

Breaking The Financial Literacy Myth: Why Knowledge Alone Is Not Enough for Women's Financial Empowerment

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Abstract;

Financial literacy is widely promoted as a universal pathway to women's financial empowerment, yet empirical evidence consistently reports weak and inconsistent effects on women's FWB. This research challenges the prevailing dominant neoliberal assumption that financial knowledge automatically translates into financial agency. Drawing on Pierre Bourdieu's Theory of Practice and a critical feminist lens, we reconceptualize financial empowerment as a process of capital conversion embedded within gendered social and institutional fields. Using mixed-methods data from 180 women respondents in India, we test a mechanism-based model in which FL operates through FSE (habitus), socially embedded capital, and along with institutional access (field conditions). financial literacy does not exert a direct effect on FWB; its influence mediated fully by these mechanisms. We further identify an income-empowerment paradox, whereby women's income contribution reduces financial well-being in the absence of decision-making power. The study advances financial inclusion and feminist finance literatures by theorizing empowerment as a socially embedded and institutionally shaped process instead of an individual, offering a shift from literacy-centric interventions toward ecosystem-based empowerment strategies.

Keywords: Financial literacy, women's empowerment, financial well-being, Bourdieu, feminist finance, India

1. Introduction

Over the past two decades, financial literacy has emerged as a cornerstone of global development policy aimed at advancing women's economic empowerment. Governments, central banks, international organizations, and non-governmental agencies have invested heavily in financial education programs under the assumption that equipping women with financial knowledge will enable them to make informed decisions, accumulate assets, and ultimately achieve financial independence. From savings campaigns and digital finance training to entrepreneurship and retirement planning initiatives, financial literacy is widely portrayed as a universal remedy for women's financial vulnerability. Yet, despite this unprecedented policy emphasis, women across both developing and developed economies continue to experience persistent gaps in financial well-being, decision-making power, and economic security.

This study makes a theoretical intervention by repositioning financial literacy as conditional cultural capital whose value depends on relational legitimacy and institutional recognition. In doing so, it moves financial empowerment research away from individual deficit models toward a structural theory of capital conversion. This shift responds directly to recent calls for theory-driven explanations of why financial inclusion policies continue to underperform despite substantial global investment (Willis, 2011; Demirgüç-Kunt et al., 2018).

1.1 The Puzzle: Why Does Financial Literacy Fail to Empower Women?

A striking paradox has emerged in the financial inclusion landscape. While women's participation in formal financial systems has increased significantly, their financial empowerment has not advanced at a commensurate pace. Empirical studies consistently show that women who are financially literate often remain financially constrained, experience high levels of financial stress, and have limited autonomy over financial decisions within households (Netemeyer et al., 2024; Gausman & Langer, 2020). Large-scale meta-analyses reveal that financial literacy interventions explain only a negligible proportion of variation in financial behavior, particularly among low-income and marginalized women (Fernandes, Lynch, & Netemeyer, 2014). This raises a critical question: if financial literacy is the key to empowerment, why do financially knowledgeable women continue to lack financial power?

This puzzle is especially pronounced in emerging economies such as India, where financial inclusion programs have rapidly expanded through bank accounts, digital payment systems, and microcredit initiatives. Despite these advances, women's control over financial resources remains limited, and financial decision-making is often mediated by male family members, social norms, and institutional barriers. The persistence of this disconnects challenges the dominant neoliberal narrative that views financial empowerment as a direct outcome of individual knowledge acquisition.

1.2 The Gap: Limitations of Literacy-Centric Models

Existing research either treats financial literacy as an individual cognitive skill or examines empowerment through structural gender inequalities. However, few studies integrate these perspectives to explain how financial knowledge is converted into financial agency within gendered social fields. While this model has produced important insights, it fails to account for the social, cultural, and institutional contexts within which financial decisions are made—particularly for women, whose economic agency is often constrained by gendered power relations.

Moreover, much of the literature treats women as a homogeneous group and relies on standardized financial literacy scales that privilege market-based behaviors such as investing in stocks, retirement planning, and formal borrowing. These measures are poorly suited to capturing the lived financial realities of women in developing economies, where informal financial practices, collective decision-making, and constrained choice sets dominate everyday life. As a result, the mechanisms through which financial literacy translates—or fails to translate—into financial well-being remain under-theorized.

A substantial body of feminist and institutional study suggests that financial empowerment not merely a cognitive achievement but a relational process shaped by access to social networks, institutional support, and decision-making authority (Kabeer, 1999). However, these insights have not been fully integrated into mainstream financial literacy models, leaving a theoretical and empirical gap in understanding how empowerment actually unfolds in women's financial lives.

1.3 The Contribution: Re-Theorizing Financial Empowerment

Study addresses this gap by re-theorizing the association between FL and FWB using Pierre Bourdieu's Theory of Practice, integrated with a critical feminist lens. We argue that financial literacy operates within a broader "field" of power relations, where women's access to economic, social, and cultural capital determines whether financial knowledge can be converted into meaningful financial agency. In this framework, empowerment is not an individual attribute but an outcome of interaction between knowledge, social structures, and institutional arrangements.

By conceptualizing financial empowerment as a process mediated by financial self-efficacy, social capital, and institutional access, this study moves beyond literacy-centric explanations and offers a mechanism-based model of empowerment. This approach allows us to explain why financial literacy frequently fails in isolation and under what conditions it can succeed.

Empirically, we test this model using mixed-methods data collected from women in India, combining survey-based quantitative analysis with contextual insights grounded in women lived financial experiences. This setting provides a critical context for theory building, as India represents one of the largest experiments in financial inclusion globally, yet continues to exhibit deep gendered inequalities in financial outcomes.

Objectives of the study

1.4 Preview of Findings

Our findings reveal three key insights. First, FL alone weak and inconsistent direct effect on women's financial well-being. Instead, its impact is fully mediated by FSE and social capital, suggesting that knowledge must be accompanied by confidence and support networks to become actionable. Second, women's contribution of personal income to household expenses does not necessarily enhance financial well-being; rather, it often exacerbates financial stress in the absence of decision-making authority. This highlights the limits of income-based empowerment narratives. Third, institutional access—particularly to advisory services and gender-sensitive financial products—plays a decisive role in enabling women to convert financial knowledge into financial security.

Taken together, these findings demonstrate that FL is a necessary but insufficient condition for women's financial empowerment. The study contributes to the literature by shifting the focus from individual cognition to structural and relational mechanisms, offering a more realistic and inclusive framework for financial empowerment policy and practice.

2. Theory and Hypotheses: A Capital Conversion Perspective on Women's Financial Empowerment

2.1 Why Financial Literacy Fails: Limits of Individualistic Models

FL has been positioned as a cornerstone of women's financial empowerment in policy and academic discourse. Dominant models, grounded in human capital and behavioral economics, assume that financial knowledge directly enhances decision-making quality and financial well-being (Lusardi & Mitchell, 2014). However, empirical evidence increasingly challenges this assumption, revealing weak, inconsistent, or context-dependent effects of financial literacy on women's financial outcomes, particularly in patriarchal and institutionally constrained contexts (Willis, 2011; Demirgüç-Kunt et al., 2018).

These findings highlight a fundamental theoretical limitation: literacy-based approaches treat empowerment as an individual cognitive achievement, overlooking the social and institutional structures that shape women's ability to act on knowledge. Feminist scholarship has long argued that such models reproduce deficit narratives by placing responsibility for financial vulnerability on women while ignoring gendered power relations, unequal resource control, and institutional exclusion (Kabeer, 2005; Elson, 1999). As a result, financial knowledge often remains inert—acquired but not convertible into agency.

This study departs from literacy-centric models by conceptualizing empowerment as a socially embedded process of capital conversion, rather than a direct outcome of knowledge acquisition.

2.2 Financial Literacy as Conditional Cultural Capital

Drawing on Pierre Bourdieu's Theory of Practice, we reconceptualize financial literacy as a form of cultural capital whose value depends on its recognition and convertibility within specific social fields (Bourdieu, 1986). Cultural capital does not generate advantage automatically; it becomes effective only when supported by legitimate social relations and enabling institutional structures. For women, financial knowledge is often devalued or delegitimized within households and financial institutions, limiting its conversion into economic or symbolic capital.

This perspective allows us to theorize why financial literacy frequently underperforms: knowledge alone is insufficient when women lack authority, institutional recognition, or relational support. Empowerment therefore depends not on literacy itself, but on the mechanisms through which literacy is converted into action.

HypothesisH1: Financial literacy has no direct effect on women’s financial well-being.

2.3 Habitus Activation: Financial Self-Efficacy as Psychological Conversion

In Bourdieu’s framework, habitus refers to internalized dispositions that guide perception and action within a field (Bourdieu, 1990). Financial self-efficacy reflects women’s confidence, perceived control, and willingness to engage in financial decision-making. Former research consistently shows self-efficacy is a stronger predictor of financial behavior than objective knowledge, particularly for women navigating gendered constraints (Bandura, 1997; Farrell et al., 2016).

We argue that financial literacy contributes to empowerment only when it activates habitus by strengthening financial self-efficacy. Without such internalized confidence, knowledge remains passive and unused.

HypothesisH2: FL has a positive effect on FSE.

HypothesisH3: FSE serves as a mediator in the relationship between FL and FWB.

2.4 Relational Conversion: Social Capital as an Enabling Mechanism

Financial decision-making is embedded in social networks that provide legitimacy, information, and emotional support. Social capital enables women to navigate institutions, negotiate household constraints, and reduce uncertainty (Coleman, 1988; Putnam, 2000). In contexts where institutional trust is weak, social networks often substitute for formal financial support.

Financial literacy enhances social capital by enabling women to participate in financial discussions, community groups, and peer networks, which in turn facilitate the conversion of knowledge into financial outcomes.

HypothesisH4: Financial literacy positively influences women’s social capital.

HypothesisH5: The association between FL and FWB is mediated by social capital.

2.5 Structural Conversion: Institutional Access as Field Condition

Institutions define the rules, boundaries, and opportunities of the financial field. Even financially literate women face barriers when institutions are inaccessible, unresponsive, or discriminatory (Demirgüç-Kunt et al., 2018). Institutional access therefore constitutes a critical field condition enabling or constraining capital conversion.

We argue that financial literacy improves financial well-being only when institutions recognize and support women’s engagement.

HypothesisH6: Financial literacy positively influences institutional access.

Hypothesis H7: Institutional access serves as a mediator in the relationship between FL and FWB.

2.6 The Income–Empowerment Paradox

Economic capital is often assumed to enhance empowerment. However, feminist research demonstrates that income without control can increase stress and conflict rather than autonomy (Kabeer, 1999). When women lack decision-making authority, income fails to translate into well-being.

This study therefore theorizes an income–empowerment paradox, whereby women’s income contribution negatively affects financial well-being in the absence of corresponding power.

HypothesisH8: Women’s income contribution negatively affects financial well-being.

2.7 Integrated Capital Conversion Model

Integrating these arguments, we propose a capital conversion model in which FL operates as conditional cultural capital whose effect on financial well-being is fully mediated by habitus (FSE), relational resources (social capital), and structural conditions (institutional access). This framework advances financial empowerment theory by shifting the focus from individual knowledge acquisition to the social and institutional mechanisms that enable or block agency.

2.8 Conceptual Model

Drawing on Bourdieu's Theory of Practice, this study conceptualizes women's financial empowerment as a multi-layered process in which FL operates through habitus (FSE), social capital, and institutional access within a gendered financial field. Financial well-being emerges not as a direct outcome of knowledge but as the result of successful capital conversion within enabling structures.

This framework shifts the analytical focus from individual deficits to structural constraints and relational mechanisms, providing a theoretically grounded explanation for why financial literacy alone is insufficient for empowerment.



3. Methodological Approach

3.1 Research Framework and Philosophical Positioning

This study employs integrated mixed-methods approach informed by the principles of critical realism and critical feminist theory. The selection of this methodological framework is guided by the objective of the study, which extends beyond examining whether financial literacy contributes to women's financial well-being. It also seeks to investigate how, why, and under which contextual circumstances this relationship develops. Financial empowerment is a deeply contextual, relational, and power-laden process that cannot be fully captured through a single methodological approach. A mixed-methods design therefore enables the integration of structural explanation with lived experience, allowing for a more comprehensive understanding of empowerment mechanisms.

Critical realism provides the ontological foundation of the study by recognizing that social structures—such as gender norms, institutional barriers, and financial systems—exist independently of individual perceptions but are experienced subjectively by women in everyday financial practices. The epistemological stance is constructivist, acknowledging that knowledge about financial empowerment is co-produced through interaction between the researcher and participants and shaped by social position, history, and power relations. This positioning allows the study to move beyond positivist measurement of literacy deficits toward a relational understanding of financial agency.

3.2 Feminist Methodological Lens

A critical feminist lens is central to the research design. Feminist methodology challenges gender-neutral assumptions in mainstream economic research and foregrounds women lived experiences, heterogeneity, and agency within structural constraints. Rather than treating women as a homogeneous category or framing them as deficient financial actors, this study explicitly examines how gendered power relations shape access to financial knowledge, decision-making authority, and institutional engagement.

The feminist lens informed all stages of the research process, including questionnaire design, variable selection, and interpretation of findings. Established financial literacy scales were adapted to include contextually relevant financial behaviors such as informal saving, household negotiation, and digital transaction use, which are often excluded from standard measures. This approach ensures that the constructs measured reflect women's real financial lives rather than idealized market participation.

3.3 Mixed-Methods Justification

This investigation follows a sequential explanatory mixed-methods strategy, beginning with the collection and analysis of quantitative data to evaluate the proposed hypotheses and qualitative insights are used to contextualize and interpret the findings. Quantitative data allows for the identification of structural patterns and mediation mechanisms, while qualitative insights provide depth by revealing how women navigate financial constraints and exercise agency within their social contexts.

This combination is particularly important given that financial empowerment is not solely an observable outcome but a process involving confidence, negotiation, and institutional interaction elements that are difficult to quantify in isolation. Mixed methods therefore enhance both explanatory power and theoretical refinement.

3.4 Sampling and Data Collection

Quantitative Sample

The quantitative component of this research was conducted using a structured questionnaire survey administered to women residing in urban and semi-urban regions of India. A purposive sampling strategy was employed to recruit women who actively participated in household financial decision-making, earned a personal income, or independently managed financial transactions. This approach ensured that the selected participants were representative of the target population and closely aligned with the study objectives. This approach is appropriate given the study's focus on decision-making agency rather than mere account ownership.

Sample adequacy was evaluated based on model complexity, indicator reliability, and statistical power rather than absolute size. The final usable sample consisted of 120 respondents, which exceeds recommended thresholds for mediation-based structural equation modeling given the model's five latent constructs, strong standardized loadings (>0.60), and high sampling adequacy ($KMO = 0.852$). This approach is consistent with contemporary methodological guidance emphasizing theoretical model testing over sample maximization in explanatory SEM research (Hair et al., 2022; Kline, 2016).

Qualitative Inputs

Qualitative insights were generated through informal interviews and contextual field notes collected during the survey process. These inputs were not treated as a standalone dataset but were used to enrich interpretation, identify mechanisms, and explain observed statistical patterns. This approach aligns with feminist research principles that value voice and narrative without privileging anecdotal evidence over systematic analysis.

3.5 Measures and Instrument Development

All items were measured on five-point Likert scales. A pilot study was undertaken to assess the questionnaire for clarity, consistency, and suitability within the study context.

Construct	Dimensions	Source
Financial Literacy (FL)	FL1 Knowledge of saving practices FL2 Understanding of insurance products FL3 Awareness of remittance services FL4 Knowledge of the effects of inflation	Mindra & Moya (2016)

Financial Self-Efficacy (FSE)	FSE1 I believe I can manage my personal finances effectively. FSE2 I am capable of keeping my monthly expenses below my monthly income. FSE3 I feel confident about saving money in a bank as part of my future financial planning. FSE4 I am confident that I can obtain a bank loan whenever necessary.	Mindra & Moya (2016)
Social Capital (SC)	SC1 Our family actively supports community welfare through charitable and voluntary activities. SC2 Our household frequently exchanges useful information with people in the community. SC3 Our household believes in contributing positively to the community whenever possible. SC4 Family members maintain honesty and openness in their interactions with one another.	Coleman (1988); Putnam (2000); Guiso et al. (2004)
Institutional Access (IA)	IA1 The nearest formal financial institution can be reached through a road that is in good condition. IA2 The closest bank is located within a distance of five kilometres from my residence. IA3 An ATM is situated within one kilometre of my home, making it easy for me to access banking services. IA4 The route to the nearest financial institution is well connected and easily accessible.	Mindra & Moya (2016)
Financial Well-Being (FWB)	FWE1- If I lost my job today, I would be able to cover my living expenses until I found new employment. FWE2 I regularly save a portion of my earnings for future needs FWE3- I have accumulated enough savings to ensure my long-term financial security. FWE4- I have accumulated enough financial resources to ensure my long-term financial security. FWE5- When preparing my budget, I treat my available credit limit as an additional financial buffer.	Lone, U. M., & Bhat, S. A. (2022).

3.6 Analytical Strategy and Rigor

To evaluate the underlying dimensional structure of the measurement constructs, EFA was conducted using principal component extraction with Varimax rotation. All factor loadings exceeded recommended thresholds, and cross-loadings were minimal, indicating construct clarity. The internal consistency of the measurement scales was

assessed using Cronbach's alpha, with all reliability coefficients exceeding the recommended threshold of .70, indicating satisfactory reliability.

4. Results

4.1 Overview of Analytical Strategy

The results are presented in three stages to reflect the mechanism-based logic of the theoretical framework. Initially, the analysis began with an assessment of the measurement model to establish the validity and reliability of the research constructs. This was followed by an evaluation of the structural model to investigate the direct associations among the latent variables. Third, mediation analysis is used to examine the pathways through which FL influences FWB. This stepwise approach allows us to explain *how* financial literacy operates within the financial field rather than merely whether it is associated with outcomes.

4.2 Assessment of the Measurement Model

CFA was performed to assess the measurement model prior to examining the structural relationships. The model comprises five latent constructs: the construct of FL, FSE, SC, IA, and FWB. The model satisfied the recommended goodness-of-fit criteria, with χ^2/df below 3 and both CFI and TLI exceeding 0.90. RMSEA = 0.06, below 0.08 (Michael W. Browne & Robert Cudeck, 1993), confirming that the measurement structure adequately represented the data.

The measurement model demonstrated strong psychometric quality, as every standardized factor loading was greater than 0.60 and statistically significant ($p < 0.001$). Composite reliability (CR) values varied between 0.78 and 0.92, confirming a high level of construct reliability, whereas Average Variance Extracted (AVE) values exceeded the recommended threshold of 0.50 for every construct, providing evidence of satisfactory convergent validity. The Fornell–Larcker criterion was employed to establish discriminant validity among the study constructs. These results confirm that the constructs used to test the theoretical mechanisms are empirically distinct and robust.

Table 1. Measurement Model Goodness-of-Fit Statistics Obtained from CFA

Fit Criterion	Value	results
χ^2/df Ratio	2.14	Good fit
CFI	0.93	Excellent fit
TLI	0.91	Good fit
RMSEA	0.06	Acceptable fit
SRMR	0.05	Good fit
GFI	0.92	Good fit

Table 2. Reliability and Convergent Validity Assessment of the Measurement Constructs

Latent Variable	Number of Indicators	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Financial Literacy (FL)	4	0.82	0.85	0.54
Financial Self-Efficacy (FSE)	4	0.88	0.90	0.69

Social Capital (SC)	4	0.79	0.83	0.55
Institutional Access (IA)	4	0.86	0.88	0.64
Financial Well-Being (FWB)	5	0.91	0.92	0.71

Note: All reported values satisfy the recommended benchmark levels.

Reliability and Validity Analysis (CFA Results)

Table 2 summarizes the findings of the reliability assessment and convergent validity evaluation of the study constructs using CFA. The measurement model comprises five latent constructs: FL, FSE, SC, IA, and FWB.

The reliability of the measurement scales was evaluated using Cronbach's alpha (α) together with Composite Reliability (CR). The Cronbach's alpha values, ranging from .79 to .91, exceeded the recommended cutoff value of .70, indicating adequate internal consistency among the constructs (Cronbach, 1951; Hair et al., 2010). In addition, CR values ranged from .83 to .92, consistently above the recommended threshold of 0.70, thereby confirming the reliability and consistency of the measurement model (Hair et al., 2010).

In addition, the measurement model was evaluated for both convergent and discriminant validity. Convergent validity was assessed based on the AVE criterion. Because the AVE values for all latent constructs were above **0.50**, adequate convergent validity was established. Discriminant validity was evaluated by comparing the square root of each construct's AVE with its correlations with other constructs. The assessment of discriminant validity demonstrated that the square root of the AVE for each construct exceeded its corresponding inter-construct correlations, thereby confirming that the latent constructs were empirically distinct and exhibited satisfactory discriminant validity.

Financial Literacy (FL) demonstrates acceptable reliability ($\alpha = 0.82$, CR = 0.85) together with adequate convergent validity (AVE = 0.54). Financial Self-Efficacy (FSE) exhibits high reliability ($\alpha = 0.88$, CR = 0.90) and satisfactory convergent validity (AVE = 0.69). Social Capital (SC) also satisfies the recommended reliability and validity criteria ($\alpha = 0.79$, CR = 0.83, AVE = 0.55). Institutional Access (IA) shows reliable measurement ($\alpha = 0.86$, CR = 0.88) and acceptable convergent validity (AVE = 0.64). Likewise, Financial Well-Being (FWB) record's excellent reliability ($\alpha = 0.91$, CR = 0.92) and strong convergent validity (AVE = 0.71).

Overall, the findings indicate that all constructs included in the model demonstrate acceptable levels of internal consistency and convergent validity, confirming that the measurement model is both reliable and appropriate for subsequent structural model evaluation.

4.3 Structural Model Results: Direct Effects

The structural model achieved an acceptable level of model fit (CFI = 0.92, TLI = 0.91, RMSEA = 0.06) indicated a good overall fit, suggesting that the proposed theoretical framework provides an appropriate representation of the observed relationships among the study constructs. Figure X illustrates the standardized path coefficients estimated for the final structural model.

Financial Literacy → Financial Well-Being

Consistent with prior research, the direct effect of FL on FWB was positive but weak and statistically insignificant once mediators were introduced ($\beta = 0.07$, $p > 0.10$). This result indicates that financial literacy alone does not meaningfully improve women's financial well-being when relational and institutional factors are accounted for. The finding provides empirical support for the study's central argument that financial knowledge does not automatically translate into financial empowerment.

Table 3. Goodness-of-Fit Statistics for the Structural Equation Model

Fit Index Recommended Threshold Model Value Interpretation

Model Fit Measure	Observed Value	Assessment
χ^2 / df		Significant
CFI	0.92	Significant
TLI	0.91	Significant
RMSEA	0.06	Significant
SRMR		Significant

The structural model demonstrated satisfactory goodness-of-fit across all evaluation criteria. The obtained fit statistics (CFI = 0.92, TLI = 0.91, RMSEA = 0.06) satisfy the recommended benchmark values, indicating that the proposed model adequately represents the empirical data and provides a sound basis for hypothesis testing.

Table 4. Standardized SEM Path Estimates and Hypothesis Evaluation

Hypothesis	Structural Relationship	Standardized Coefficient (β)	Significance (p-value)	Decision
H1	FL $\rightarrow$ FWB	0.07	0.734	Not Significant
H2	FL $\rightarrow$ FSE	0.42	<0.001	Significant
H3	FSE $\rightarrow$ FWB	0.36	<0.001	Significant
H4	FL $\rightarrow$ FSE $\rightarrow$ FWB	0.15	<0.01	Significant (Full mediation)
H5	SC $\rightarrow$ FWB	0.29	<0.01	Significant
H6	FL $\rightarrow$ SC $\rightarrow$ FWB	0.08	<0.05	Significant (Partial mediation)
H7	IA $\rightarrow$ FWB	0.33	<0.001	Significant
H8	FL $\rightarrow$ IA $\rightarrow$ FWB	0.10	<0.01	Significant (Partial mediation)
H9	Income contribution $\rightarrow$ FWB	-0.21	<0.05	Significant

The SEM findings reveal that the direct effect of FL on FWB ($\beta = 0.07$) is positive but statistically insignificant, leading to the rejection of H1. In contrast, FL significantly enhances FSE ($\beta = 0.42$, $p < 0.001$), while FSE exerts a significant positive influence on FWB ($\beta = 0.36$, $p < 0.001$). Furthermore, the indirect effect of FL on FWB through FSE is statistically significant ($\beta = 0.15$, $p < 0.01$), supporting full mediation. SC also has a significant positive effect on FWB ($\beta = 0.29$, $p < 0.01$), and the indirect pathway through SC is likewise significant ($\beta = 0.08$, $p < 0.05$).

4.4 Mediation Mechanisms: How Financial Literacy Works

To examine the mechanisms by which financial literacy contributes to improvements in financial well-being, three mediators were tested simultaneously: financial self-efficacy, social capital, and institutional access. Bootstrapping using 5,000 bootstrap resamples to calculate indirect effects and corresponding confidence intervals.

4.4.1 FSE as the Primary Mechanism

FL was found to exert a substantial positive influence on FSE ($\beta = 0.42, p < 0.001$), indicating that knowledge increases women's confidence and perceived control in financial decision-making. Subsequently, FSE significantly predicted overall FWB ($\beta = 0.36, p < 0.001$). The indirect effect of FL on women's FWB via FSE proved to be statistically significant ($\beta = 0.15, 95\% \text{ CI } [0.09, 0.23]$), while the direct effect became insignificant. This pattern indicates full mediation, suggesting that financial literacy improves financial well-being only by enhancing women's internalized sense of financial agency.

This finding aligns with Bourdieu's concept of habitus, where internalized dispositions determine whether knowledge is converted into practice. Without confidence and perceived control, financial knowledge remains inert.

4.4.2 Social Capital as a Catalyst for Financial Outcomes

FL had positive effect on social capital ($\beta = 0.28, p < 0.01$), indicating that financially knowledgeable women tend to seek and access financial advice and supportive networks. Social capital, in turn, had a significant effect on FWB. The mediation effect operating through social capital was statistically significant ($\beta = 0.08, 95\% \text{ CI } [0.03, 0.14]$), ($\beta = 0.29, p < 0.01$). The indirect effect through SC was significant ($\beta = 0.08, 95\% \text{ CI } [0.03, 0.14]$), indicating partial mediation.

This result demonstrates that social networks amplify the effectiveness of financial knowledge by reducing uncertainty, legitimizing financial decisions, and providing informal advisory support. However, the weaker mediation effect compared to financial self-efficacy suggests that networks alone are insufficient without internalized agency.

4.4.3 Institutional Access as a Structural Enabler

FL exerted a significant positive influence on IA ($\beta = 0.31, p < 0.001$), demonstrating that knowledge facilitates participation in formal financial institutions. Institutional access strongly predicted financial well-being ($\beta = 0.33, p < 0.001$). The mediated effect of FL through institutional access was found to be statistically significant ($\beta = 0.10, 95\% \text{ CI } [0.05, 0.18]$), confirming partial mediation.

This pathway illustrates that financial knowledge must be embedded within enabling institutional structures to produce well-being outcomes. Women who possess knowledge but lack access to responsive financial institutions remain constrained, reinforcing the field-level barriers highlighted in the theoretical framework.

4.5 Comparative Strength of Mechanisms

A comparison of indirect effects reveals that financial self-efficacy is the strongest mediating mechanism, followed by institutional access and social capital. This hierarchy of mechanisms underscores the importance of both internalized agency (habitus) and external structures (field) in enabling empowerment.

Together, the three mediators fully explain the relationship linking financial literacy with financial well-being, offering robust empirical support in the mechanism-based model proposed in this study.

Table 5. Bootstrapped Estimates of Indirect Effects

Mediated Relationship	Standardized Indirect Effect (β)	95% Confidence Interval	Mediation Outcome
FL $\rightarrow$ FSE $\rightarrow$ FWB	0.15	[0.09, 0.23]	Full mediation
FL $\rightarrow$ SC $\rightarrow$ FWB	0.08	[0.03, 0.14]	Partial mediation
FL $\rightarrow$ IA $\rightarrow$ FWB	0.10	[0.05, 0.18]	Partial mediation

4.6 The Income–Empowerment Paradox

The model also tested the effect of women's contribution of personal income to household expenses. The path from income contribution to financial well-being was found to be significantly negative ($\beta = -0.21$, $p < 0.05$), suggesting that income alone does not enhance well-being when decision-making authority is absent. This result highlights a critical paradox: economic contribution without power increases financial stress rather than security.

This finding reinforces feminist critiques of income-based empowerment strategies and supports the argument that empowerment must be evaluated through agency rather than resource ownership alone.

4.7 Model Robustness Assessment

A series of robustness tests was carried out to validate the results. Alternative model specifications excluding mediators produced significantly poorer fit, confirming the superiority of the mechanism-based model. To assess the possibility of common method bias, the study employed Harman's single-factor test together with the common latent factor (CLF) technique, and neither assessment revealed serious bias. Results remained stable across specifications, indicating model robustness.

4.8 Summary of Results

Overall, the results provide strong empirical evidence that financial represents an important but, by itself, inadequate condition for women's financial empowerment. Its effects operate exclusively through mediating mechanisms—financial self-efficacy, social capital, and institutional access—rather than through direct pathways. These findings empirically validate the theoretical claim that empowerment is a process of capital conversion within a gendered financial field, rather than an individual cognitive achievement.

5. Discussion

5.1 Rethinking Financial Literacy: Why Knowledge Fails to Empower

This study provides a theoretically grounded explanation for the long-observed but poorly understood phenomenon that financial literacy often fails to improve women's financial well-being. While prior studies have documented weak or inconsistent effects of financial literacy, they have rarely explained the underlying mechanism. By positioning Bourdieu's Theory of Practice at the center of analysis, this study demonstrates that financial literacy represents a form of cultural capital whose effectiveness depends on its convertibility within a gendered financial field.

The results show that FL has no significant direct effect on FWB once mediating mechanisms are introduced. This finding is not a failure of measurement or context but a theoretical insight: knowledge alone does not produce empowerment because it is filtered through social norms, institutional barriers, and internalized dispositions. In patriarchal contexts, women's financial knowledge lacks symbolic legitimacy and practical authority, limiting its translation into financial action. Financial literacy therefore remains a symbolic resource rather than an instrumental one unless supported by enabling structures.

This finding challenges the dominant human-capital model of financial inclusion, which assumes a linear progression from knowledge to behavior to outcomes. Instead, empowerment is revealed as a contingent process of capital conversion, not an individual cognitive achievement.

5.2 Habitus as the Missing Link: Why Confidence Matters More Than Knowledge

The full mediation of financial literacy through financial self-efficacy reveals habitus as the critical missing link between knowledge and empowerment. Financial self-efficacy represents more than confidence; it is an internalized sense of entitlement and legitimacy in financial decision-making. Women may possess knowledge but hesitate to act on it due to socialized norms that position financial authority as masculine.

This finding extends Bourdieu's theory by empirically demonstrating how habitus mediates capital conversion in financial contexts. It also contributes to feminist finance literature by showing that empowerment must be

understood as a transformation of internalized dispositions, not merely resource acquisition. Policies focused exclusively on training and education fail because they leave habitus untouched.

5.3 Relational Replacement: Social Capital as Financial Infrastructure

If financial literacy fails as a standalone solution, what replaces it? The results suggest that relational resources—specifically social capital—serve as a critical substitute mechanism. Social networks provide legitimacy, advice, and emotional support, compensating for women’s exclusion from formal financial authority. In contexts where institutions remain unresponsive or biased, social capital functions as an informal infrastructure that enables women to operationalize financial knowledge.

This finding reframes financial well-being as a collective rather than individual achievement. It extends feminist economic theory by empirically validating the argument that women’s economic agency is embedded in relationships, not isolated decision-making. Importantly, social capital does not replace knowledge but activates it, reinforcing the study’s mechanism-based model.

5.4 Institutional Replacement: Access as the Real Currency of Empowerment

Beyond relational resources, the study identifies **institutional access** as a decisive replacement for literacy-centric interventions. Financial literacy improves financial well-being only when women can access responsive, inclusive, and legitimizing financial institutions. Without such access, knowledge remains unusable.

This finding advances institutional theory by demonstrating that institutions are not neutral conduits of financial services but active gatekeepers of empowerment. Women’s financial well-being improves not because they know more but because institutions recognize them as autonomous actors. The study thus shifts the focus from individual deficits to institutional responsibility, aligning with feminist critiques of neoliberal inclusion strategies.

5.5 The Income Paradox: Why Resources Without Power Harm Well-Being

A critical theoretical contribution of this study is the identification of the income–empowerment paradox. Contrary to economic assumptions, women’s income contribution to households is negatively associated with financial well-being when decision-making authority is absent. These findings challenge income-based empowerment models and support feminist arguments that resources without agency increase burden rather than autonomy.

This insight reframes empowerment as control over resources, not access to them. It also explains why many women experience increased financial stress despite earning income—a phenomenon widely observed but rarely theorized. The study thus advances empowerment theory by decoupling income from agency.

5.6 What Replaces Financial Literacy: A Capital Conversion Framework

Collectively, the findings suggest that financial literacy must be replaced by a capital conversion framework that recognizes empowerment as a multi-level process. In this framework:

1. Financial self-efficacy replaces knowledge as the primary psychological mechanism
2. Social capital replaces individual competence as the relational mechanism
3. Institutional access replaces education as the structural mechanism

Together, these mechanisms enable the conversion of cultural capital into economic and symbolic capital, producing sustainable financial well-being. This framework advances theory by integrating Bourdieu’s concepts of capital, habitus, and field into financial empowerment research—an integration rarely attempted empirically.

5.7 Theoretical Contributions

The present study advances the existing literature by offering three key theoretical contributions.

First, it reconceptualizes financial literacy as conditional capital, whose value depends on relational and institutional contexts. This challenges dominant economic and policy models that treat literacy as universally empowering.

Second, it extends Bourdieu's Theory of Practice by providing empirical evidence of capital conversion mechanisms in financial decision-making—an area previously dominated by psychological and behavioral approaches.

Third, it advances feminist finance theory by demonstrating that empowerment is relational, institutional, and political, not individual or purely economic.

5.8 Implications for Theory and Policy

The findings call for a paradigm shift in financial inclusion research and policy. Interventions must move beyond training programs to ecosystem-based approaches that integrate education, advisory networks, institutional reform, and gender-sensitive product design. Policymakers and financial institutions must recognize women as autonomous financial actors rather than dependents requiring instruction.

5.9 Conclusion: From Literacy to Liberation

This study demonstrates that financial literacy is not the solution it was assumed to be. Empowerment emerges not from knowing more, but from being able to act, being supported to act, and being allowed to act. By replacing literacy with a capital conversion framework, the study offers a more realistic and theoretically grounded path toward women's financial well-being.

This study shows that empowerment is not learned—it is enabled. Financial literacy without legitimacy, support, and access produces knowledge without power. Replacing literacy with a capital conversion lens allows scholars and policymakers to finally explain why empowerment programs fail—and how they might succeed.

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