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IMPACT OF FINANCIAL INCLUSION ON INVESTMENT PATTERNS: A STUDY OF WOMEN EMPLOYEES IN TELANGANA

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ABSTRACT

This study examines the level of financial inclusion, awareness of financial products, and investment decisions among women employees in Telangana, with a focus on socio-economic factors such as age, education, and type of employment. Younger respondents exhibit higher financial inclusion, though age is not statistically significant. The study also found a wide gap in awareness between traditional and modern financial products, with respondents being more familiar with savings accounts, insurance, and gold, while lacking knowledge about shares, mutual funds, and derivatives. Investment behaviour is positively associated with financial inclusion, indicating that those with diversified investments tend to have better financial access. The study highlights the need for targeted financial literacy programs and policy support to promote broader and more inclusive financial participation.

KEYWORDS: Financial Inclusion, Investment Decisions, Financial Products

1.1 INTRODUCTION

Financial inclusion has emerged as a key instrument for promoting inclusive economic growth and reducing income inequality. It involves providing affordable access to financial services such as savings, credit, insurance, and investment options to all sections of society, particularly the marginalized and underprivileged (Rangarajan Committee, 2008). In the Indian context, financial inclusion has gained importance through initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY), Aadhaar-enabled services, and digital payment systems, which have collectively expanded the reach of formal financial institutions to rural and semi-urban populations (Chattopadhyay, 2011; RBI, 2020).

Women, who often face socio-economic and cultural obstructions in accessing financial resources, stand to benefit significantly from financial inclusion. By enhancing women's access to financial tools, it not only promotes gender equality but also enables better control over household finances and encourages participation in economic activities (Sarma & Pais, 2011). The ability to save, invest, and

insure against risks is critical for women's financial empowerment and long-term well-being (Demirgüç-Kunt et al., 2018).

Telangana, as a progressive state in Southern India, has witnessed increasing levels of female workforce participation, especially in sectors like education, healthcare, and public administration. With various government schemes and financial literacy initiatives targeted at women such as the Telangana State Women's Cooperative Development Corporation and SHG-bank linkage programs, there has been a noticeable shift in women's access to and usage of financial services (Telangana Socio-Economic Outlook, 2023).

Despite these advancements, the extent to which financial inclusion has translated into meaningful changes in women's investment decisions remains less explored. Understanding this relationship is crucial, as investment decisions reflect financial independence, awareness, and long-term planning. This study aims to investigate how access to formal financial services influences the investment decisions of women employees in Telangana. The study analysed factors affecting their investment choices, the role of financial literacy, and the barriers they face in utilizing financial products effectively.

1.2 Financial Inclusion and Gender

By focusing on women employees, this research contributes to the broader discourse on gender-responsive financial policies and offers insights for designing inclusive financial systems that cater to the specific needs of women in the workforce.

According to the Global Findex Report (Demirgüç-Kunt et al., 2018), financial inclusion is a key enabler of economic empowerment, especially for women. Access to formal financial institutions allows women to save securely, access credit, and invest for the future. Sinha and Azad (2020) observed that women with access to banking and credit facilities demonstrated better financial planning and economic participation.

Studies have shown that women's investment behaviour differs from that of men due to differences in risk perception, financial literacy, and social roles (Lusardi & Mitchell, 2014). Women tend to prefer safer, long-term investments such as fixed deposits, gold, and insurance products (Bashir et al., 2013). However, with increasing financial inclusion and education, this trend is gradually evolving.

Financial literacy plays a significant role in shaping investment decisions. According to Bhushan and Medury (2013), women with higher financial knowledge are more likely to diversify their investment portfolios. Financial education programs targeted at women have been found to improve their

participation in formal financial markets (OECD, 2016).

The Government of Telangana has implemented several initiatives aimed at promoting financial inclusion, particularly among women. SHG-bank linkages, microfinance schemes, and mobile banking services have expanded women's access to financial services (Telangana Socio-Economic Outlook, 2023). However, disparities in utilization of services persist due to limited financial awareness and socio-cultural constraints.

1.3 Objectives of the Study

The main objective of this study is to assess the impact of financial inclusion on the investment behaviour of women employees in Telangana. The specific objectives are:

- To examine the level of financial inclusion among women employees in Telangana.
- To identify the types of financial and investment products accessed and used by women.
- To assess the relationship between access to formal financial services and the investment patterns of women employees.
- To provide policy recommendations to enhance women's financial inclusion and investment participation.

1.4 Research Methodology

This study adopts a descriptive and analytical research design to explore the relationship between financial inclusion and investment patterns among women employees in Telangana. The research is conducted across selected urban and semi-urban regions, specifically Hyderabad, Warangal, Karimnagar, and Nizamabad. A purposive sampling method is employed to select a sample of 300 women employees working in government, private, and semi-government organizations. The study relies on primary data collected through a structured questionnaire, while secondary data is gathered from various credible sources, including reports from the Reserve Bank of India (RBI), NABARD, the Global Findex Database, Telangana Government publications, and relevant academic journals.

1.4.1 Financial Inclusion Index

The Financial Inclusion index for this study is adopted from the National Centre for Financial Education (NCFE), the financial inclusion index incorporates both banking and non-banking products and services to comprehensively assess an individual's access to and usage of financial instruments. The index is constructed using a scoring method, evaluating responses across key components. The banking segment includes savings-related products (such as savings accounts, recurring deposits, and fixed deposits), credit-related products, and general banking services. The non-banking segment encompasses additional savings instruments (like PPF and post office schemes), insurance services, capital market investments, pension schemes, and commodity futures.

To categorize a respondent as financially included, they must meet the following criteria: a minimum composite score of less than 8 out of 22 is considered as low financial inclusion, 8 to 15 as a average financial inclusion and above 15 is high financial inclusion.

1.4.2 Investment Decisions

Investment Decision refers to the choices made by respondents regarding the types of investment avenues they opt for. Only individuals who have actively engaged in any form of investment are considered. Respondents with only a savings account are assigned a score of 0. Those who invest in insurance products receive a score of 1, while a score of 2 is given to those who invest in retirement schemes, bonds, or mutual funds. The highest score of 3 is assigned to respondents who invest in stocks and shares.

1.4.3 Tools for Analysis

For this study, percentage analysis, descriptive statistics, and chi-square tests have been employed to examine the data. Percentage analysis helps to understand the distribution and proportion of respondents across various categories, while descriptive statistics provide a summary of the key characteristics and central tendencies within the data. The chi-square test has been used to assess the association between categorical variables, such as age group and level of financial inclusion, as well as type of employment and financial inclusion levels. Together, these methods offer a comprehensive understanding of the patterns, trends, and relationships in the data.

1.5 Empirical analysis

The empirical analysis of the study aims to examine the level of financial inclusion and investment decisions among respondents by analyzing various socio-economic factors such as age and type of employment. To achieve this, the study employs a combination of statistical tools including percentage analysis, descriptive statistics, and chi-square tests. These methods help in understanding the distribution of financial inclusion and investment patterns across different demographic and occupational groups, as well as identifying any significant associations between variables. The analysis provides valuable insights into how factors like age and employment type influence access to financial services and decision-making related to investments, thereby supporting evidence-based conclusions.

1.5.1 Awareness levels of Respondents on Financial Products

The comparison of awareness levels between traditional and modern financial products clearly shows that respondents are significantly more familiar with traditional instruments. Products such as savings accounts, gold/precious metals, and life insurance show nearly universal awareness, with 100%, 100%, and 93.3% of respondents fully aware, respectively.

Table -1 Comparison of Awareness levels of Respondents between Traditional and Modern Financial Products

Type of Financial Product	Aware		Somewhat Aware		Unaware		Total	
	No	%	No	%	No	%	No	%
Traditional Financial Product								
Saving Account	120	100.0	0	0.0	0	0.0	120	100.0
Current Account	73	60.8	34	28.3	13	10.8	120	100.0
Fixed Deposits	91	75.8	23	19.2	6	5.0	120	100.0
Post office savings	106	88.3	12	10.0	2	1.7	120	100.0
Life insurance	112	93.3	8	6.7	0	0.0	120	100.0
Government securities	56	46.7	34	28.3	30	25.0	120	100.0
Chit Funds	91	75.8	12	10.0	17	14.2	120	100.0
Gold / Precious metal	120	100.0	0	0.0	0	0.0	120	100.0
Real estate / Properties	41	34.2	54	45.0	25	20.8	120	100.0
Modern Financial Product								
Shares	42	35.0	36	30.0	42	35.0	120	100.0
Debentures/ Bonds	27	22.5	21	17.5	72	60.0	120	100.0
Mutual Funds	51	42.5	34	28.3	35	29.2	120	100.0
Derivatives	21	17.5	19	15.8	80	66.7	120	100.0

Even less commonly used traditional products like chit funds (75.8%) and post office savings (88.3%) enjoy relatively high awareness. In contrast, modern financial products reflect lower levels of awareness. Only 42.5% of respondents are aware of mutual funds, 35% of shares, 22.5% of debentures or bonds, and a mere 17.5% are aware of derivatives. Additionally, a significant portion remains completely unaware of these modern instruments 66.7% for derivatives and 60% for bonds. These findings suggest a considerable knowledge gap in modern financial products, highlighting the need for financial education initiatives to promote awareness, especially around newer, market-linked investment options that can support better financial decision-making and inclusion.

1.5.2 Level of Financial Inclusion and Type of Employment

The data on financial inclusion by type of employment indicates that both government and private sector employees predominantly fall under the "Average Financial Inclusion" category, with 55.56% and 63.64% respectively.

Table 2 Level of Financial Inclusion among The Respondents by Type of Employment

Type of Employment	Low FI		Average FI		High FI		Total	
	No.	%	No.	%	No.	%	No.	%
Government	5	9.26	30	55.56	19	35.19	54	100.0
Private	6	9.09	42	63.64	18	27.27	66	100.0
Total	11	9.17	72	60.00	37	30.83	120	100.0

However, a slightly higher proportion of government employees (35.19%) report high financial inclusion compared to private employees (27.27%), suggesting better access to or utilization of financial services among the former. The proportion of respondents with low financial inclusion is nearly identical in both groups 9.26% among government employees and 9.09% among private employees—indicating minimal disparity at the lower end. Overall, while average financial inclusion is the most common level across both employment types, government employees show a marginally better financial inclusion profile.

1.5.3 Level of Financial Inclusion and Age Group

The analysis of financial inclusion levels across different age groups reveals that the majority of respondents in all categories fall under the "Average Financial Inclusion" (FI) level. Among respondents below 30 years of age, 59.57% have average FI, while 34.04% have high FI, indicating a relatively better inclusion among the younger population.

Table 3 Level of Financial Inclusion among the Respondents by Age Group

Age Group	Low FI		Average FI		High FI		Total	
	No.	%	No.	%	No.	%	No.	%
Below 30	3	6.38	28	59.57	16	34.04	47	100.0
31-40	4	9.76	26	63.41	11	26.83	41	100.0
41-50	2	10.00	11	55.00	7	35.00	20	100.0
51 & above	2	16.67	7	58.33	3	25.00	12	100.0
Total	11	9.17	72	60.00	37	30.83	120	100.0

The 31–40 age group also shows a strong presence in the average FI category (63.41%), though only 26.83% report high FI. Financial inclusion appears to decline slightly with age, as seen in the 41–50 and 51 & above groups, where the proportion of respondents with high FI drops to 35% and 25%, respectively. Notably, the highest percentage of low FI (16.67%) is found in the 51 & above group. Overall, while average financial inclusion is dominant across all age groups, younger respondents tend

to have higher levels of inclusion compared to older groups.

1.5.4 Level of Financial Inclusion and Education

The analysis of financial inclusion by educational attainment reveals a clear positive relationship between education level and financial inclusion.

Table 4 Level of Financial Inclusion among the Respondents by Education

Education	Low FI		Average FI		High FI		Total	
	No.	%	No.	%	No.	%	No.	%
Primary	6	33.33	9	50.00	3	16.67	18	100.00
Secondary	3	13.04	15	65.22	5	21.74	23	100.00
Higher	2	2.53	48	60.76	29	36.71	79	100.00
Total	11	9.17	72	60.00	37	30.83	120	100.00

Among respondents with only primary education, a significant portion (33.33%) falls under the low financial inclusion category, and only 16.67% report high inclusion. In contrast, those with secondary education show improvement, with 65.22% having average financial inclusion and 21.74% achieving high inclusion. The most notable trend is observed among respondents with higher education, where only 2.53% experience low financial inclusion, while 60.76% have average and 36.71% have high financial inclusion. This suggests that higher education is strongly associated with greater access to and usage of financial services.

1.5.5 Results of Chi-Square

Table 5 Chi-square results for Financial Inclusion and type of employment, education and age.

Variable	Chi-square value	Df	P- Value
Type of Employment	11.636	2	.003**
Education	49.001	4	.000*
Age	14.513	6	.024

*Significant at 1 per cent level **Significant at 5 per cent level ***Significant at 10 per cent level

The chi-square analysis reveals significant associations between financial inclusion and the variables of type of employment and education, while age does not show a statistically significant relationship. The association between financial inclusion and type of employment is significant at the 5% level (χ^2

= 11.636, $df = 2$, $p = 0.003$), indicating that the type of employment influences access to financial services. Education shows a highly significant relationship with financial inclusion ($\chi^2 = 49.001$, $df = 4$, $p = 0.000$), significant at the 1% level, underscoring the strong impact of educational attainment on financial inclusion. However, the association between financial inclusion and age ($\chi^2 = 14.513$, $df = 6$, $p = 0.024$) is not statistically significant at conventional levels, suggesting that age may not be a determining factor in the financial inclusion of respondents.

1.5.6 Relation between Investment Decisions and Financial Inclusion

Table 6 Investment Decision score with corresponding Financial Inclusion mean score

Investment Decisions Score	Respondents		Mean Financial Inclusion Score
	No.	%	
0	18	15.00	10.45
1	21	17.50	12.36
2	53	44.17	14.54
3	28	23.33	15.04
	120	100	

The analysis of investment decisions in relation to financial inclusion reveals a positive association between the two. Among the 120 respondents, those with higher investment decision scores tend to have higher mean financial inclusion scores. Respondents with a score of 0 (only holding savings accounts) comprise 15% of the sample and have the lowest mean financial inclusion score of 10.45. As the complexity and diversity of investments increase, so does the financial inclusion score. For instance, respondents investing in insurance products (score 1) and those investing in retirement products, bonds, or mutual funds (score 2) report mean financial inclusion scores of 12.36 and 14.54, respectively. The highest financial inclusion score of 15.04 is observed among those investing in stocks and shares (score 3), who make up 23.33% of the sample. This trend suggests that greater engagement in diverse and higher-risk investment avenues is associated with higher levels of financial inclusion.

1.6 Conclusion

The analysis highlights significant variations in financial inclusion, awareness, and investment behavior among respondents based on socio-economic factors such as education, employment type, and age. Education emerged as the strongest determinant of financial inclusion, with higher levels of education associated with increased access to and use of financial services. Government employees showed slightly better inclusion than private employees, while younger respondents demonstrated

relatively higher financial inclusion, though age was not statistically significant. Investment behaviour also positively correlated with financial inclusion—those making more diversified investments exhibited higher inclusion levels.

Further, the study found that awareness of traditional financial products is significantly higher than that of modern products. While nearly all respondents are aware of savings accounts, gold, and insurance, awareness sharply drops for instruments like mutual funds, shares, debentures, and derivatives. This gap suggests limited exposure to modern financial tools, potentially restricting optimal financial planning and growth.

1.7 Policy Recommendations for Enhancing Financial Inclusion among Employees in Telangana:

- **Workplace-Based Financial Literacy Programs:** Collaborate with employers across government and private sectors in Telangana to conduct regular financial awareness sessions at workplaces, focusing on savings, insurance, and investment options suited for employees.
- **Promotion of Modern Financial Products:** Partner with financial institutions to introduce simplified, regionally tailored awareness campaigns on mutual funds, digital investment platforms, and retirement planning tools for employees.
- **Employee Investment Incentives:** Encourage organizations to facilitate access to financial products through payroll-based investment schemes and provide incentives for first-time investors.
- **Financial Education in Employee Training:** Integrate basic financial literacy modules into employee induction and ongoing HR training programs, especially in private and SME sectors.

These targeted steps can help improve financial decision-making, investment behaviour, and long-term financial well-being of employees across Telangana.

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