics at a Glance 2016, Rainfall Statistics of India 2014, RBI database on the Indian economy, and Census 2011. To capture different patterns, separate econometric estimations are made of FHHs, MHHs and pooled households. Four major insights have been found. To begin with, FHHs are less likely to access institutional finance and more dependent on non-institutional sources than MHHs are. Second, higher education, more household consumption expenditure, larger landholdings, more irrigated land and improved banking penetration are significant in terms of increasing the likelihood that FHHs will access institutional finance. Third, FHHs of socially disadvantaged castes have limited access to institutional finance. Lastly, a significant percentage of FHHs do not have access to institutional and non-institutional financial systems. The paper highlights the necessity of inclusive financial policies and specific operations to improve access to finance by women, which would lead to less poverty and a decrease in income inequality in rural India.

Dar & Ahmed (2020) The most important aspects of financial inclusion, the barriers preventing them from accessing formal financial institutions, and the forces behind informal financial activity in India will all be examined in this essay. The Global Findex Database (2017), which contains comprehensive information on people's financial behavior, serves as the foundation for the data analysis. A number of factors, including having formal accounts, using accounts to save money and

get loans, and having and using debit cards, are used to measure the indicators of financial inclusion. To ascertain the impact of the socioeconomic factors, independent variables such as age, income, gender, and education are included in the study. The study use the Probit regression model to draw statistically meaningful conclusions when the dependent variables are binary. The findings show that all of the selected socioeconomic factors—gender, age, income, and education—have a significant impact on India's degree of financial inclusion. These variables have a significant influence on the reliance on unofficial financial behaviors like borrowing and saving, in addition to determining access to formal financial services. The results show that the poor, particularly women and those with lower levels of education and better economic standing, face more barriers to using formal financial services, which increases their reliance on unofficial financial systems. The study acknowledges that a composite financial inclusion index could be a more powerful tool for measuring financial inclusion even if it uses a variety of metrics to represent different aspects of financial inclusion. The results have important policy implications since creating inclusive financial systems may depend on the development of targeted initiatives to raise income, education, and financial literacy, especially among women. The research may contribute to the body of literature since it not only identifies the factors that encourage and hinder financial inclusion, but it also gives policymakers who want to create effective policies to reduce financial exclusion and encourage formal engagement in finance vital information.

Statement of Problem

Limited financial literacy restricts effective utilization of formal financial services among rural households in Jharkhand.

Despite increased access, inadequate financial knowledge hinders meaningful financial inclusion in rural populations.

Objectives of the Study

To examine the impact of financial literacy on financial inclusion among rural households in Jharkhand.

To analyse the level of financial inclusion across different socio-economic groups.

Research Methodology

Research Design

To determine the best strategy for a given set of research goals and variables, a study design is used. The research questions developed during the project's first phase may be used to create a methodical strategy for data collecting and analysis. In order to investigate financial literacy as a factor influencing financial inclusion, this article will use a descriptive research approach. There are several ways to conduct a descriptive research, including qualitative and quantitative methods. Both quantitative and qualitative research methodologies were used in this study. It's a conflicted strategy. Declaring the investigation's aims and objectives as well as gathering and analyzing participant data are essential steps in the research process. This study focuses on financial literacy as a factor that influences financial inclusion.

Research Approach

The most significant aspect of the project is the technique of a study. The identification of the appropriate research strategy will also rely on the goals of the A study of the financial literacy as a determinant of financial inclusion survey research methods. It will be done by using the already developed questionnaires to collect the information. In the survey, the respondents can opt to use both the structured and the free questions.

Research variables

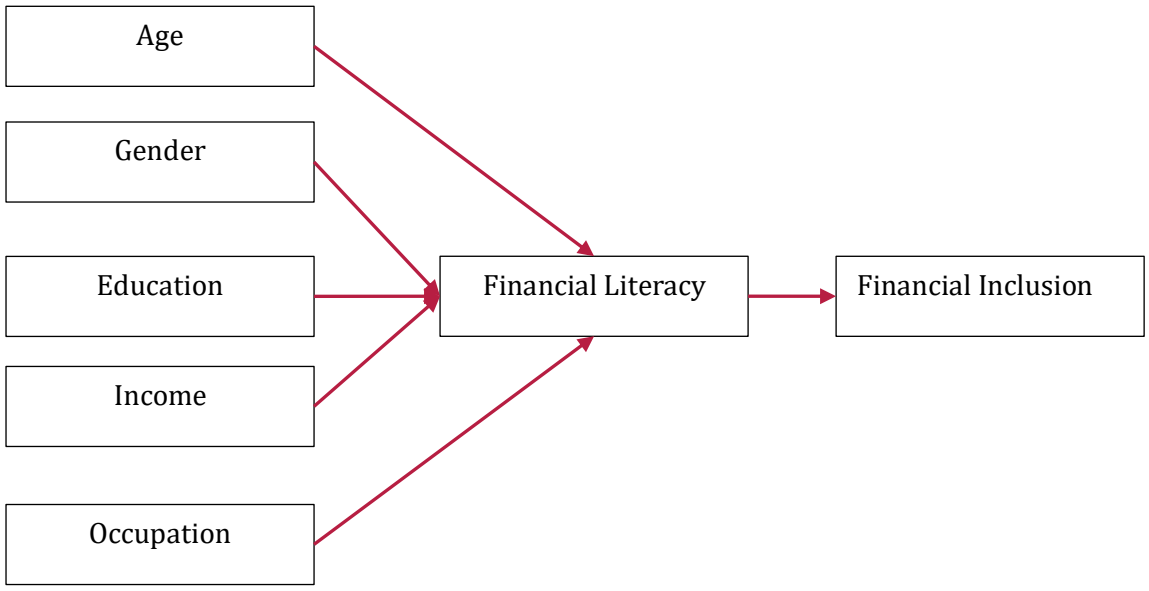
Variables are characteristics unique to a certain topic being studied. It may be measured since it is a notion. The word "variable" refers to the relationship between financial literacy and financial inclusion.

Independent Variable

This variable is directly under the control of the researcher and it influences the dependent variable. The Financial literacy is the independent variable of the research.

Dependent Variable

In other words, the dependent variable is that which you are testing or measuring in an experiment. Financial inclusion is the dependent variable of this study.



Fig

1. Conceptual model

Sample and sampling technique

To draw broad conclusions on the influence of financial literacy on financial inclusion, sampling entails selecting a subset of a broader group. Probability sampling and non-probability sampling are the two sampling techniques. Since it involves randomly selecting a target head of household, it is known as probability sampling. The selection of a representative sample group is less arbitrary in this kind of sampling. Deliberate sampling was required in order to carry out qualitative research on financial literacy as a factor of financial inclusion.

Source of the Samples

This study has used a primary data set in its analysis. A short overview is given in the list below: **Primary Data**

The primary sources of primary data are all Head of household hence, the need for a web-based application (a form). Primary data of this research project have been collected by use of questionnaires.

Secondary data

The secondary data set is a source of information based on a primary one. The records in this category are numerous. The secondary data is available in many locations such as books and journals, the internet, and the government records.

Methods and Tools used

A survey was used to get the data. One of the most popular ways to get information from the head of the family is via surveys. Every survey uses a sample to describe or explain the traits and viewpoints of the head of the household. A checklist was used to evaluate financial literacy as a factor in financial inclusion. And in this case, we have 60 respondents, who were gathered via surveys conducted in many workplaces.

Area of study

The study would be conducted mainly in Jharkhand region.

Data Analysis

Conclusions may be drawn from data analysis using raw data. Before starting the data preparation process, which involves data entry, editing, and coding, a preliminary data analysis is required. For software to be useful, it must analyze data fast and correctly. A spreadsheet was used to analyze the study's data. Before being entered into a spreadsheet, each respondent's answers were given an integer value. We were able to analyze and model our data using SPSS.

A statistical software program called **SPSS 22.0** was used to analyze the study's data. The data that was thought to be the most significant was examined using analytical techniques including ANOVA and percentage methods. Percentage analysis was performed to have a better grasp of the most important aspects of the research. Using percentages to compare and analyze data is an effective method. This is one of the easiest methods to communicate with the people you want to reach. An overall picture of the issue may be created after data has been collected. Graphs may make percentage analyses

more appealing.

Result

Table 1: Age

Age		
	Frequency	Percent
18–25	16	26.7
26–35	8	13.3
36–45	13	21.7
46–55	15	25.0
56 and above	8	13.3
Total	60	100.0

The age distribution of the respondents shows that there is a relatively equal distribution of the respondents in various age groups, which are slightly concentrated in the middle-aged segments. The largest percentage of the respondents is in the category of 18-25 (26.7%), indicating a significant number of younger people in the sample. The 4655-age group comes right behind it (25.0%), and it means that mature and economically active people are not left behind. The age bracket 3645 years has 21.7, and this further supports the working-age respondents. By contrast, the 2635 and 56 and above groups are relatively less represented with 13.3 percent each. In general, the distribution is characterized by a heterogeneous age distribution, which is advantageous to study behavioural and financial tendencies in the various stages of life.

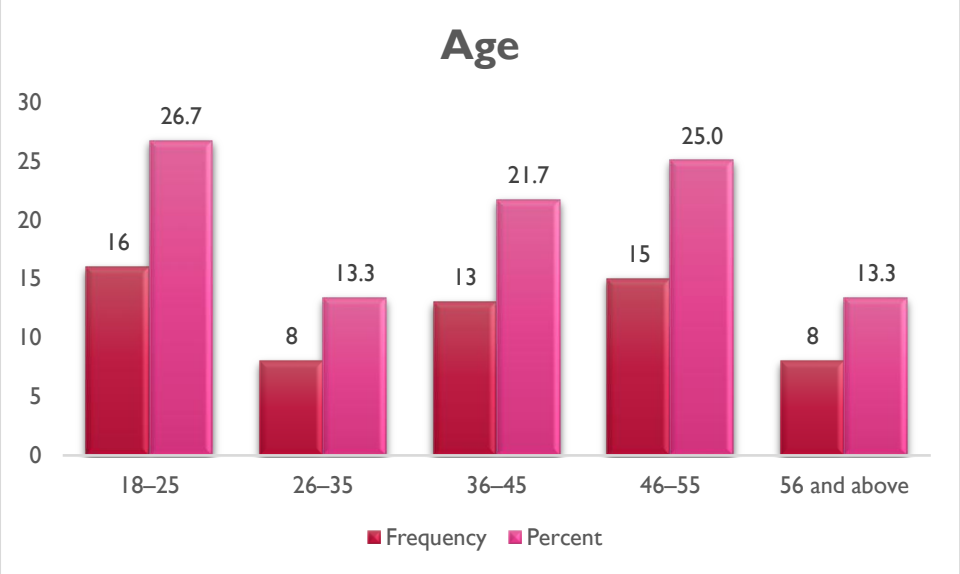


Figure 1: Age

Table 2: Gender

Gender		
	Frequency	Percent
Male	24	40.0
Female	36	60.0
Total	60	100.0

Gender distribution indicates that, the female respondents are more represented (60.0 percent) than the male respondents (40.0 percent). This means that the sample is dominated by women and possibly can be useful in getting insights on gender-specific attitudes especially on financial inclusion, literacy, and service access. The comparatively small percentage of male respondents may indicate that the results can be closer to the experiences and issues of women. This disproportion might also emphasize the significance of paying attention to female involvement and empowerment in socio-economic and financial research.

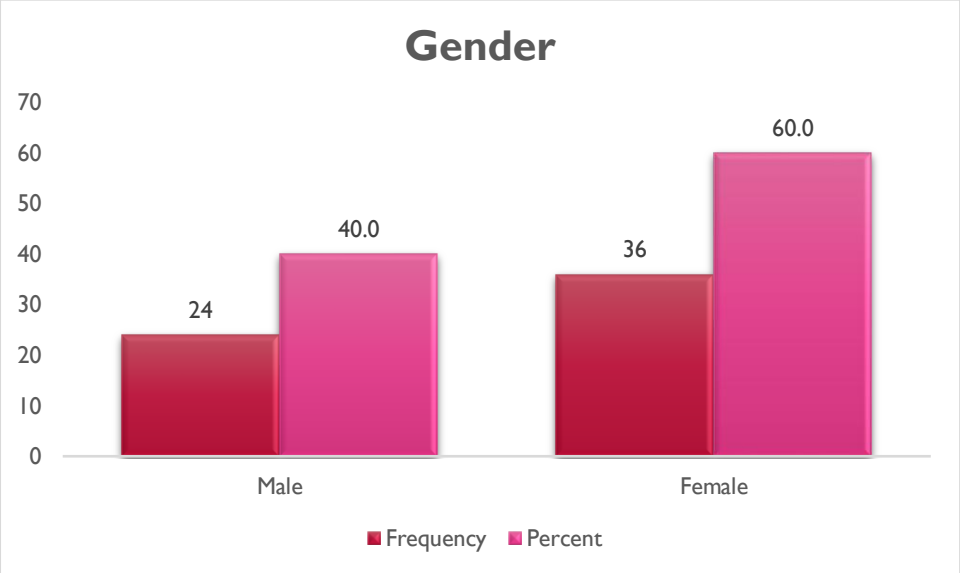


Figure 2: Gender

Table 3: Education level

Education level		
	Frequency	Percent
No formal education	19	31.7
Primary (up to 5th)	8	13.3
Secondary (6th–10th)	10	16.7
Higher Secondary (11th–12th)	13	21.7
Graduate and above	10	16.7
Total	60	100.0

Educational background of the respondents indicates that a good percentage are not educated with 31.7 percent of the respondents being in the category. This indicates the possibility of a lack of awareness, skills, and access to information by a significant portion of the population. The highest number of people who are educated is those who have higher secondary education (21.7%), then secondary education (16.7%) and the final one is the graduates or above (16.7%). Only those who have received the primary education make up 13.3%. On balance, the statistics show a diverse educational level, although

there is a prominent tendency towards the low educational levels, which can affect financial literacy and decision-making abilities.

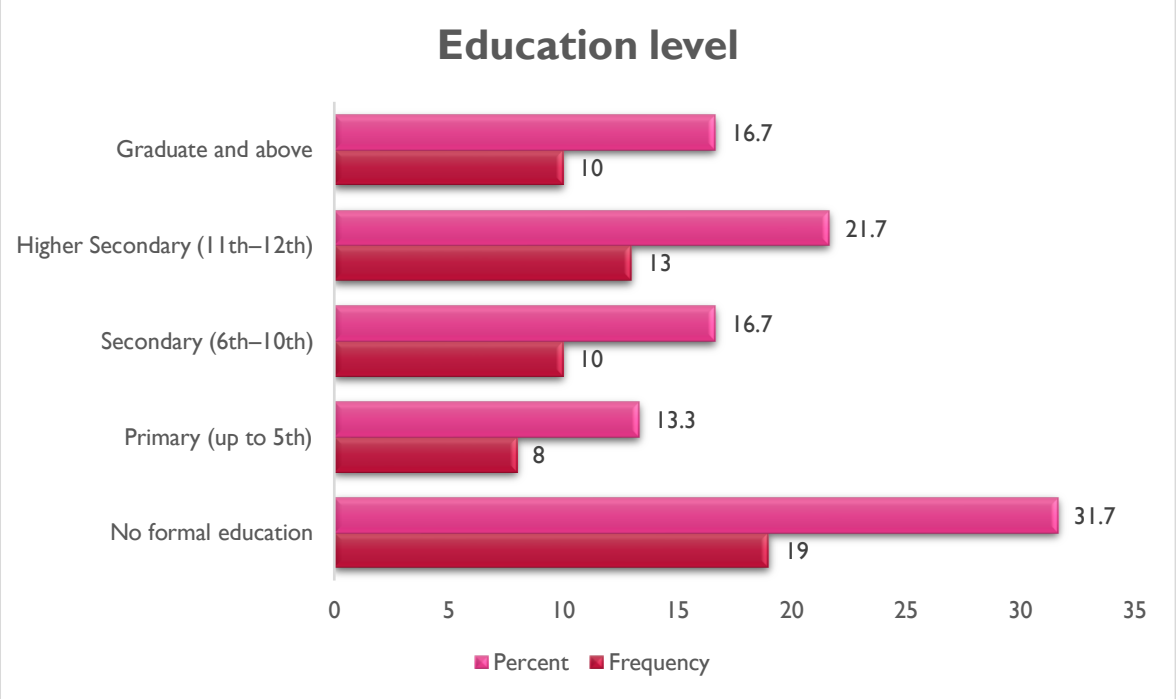


Figure 3: Education level

Table 4: Occupation

Occupation		
	Frequency	Percent
Agriculture / Farming	8	13.3
Daily wage labour	14	23.3
Self-employed / Business	13	21.7
Salaried employment	14	23.3
Other	11	18.3
Total	60	100.0

The occupational distribution indicates a varied economic structure amongst respondents. The highest groups consist of daily wage labourers and salaried workers of 23.3 each, which points to a combination of both informal and formal sectors of employment. The sample has entrepreneurial involvement of 21.7, and the individuals are self-employed or in business. The other occupations are grouped in the other category and make up 18.3% indicating other diverse sources of income. The percentage of agriculture or farming is 13.3, and this is quite low, perhaps showing a trend of abandoning the traditional agricultural ways of life. In general, the statistics represents economic variety, with both stable and unstable income groups being quite numerous.

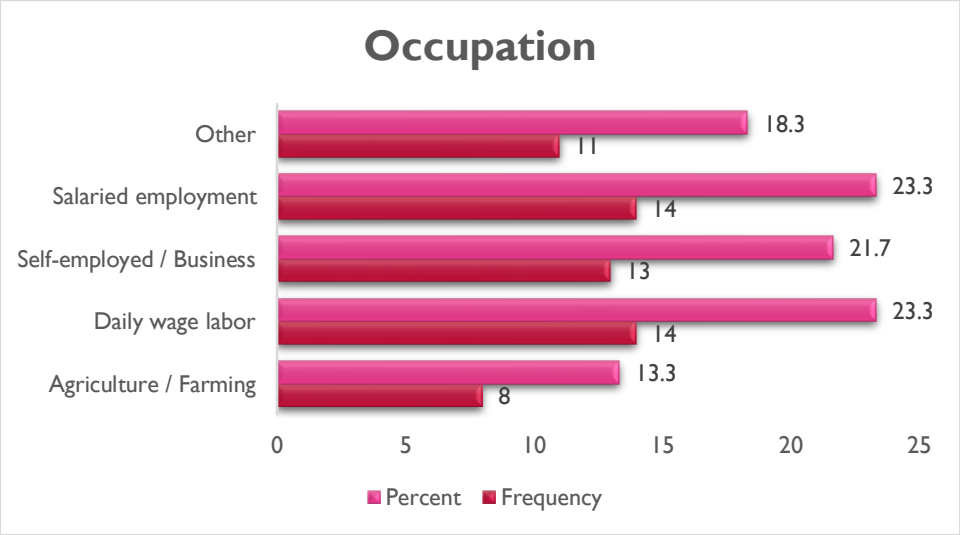


Figure 4: Occupation

Table 5: Family size

Family Size		
	Frequency	Percent
1–3 members	19	31.7
4–6 members	15	25.0
7–9 members	13	21.7
10 and above	13	21.7
Total	60	100.0

The family size distribution is such that the highest percentage of respondents (31.7) are in smaller families with 1 to 3 members of the family thus displaying a tendency towards nuclear families. Families with 4 to 6 people constitute 25.0 percent, which is moderately sized families. Bigger families, such as 7-9 and 10 and above, are 21.7% and 21.7% of the sample, respectively, which indicates the existence of extended families in the population. Such a change in the family size can possibly affect financial behaviour, resources allocation, and dependency ratio, which, in turn, impacts the economic well-being of a specific economy and access to financial services.

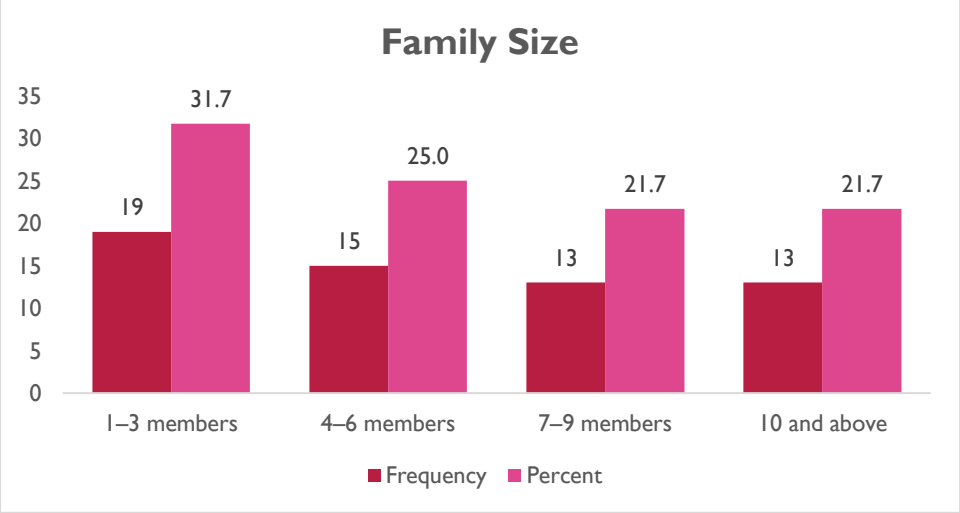


Figure 5: Family size

Hypothesis

H_0 (Null Hypothesis): Financial literacy has no significant impact on financial inclusion

H_1 (Alternative Hypothesis): Financial literacy has a significant positive impact on financial inclusion

Table 6: Regression test on hypothesis 1

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.581[a]	.338	.326	.681
a. Predictors: (Constant), Financial Literacy				

The summary table of the model shows the total strength and explanatory power of the regression model exploring the effect of financial literacy on financial inclusion. Correlation coefficient (R = 0.581) shows the existence of a moderate positive association between the two: financial literacy and financial inclusion, which means that the higher the financial literacy is, the higher the financial inclusion. The coefficient of determination (R Square = 0.338) shows that approximately 33.8% of the variation in financial inclusion is explained by financial literacy alone. The fact that the adjusted R square (0.326) remains consistent with the explanatory power of the model even with a sample size and the number of predictors adjusted clearly shows a good fit. The standard error of the estimate (0.681) indicates how much the observed values are on average different than the regression line indicating a moderate dispersion around the predicted values. In general, the model shows that financial literacy is an important predictor of financial inclusion.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.707	1	13.707	29.561	.000[b]
	Residual	26.893	58	.464		
	Total	40.600	59			
a. Dependent Variable: Financial Inclusion						
b. Predictors: (Constant), Financial Literacy						

The overall statistical significance of the regression model is ascertained by the ANOVA table. The model explains a considerable amount of variance in financial inclusion, as shown by the regression sums of squares (13.707) compared to the sum of squares of the residuals (26.893). The model is statistically significant, as shown by the F-value (29.561) and the significance value (0.000) of the F-value ($p < 0.05$). This suggests that financial literacy, as an independent variable, is a powerful predictor of financial inclusion. In other words, the regression model fits the data better than the model without any predictors, and the discovered correlation could not have happened by accident. As a result, the model may be used to illustrate how financial inclusion is impacted by financial literacy.

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.859	.350		5.313	.000
	Financial Literacy	.511	.094	.581	5.437	.000
a. Dependent Variable: Financial Inclusion						

A more thorough understanding of the nature and strength of the connection between financial inclusion and financial literacy may be found in the table of coefficients. The initial degree of financial inclusion in the absence of financial literacy is represented by the intercept value of 1.859. The coefficient of financial literacy (B = 0.511) is not standardized, meaning

that, with all other variables kept constant, every extra unit of financial literacy increases financial inclusion by 0.511 units. The strength of the association is supported by the standardized coefficient (Beta = 0.581), which indicates that the effect size was somewhat positive. Financial literacy is a statistically significant predictor of financial inclusion, according to the t-value (5.437) and degree of significance (p = 0.000). Overall, the results clearly show that the significant rise in respondents' financial inclusion may be attributed to an improvement in financial literacy.

Discussion

The study's findings unequivocally demonstrated that financial literacy has a significant impact on rural families' level of financial inclusion. Financial literacy and financial inclusion show a somewhat favorable correlation (R = 0.581), according to the regression study, suggesting that those with more financial literacy are more likely to successfully access and use formal financial services. Additionally, the R-square value (0.338) indicates that financial literacy accounts for around 33.8% of the variation in financial inclusion, which is a substantial contributing factor.

The demographic analysis will give further information on the socio-economic factors influencing financial inclusion. A significant percentage of the respondents lack sufficient education levels and this could restrict their knowledge on financial products and services. This corresponds with the existing literature that has highlighted that education is a key determinant of financial literacy and inclusion. Moreover, the increased number of female respondents is also a valuable insight into the gender inclusion, which means that more women are participating in financial practices. Access and usage disparities may however still persist.

The occupation distribution indicates a combination of formal and informal jobs where many of the respondents are involved in daily wage jobs and self-employment. Such diversity determines the level of income stability and financial behaviour which in turn impacts the level of inclusion. Also, the differences in family size and income level can influence the financial decision-making and the distribution of resources.

The findings, in general, indicate that although access has been enhanced through financial inclusion programs, the extent to which financial services are used successfully is mainly dependent on the financial literacy level. Financial education can also be greatly reinforced in rural locations to promote financial participation and economic empowerment.

Conclusion

According to the study, a crucial element in encouraging rural families in Jharkhand to use financial services is financial literacy. The empirical results show a positive and statistically significant relationship between financial inclusion and financial literacy, indicating that improved financial literacy directly promotes access to and use of formal financial services. The government has made an effort to increase financial inclusion, but these initiatives are ineffective unless individuals are able to understand and use financial products. Additionally, the research demonstrates how socioeconomic variables such as income, employment, and education impact financial inclusion. This suggests that structural disparities still make it hard for people to get money. The fact that many of the people who answered the survey had poor levels of education shows how important it is to have focused financial literacy programs. Increasing knowledge about banking services, digital payments, and financial plans can help people go from having access to using them. So, governments should focus on combining financial education with policies for inclusiveness to promote long-term economic growth. Strengthening financial literacy programs at the grassroots level would not only help people get involved with money, but it will also help reduce poverty and enhance rural areas as a whole.

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