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# Women Economic Empowerment through the Lens of Financial Inclusion in Pakistan: Analysis of the Moderation Effect of Financial Literacy

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**Abstract**
*This study analyzes how financial literacy influences the linkage between financial inclusion and economic empowerment of women. The study examines the impacts on women entrepreneurs actively working in Pakistan. This study is descriptive, and a quantitative research method is applied. A cross-sectional study design opts to study the variables under a single period and data was collected using structured questionnaires. Using the sampling technique of Bentler & Chou (1987), the research comprised a sample of 120 women entrepreneurs that are active and registered with the Women Chamber of Commerce Pakistan. Results suggested that women's economic empowerment is significantly and positively affected by financial inclusion. Additionally, a significant impact of financial literacy on women's economic empowerment has been observed. This study attempts to help policymakers identify barriers that prevent the underserved in society, especially women, from accessing financial products and services. The study also highlights the importance of financial literacy. It will encourage policymakers to introduce financial literacy programs to help individuals, especially women, better manage their finances and make informed decisions, thus fostering more inclusive and sustainable economies.*

**Keywords:** *Financial Inclusion, Financial Literacy, Women's Economic Empowerment*

## Introduction

Many financial institutions started providing financial facilities such as insurance, investments, and micro-finance services in the late 1990s. To support individuals with lower income levels, the non-governmental organizations also obtained licenses to accept savings and offered a band of financial services, specifically in emerging economies. Procurement, accessibility and utilization of these financial services is crucial for growth of economies (Mishra et al., 2021). This phenomenon is known as Financial Inclusion.

The World Bank (2022) defined 'Financial Inclusion' as individuals' and businesses' access to essential and affordable financial goods and services that fulfill their financial requirements (i.e. money transfers, savings, credit, transactions, and insurance) delivered with integrity and sustainably. Numerous microfinance and formal financial institutions, besides the nationalized banks, are directing their activities to include the underserved people (Mishra, 2021) financially. Access to economical and easily available financial services to vulnerable groups or underprivileged areas will help in reducing poverty, income-based and gender-based inequalities as well as enhance women's empowerment (Siddik, 2017), consequently boosting the financial growth of a country (Mishra et al., 2021). The World Bank Group also supports and promotes all-inclusive financial systems as a crucial facilitator in diminishing extreme poverty and enhancing mutual prosperity among the deprived community, especially women (World Bank, 2018).

Empowering women to participate in economic progress is one of the emerging challenges in developing countries. Siddik (2017) indicated that economically empowering women is also essential for their personal development and shared prosperity. When financially empowered through financial inclusion, they can better manage their consumption patterns and effectively mitigate risks (Grohmann et al., 2018).In addition, access to these financial tools, like owing and managing personal accounts, is equally essential for empowering women (Holloway et al., 2017; Karlan et al., 2016) as it increases their control over financial resources, thus contributing to economic stability (Karlan et al., 2016).

Considerable growth has been observed towards all-inclusive financial systems. According to Global Findex (2017), between 2011 and 2017, almost 1.2 billion adults accessed an account in formal financial institutions. In more than 80 countries, digitalized financial services have been launched, including financial services that can be accessed through mobile phones (ibid), which helped many underserved and excluded customers have easily reachable formal financial services. Approximately 2 billion adults were still unbanked, according to the latest Global Findex data (*2021 data forthcoming*); almost half were women from families with low earning or the ones living in rural areas or out of the labour force.

Despite the fact that the percentage of overall account ownership has improved globally, research shows that lesser women were having formal accounts compared to men, and this discrepancy was most noticeable in emerging countries (Demirguc-Kunt et al., 2018). This gender disparity still persisted even when the demographic, geographic and economic factors were controlled (Fanta & Mutsonziwa, 2016). The complex roles of women in their households may hinder them from managing finances in formal financial institutions. Notably, women in developing countries may face various challenges when it comes to accessing financial services including lack of proper documentation for account opening, the extended distance from bank, family or work errands, the mentality, peculiar conduct towards the financial institution (Murata & Sioson, 2018) as well as the financial literacy.

Lontchi et al. (2022) suggested that financial literacy is a prerequisite for making sound financial decisions (i.e. aptitude to know and having familiarity with financial goods and services, predominantly the risks and returns associated with these goods and services) which fosters financial inclusion (Grohmann et al., 2018). This improves the subjective hindrance to financial inclusion, for instance trust problems, the complexity of documentation and regulations (Noor et al., 2022). Due to the lack of financial information, fewer people in developing nations have the opportunity to utilize formal financial products and services. (Grohmann et al., 2018). So, financial literacy is needed to enhance the availability of financial services and enable investors to make informed choices which reduces economic volatility, improves intermediation, and strengthens the financial system as a whole. (Noor et al., 2022). Hence, financial literacy is a vital component that aids in the acquisition and utilization of formal financial services. (Skagerlund et al., 2018).

Researchers observed that financial literacy programs and intrusions improved access to financial services (Grohmann et al., 2018), thus regarding it an essential predictor of financial performance within emerging economies (Noor et al., 2022). Therefore, policymakers need to endorse financial literacy to encourage women to contribute to country's financial system. As a developing economy, Pakistan's population especially women, seem to face the same issue because of lack of financial knowledge (Ghaffar & Sharif, 2016). This study examines financial inclusion's impact on women's economic empowerment. Specifically, this study tends to determine how financial literacy helps and encourage women entrepreneurs in Pakistan, which may be one of the reasons that hinder them from financial inclusion.

This study attempts to help policymakers understand the need for greater financial inclusion of women which will help empower them economically, consequently boosting country's financial system. The following section of this paper is devoted to theoretical development. The third section details the study's data and methods. The fourth portion summarizes and discusses the findings, while the fifth section concludes

**Literature Review**

Women's Economic Empowerment Theory of Change stipulates that women are deemed economically empowered when they have complete autonomy over their rights, they are free to make decisions about their assets, time, and earnings, thus having the potential to improve their financial status and welfare as well as the ability to tackle risks effectively. This economic involvement is also known as Financial Inclusion.

In simple terms, financial inclusion is defined as the availability and exploitation of financial goods by people, particularly the marginalized (Fouejieu et al., 2020) and at an affordable cost (Noor et al., 2022; Munyegera & Matsumoto, 2016). Financial Inclusion is necessary because it helps promote profit maximization, and economic development, supports new businesses (Sharan & Dale, 2019), reduces poverty, improves gender-based equality (Noreen et al., 2022) and promotes women empowerment (Cicchiello et al., 2021). According to the Public-Good theory of financial inclusion, "financial inclusion" should be perceived as a public good, which entails that everyone deserves unrestricted access to formal financial goods/services. It is indispensable because financial inclusion encourages economic growth, enabling them to make decisions regarding consumption, saving, investment and risk mitigation (Allen et al., 2016). Financial Inclusion's systems theory also suggest that larger the financial inclusion, more significant are its positive consequences for the systems on which financial inclusion hinges (i.e. financial system, economic system or social system). Thus, financial inclusion can be a key driver in achieving long-term financial and economic success.

Several scholars examined the effect of financial inclusion on women's economic empowerment. Mishra et al. (2021) observed a significant increase in investments and economic growth when women were exposed to advanced financial products, thus accentuating the more remarkable women's financial inclusion. It is also emphasized by the World Bank's Sustainable Development Goals (2008) as an important factor contributing to women's economic empowerment and gender equality.

It has been observed that financial inclusion empowers women in the sense that they become financially independent when they start generating their incomes (Kim, 2022). A survey of female participants in Tanzania's Women Entrepreneurship Development Trust Fund found that women felt significant economic empowerment after building their startups (Dobra, 2011). Similarly, women participants were found to be more economically empowered after they were offered equal financial opportunities under the Women Empowerment Program in Nepal (Ashe & Parrott, 2001). It was identified in a study conducted in Urwego Opportunity Bank, Rwanda, that 69% of female clients felt self-confident and empowered (Dobra, 2011). This economic empowerment and self-confidence through financial inclusion help women take improved financial decisions (Napier et al., 2013). Following a proper implementation of financial inclusion programs in Bolivia and Ghana, the positive impact on women's economic empowerment has been observed. (Littlefield et al., 2003). Similar results were found by the researcher Swamy (2014), who identified a significantly significant impact of financial inclusion programs on women (i.e. 8.4%) as compared to men (i.e. 3.97%) in a study conducted in India. Moreover, financial inclusion offers various income-generating tools (Kazemikhasragh & Pineda, 2022) which help women increase their income resources, consume adequately and make efficient financial decisions, economically empowering them (Kim, 2022) and consequently minimizing the gender gap. Based on the "Women economic empowerment theory of Change" and the literature reviewed, the first hypothesis of this study has been derived as follows;
*$H_1$: Financially included women feel empowered.*

Even though many studies suggest that women's financial inclusion empowers them economically and helps minimize the gender gap, this gap persists specifically in developing economies (World Bank, 2022). Several studies have been undertaken to determine the whys and wherefores for the gender disparity in financial inclusion. Most of the empirical literature identified requirement-based factors that hinder women from financial inclusion, like insufficient resources to have an account, expensive financial products, distance from the banks, lack of trust and complex documentation procedures (Cicchiello et al., 2021; World Bank, 2017) or concerning economic, social or cultural factors (Bonin et al., 2021). Soriano (2017) identified financial illiteracy as one of the factors that barred individuals, specifically women, from financial inclusion.

Financial Literacy enables individuals to acquire and effectively use financial services. It is one of the major barriers that prevents individuals in underdeveloped economies from effectively understanding and managing these financial instruments (Morgan & Trinh, 2019). According to the S&P's Survey (2015), financial literacy is the most influential factor affecting financial inclusion.

Numerous studies have been conducted to evaluate the impact of financial literacy on financial inclusion. Using data from S&P's Global Financial Literacy Survey, Grohmann et al. (2018) discovered that financial literacy had a positive influence on the uptake of financial products. A study carried out in Nigeria found a significant effect of financial literacy on respondents' saving behavior (Adetunji & David-West, 2019). Morgan and Trinh (2019) also found similar results. Studies conducted in developing economies authenticated a positive linkage between financial literacy and use of formal financial instruments (Grohmann et al., 2018). It has also been validated by Klapper et al. (2013), who conducted research in a similar setting and discovered that the higher the level of financial Literacy, the more financial products are used. Morgan and Long (2020) identified higher saving patterns among individuals with higher financial literacy scores. A study conducted in rural Uganda by Bongomin et al. (2017) discovered that people needed more access to formal accounts since they lacked specialized financial literacy or understanding of financial goods. Similar results were found in a study conducted in South Africa (Kostov et al., 2015). Yuesti et al., (2020) identified financial literacy as highly influential factor that enhance the economy through higher financial inclusion. Hence, financial literacy is imperative for financial inclusion explicitly in developing economies. Following the literature reviewed, the second proposed hypothesis of this study is as follows;

*$H_2$: Financial Literacy significantly affects the relationship between Financial Inclusion and women's empowerment*

Researchers designated a lower rate of financial inclusion in emerging economies (Demirguc-Kunt et al., 2018), with 65% of adults holding financial accounts compared to 96% in developing economies (Makina, 2019). Being an emerging economy, the population of Pakistan is also facing the same problem. According to the Market Development Facility (2020) report, only 21% of adults hold accounts in Pakistan, of which only 7% of women have formal financial accounts. Absence of financial knowledge and trust in financial institutions were identified to be the major factors. On the other hand, only 26% of Pakistan's adult population is aware of financial products and services, while about 42% of the population is unbanked as a result of financial illiteracy. (Noor et al., 2022).

Furthermore, creation of new financial products and policies has enhanced the complexity of the financial sectors of rising economies such as Pakistan (World Bank, 2017). As a result, it is critical for individuals, particularly women, to improve their financial knowledge and abilities to be able to effectively utilize financial instruments, resulting in increased financial empowerment. Given the scenario, it becomes imperative to study how financial Literacy enables and empowers women economically to have greater financial inclusion in Pakistan.

## Methodology

### Study Design and Data

The study investigates the influence of financial inclusion on women's economic empowerment, with financial literacy being observed as a moderator. For this purpose, the study examines the impacts on women entrepreneurs that are registered and actively working in Pakistan. This study is descriptive, and a quantitative research method is applied. A cross-sectional study design opts to study the variables under a single period. Structured questionnaires were used to gather data.

**Population and Sample Size**

The data about the registered women entrepreneurs were collected from the Women's Chamber of Commerce, Pakistan. The total number of registered and active women entrepreneurs is 693. According to Bentler & Chou (1987), in Structural Equation Modeling, five observations per indicator are sufficient when a latent variable has multiple indicators. So, the study uses the sampling technique of Bentler & Chou (1987), which includes 120 women entrepreneurs as a study sample who are active and registered with the Women's Chamber of Commerce, Pakistan.

**Variable Measurement**

The study's respondents provided primary data via a self-administered questionnaire. The instrument developed by Mindra & Moya (2017) was used to measure Financial Inclusion. The researchers (ibid) assessed financial inclusion in terms of access to, utilization of, and quality of financial products/services. Financial Literacy was measured through the instrument Mindra and Moya (2017), and Gallup Pakistan (2015) developed together. The responses for both the factors were observed on a five-point Likert scale which varied from "strongly disagree" to "strongly agree." Women empowerment is a "multi-dimensional" term which includes economic, political and social empowerment (Bhatia & Singh, 2019). The objective of the research permits us to focus solely on the economic or financial aspects of women's empowerment. Therefore, for the measurement of the variable "women's economic empowerment", we adjusted the scale developed by indikit.net (2022).

**Statistical Tools and Tests**

The questionnaire for data collection was developed and distributed among the respondents using Google Forms, endorsed by various researchers, including Cohen et al. (2018) and Freitas et al. (2021). Validity and Reliability tests were performed using SPSS version 23. SPLS version 3.2.9 was used in order to perform factor analysis and for the identification of the relationships. The following methodological steps were applied to this cross-sectional data;

- Performing validity and reliability tests to determine the accuracy and consistency of the scale adapted.
- Performing Confirmatory Factor Analysis (CFA) for testing model adequacy.
- Using Structural Equation Modeling (SEM) to find the relationship between the research variables at the same time.

**Validity and Reliability**

A preliminary study was conducted, questionnaires were distributed among 50 respondents, and then the results were analyzed for validity and reliability to assess the accuracy and integrity of the instrument.

*i.* The capacity of an item or scale to quantity what it is anticipated to quantity is referred to as *Validity*. (Anastasi & Urbina, 1997).
*ii.* The probability that the items that make up a scale hang together in successive measurements under identical circumstances is defined as *Reliability* (Sürücü & Maslakçi, 2020). Mostly cronbach's alpha is used for this purpose (Cronbach, 1951).

**Factor Analysis**
Factor analysis is a procedure for consolidating a large number of constructs into a small number of potential constructs by identifying the correlation between the latent variable and the constructs, hence establishing or modifying a theory or model (Taherdoost et al., 2022).

**Confirmatory Factor Analysis**
Confirmatory Factor Analysis (CFA) evaluates the sufficiency of the number of indicators given for a certain variable (Williams et al., 2010; Cudeck, 2000). It validates the proposed measurement model when all the respective items load more on their specific variables (Noor et al., 2022). Items or factors with a loading > 0.5 are retained (Ahmad et al., 2016).

**Structural Equation Modeling (SEM)**
SEM was used to examine the causal links among the study variables (Noor et al., 2022), where Financial Inclusion is a predictor, Women's Economic Empowerment is a dependent variable, and Financial Literacy is a moderator.

**Results and Discussion**
**Demographic Characteristics**
Table 1 summarizes the demographic characteristics of the research respondents. The nature of the study allowed us only to consider "women" in the sample. The results indicated that among the three age groups of women entrepreneurs, 40 women were “young” entrepreneurs (i.e. aged between 20 and 30), 57 women were “middle-aged” entrepreneurs (i.e. aged between 31 and 50), and 23 women were “older” entrepreneurs (i.e. aged 50 and above). Among them, 9 women got formal education till Secondary, 12 women till Higher, 32 women were Undergraduate, 51 women were Graduate and 16 women were Post Graduate. It can be observed that the respondents were mainly among the "middle-aged” group as they represent 47.5% of the study sample, and 42.5% of the sample was represented by “Graduate” women entrepreneurs.

**Table 1:** *Demographic Characteristics*

| Demographic Groups | | Frequency | Per cent |
|---|---|---|---|
| **Age** | 20-30 | 40 | 33.3 |
| | 31-50 | 57 | 47.5 |
| | 50 and above | 23 | 19.2 |
| **Education** | Secondary | 9 | 7.5 |
| | Higher | 12 | 10.0 |
| | Under-Graduate | 32 | 26.6 |
| | Graduate | 51 | 42.5 |
| | Post-Graduate | 16 | 13.3 |
| | Total | 120 | |

**Descriptive Statistics**

Table 2 shows the results for descriptive statistics of the study variables Financial Inclusion, Financial Literacy and Economic Empowerment. The results indicate that the mean values for Financial Inclusion, Financial Literacy and Economic Empowerment are 3.66, 3.57 and 3.70, respectively, which suggests that, on average, the study respondents are financially included, financially literate and economically empowered. Furthermore, the standard deviation values for all the 3 variables are almost near 1 (i.e. less than ± 2), which suggests that the data is normally clustered around the mean.

**Table 2:** *Descriptive Statistics:*

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Financial_Inclusion | 120 | 1.45 | 5.00 | 3.66 | 0.88 |
| Financial_Literacy | 120 | 1.00 | 5.00 | 3.57 | 0.97 |
| Economic_Empowerment | 120 | 1.40 | 5.00 | 3.70 | 0.94 |

**Reliability and Validity**

Table 3.1 and Table 3.2 illustrates the results for the reliability and validity of the study variables Financial Inclusion, Financial Literacy and Economic Empowerment. Table 3.1 shows that Cronbach's Alpha for the variables Financial Inclusion, Financial Literacy and Economic Empowerment is 0.73, 0.90 and 0.76, respectively, which means that the data holds construct reliability or the constructs better explain their respective variables. The composite reliability values for the variables are 0.85, 0.93 and 0.84, which indicates that the constructs are internally consistent with their indicator variables.

**Table 3.1:** *Construct Reliability*

| Sr. No. | Variables | Cronbach's Alpha | Composite Reliability |
|---|---|---|---|
| 1. | Financial Inclusion | 0.73 | 0.85 |
| 2. | Financial Literacy | 0.90 | 0.93 |
| 3. | Economic Empowerment | 0.76 | 0.84 |

The Average Variance Extracted (AVE) is a measure of convergent validity. In Table 3.2, the AVE values for the study variables are 0.65, 0.68 and 0.53, above the minimum acceptable value of 0.5. It means that the constructs of the study variables have established convergent validity. The square root of Average Variance Extracted (AVE) or the Fornell-Larcker criteria measures discriminant validity. This criterion suggests that the correlation value between the variables should be less than the square roots of their AVE; otherwise, discriminant validity will be violated (Fornell & Larcker, 1981). It can be seen that the square-root values of AVE for Financial Inclusion, Financial Literacy and Economic Empowerment are 0.81 and 0.82 and 0.73, respectively, which are larger than the co-variance values between them. It means that the model holds discriminant validity.

Furthermore, the correlation value of 0.61 ($p<0.01$) indicates a significant positive relationship between Financial Inclusion and Economic Empowerment variables. A significant positive correlation exists between Financial Literacy and Economic Empowerment, with a correlation value 0.72 ($p<0.01$). A study conducted by Noor et al. (2022) also found similar results.

**Table 3.2:** *Construct Validity*

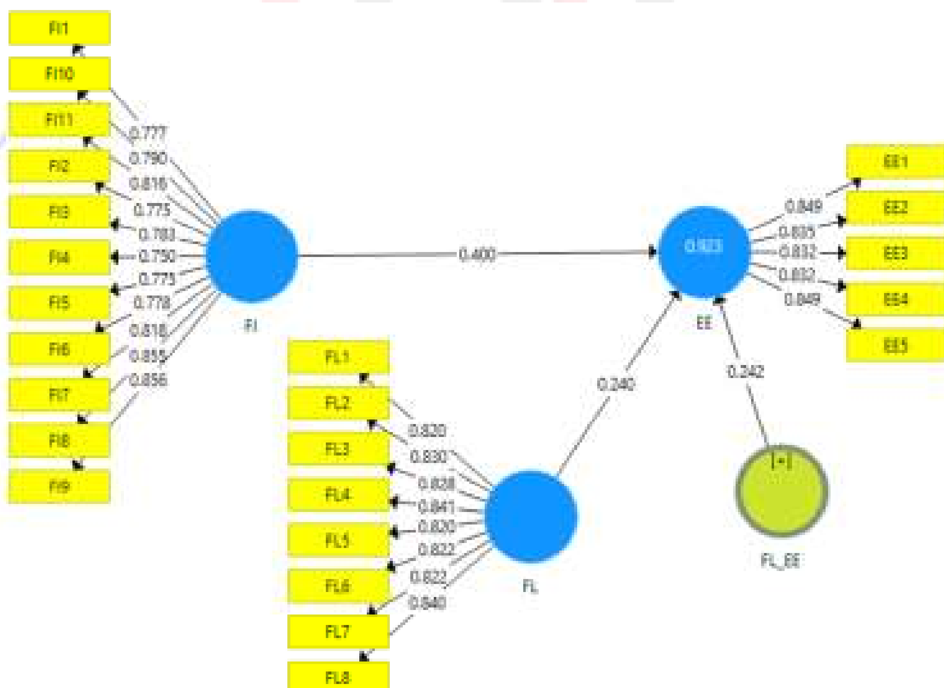
| Sr. No. | Variables | FI | FL | EE | AVE | √AVE |
|---|---|---|---|---|---|---|
| 1. | Financial Inclusion (FI) | 1 | | | 0.65 | 0.81 |
| 2. | Financial Literacy (FL) | 0.77*** | 1 | | 0.68 | 0.82 |
| 3. | Economic Empowerment (EE) | 0.61*** | 0.72*** | 1 | 0.53 | 0.73 |

*** significant at 1% level

**Confirmatory Factor**

As the study adapted scales for each variable from prior studies, Confirmatory Factor Analysis (CFA) was performed to assess the appropriateness or fitness of the measurement models as suggested by Schreiber et al. (2006). The measurement models of the study are presented in Figure 1.

**Figure 1:** *Measurement Models:*



## Factor Loading for Measurement Models

Table 4 illustrates the factor loadings for the measurement models. The results suggest that the factor loadings for all the eleven items of the variable Financial Inclusion, i.e. FI1, FI2, FI3, FI4, FI5, FI6, FI7, FI8, FI9, FI10 and FI11, are 0.78, 0.78, 0.78, 0.75, 0.78, 0.78, 0.82, 0.86, 0.86, 0.79, and 0.80 respectively. The latent variable Financial Literacy included eight items, i.e. FL1, FL2, FL3, FL4, FL5, FL6, FL7 and FL8, for which the factor loadings are 0.82, 0.83, 0.83, 0.84, 0.82, 0.82, 0.82 and 0.84 respectively. The latent variable Economic Empowerment was measured by five items, including EE1, EE2, EE3, EE4 and EE5, for which the factor loadings are 0.85, 0.84, 0.83, 0.83 and 0.85, respectively. It can be observed that the factor loadings for all the items of the 3 measurement models are > 0.708 i.e. the minimum acceptable value (Hair et al., 2017), so we retain all the items.

**Table 4PL:** *Factor Loadings*

| | Financial Inclusion | Financial Literacy | Economic Empowerment |
|---|---|---|---|
| FI1 | 0.78 | | |
| FI2 | 0.78 | | |
| FI3 | 0.78 | | |
| FI4 | 0.75 | | |
| FI5 | 0.78 | | |
| FI6 | 0.78 | | |
| FI7 | 0.82 | | |
| FI8 | 0.86 | | |
| FI9 | 0.86 | | |
| FI10 | 0.79 | | |
| FI11 | 0.80 | | |
| FL1 | | 0.82 | |
| FL2 | | 0.83 | |
| FL3 | | 0.83 | |
| FL4 | | 0.84 | |
| FL5 | | 0.82 | |
| FL6 | | 0.82 | |
| FL7 | | 0.82 | |
| FL8 | | 0.84 | |
| EE1 | | | 0.85 |
| EE2 | | | 0.84 |
| EE3 | | | 0.83 |
| EE4 | | | 0.83 |
| EE5 | | | 0.85 |

## Model Fit

Table 5 shows the results for the model fit indices. The estimated model value for the index SRMR is 0.043, less than the maximum cut-off value of 0.08. The NFI value for the estimated model is 0.90, equal to the minimum threshold value of 0.90. The results suggest that the model of the study is a good fit.

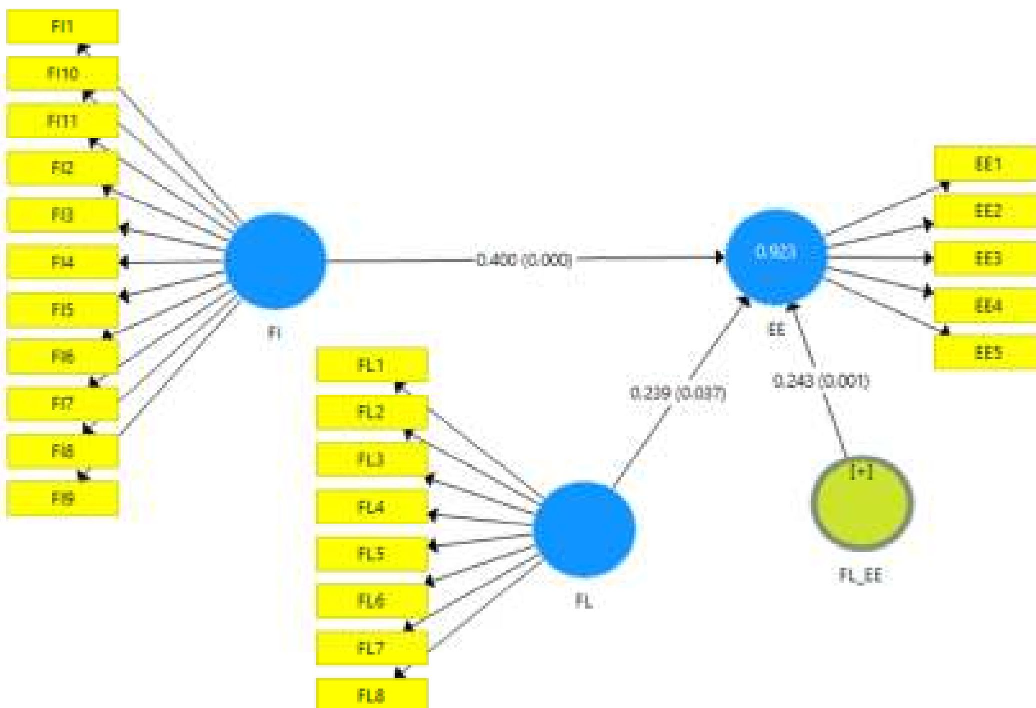
**Table 5:** *Model Fit Indices:*

| Indices | Estimated Model |
|---|---|
| SRMR | 0.04 |
| NFI | 0.90 |

**Structural Equation Model**

The results of the CFA suggested the adequacy of the measurement models. Therefore, Structure Equation Modeling (SEM) will be used to analyze the path model. SEM has been used to simultaneously identify relationships between the variables, i.e. Financial Inclusion, Financial Literacy and Economic Empowerment. Figure 2 illustrates the path model of the study variables.

**Figure 2:** *Path Model*




**R-Squared Adjusted**

The adjusted R-squared is a measure to determine how much independent variables explain the variance in the dependent variable. Table 6 shows the results for adjusted R-squared. It can be observed that the independent variables, i.e. Financial Inclusion and Financial Literacy, explain 92.1% variance in the dependent variable Economic Empowerment (EE), with a significant p-value of 0.00. The t-value is 61.74, much above the minimum threshold of 1.96.

**Table 6:** *R-Squared Adjusted:*

| Dependent Variable | Original Sample (O) | Standard Deviation (STDEV) | T Statistics (\|O/STDEV\|) | P-Value |
|---|---|---|---|---|
| E | 0.921 | 0.02 | 61.74 | 0.00 |

## Model Fit

Table 7 shows the results for the model fit index SRMR. The saturated model value for the index SRMR is 0.043, and the estimated model value for the index SRMR is 0.054. The values for saturated and estimated models are less than the maximum cut-off value of 0.08. Thus, the model of the study is reliable and an appropriate fit as suggested by the results.

**Table 7:** *SRMR*

| SRMR | Original Sample(O) | Sample Mean (M) | 95% | 99% |
|---|---|---|---|---|
| Saturated Model | 0.043 | 0.040 | 0.047 | 0.051 |
| Estimated Model | 0.054 | 0.089 | 0.159 | 0.200 |

## Path Coefficients

The Path Coefficients indicate the amount of change in the dependent variable caused by the change in the independent variable. Table 8 shows that the values under "original sample" are all positive, which means there is a positive correlation between the variables. It can be observed that a unit change in Financial Inclusion (FI) increases Economic Empowerment (EE) by 0.40 units with a significant p-value of 0.00. Similarly, a unit change in the moderator, i.e. Financial Literacy (FL), changes the dependent variable "Economic Empowerment" by 0.24 units with a significant p-value of 0.00. The t-statistics value between FI and EE is 3.58, between FL and EE is 2.10 and between the interaction term and the dependent variable is 3.35. The results suggest a significant positive relationship between Financial Inclusion and Economic Empowerment. Therefore, we accept $H_1$. Furthermore, a significant positive moderation effect of Financial Literacy has been found. So, we accept $H_2$. The findings of Bongomin et al. (2017) and Noor et al. (2022) support the conclusions of this investigation, who conducted their research in similar perspectives.

**Table 8:** *Path Coefficients*

| | Original Sample (O) | Standard Deviation (STDEV) | T Statistics (\|O/STDEV\|) | P-Value |
|---|---|---|---|---|
| FI -> EE | 0.40 | 0.11 | 3.58 | 0.00 |
| FL -> EE | 0.24 | 0.12 | 2.10 | 0.04 |
| FL_EE -> EE | 0.24 | 0.07 | 3.35 | 0.00 |

## Conclusion

Financial inclusion and Economic Empowerment of women are one of the United Nations Sustainable Development Goals 2030 objectives. Various global economies struggle to implement policies for accessing and using financial services to help elevate women's growth and economic empowerment (Kazemikhasragh & Pineda, 2022). This financial inclusion of women stimulates the progression and expansion of the economy as they make an immense contribution to the welfare of society as a whole.

Given the scenario, this study examined how women in Pakistan were economically empowered by their inclusion in the financial system. The study further investigated whether financial Literacy moderates the relationship between financial inclusion and women's economic empowerment.

According to the findings, financial inclusion has a considerable positive impact on women's economic empowerment. Furthermore, the Literacy of formal financial products and services significantly impacts women's economic empowerment. The study findings are consistent with the observations of Noor's et al. (2022) and Kazemikhasragh and Pineda (2022).

**Implication and Future Directions**

Many reforms have been initiated by the State Bank of Pakistan (SBP) such as National Financial Literacy Program, Banking on Equality and National Financial Inclusion Strategy, to help improve women's financial literacy level and promote greater financial inclusion in Pakistan. This study attempts to help SBP and the policymakers identify specific barriers preventing the underserved in society, especially women, from accessing financial services. This study also encourages policymakers to develop policies encouraging financial institutions to provide financial goods and services that are affordable and easily accessible. The study also highlights the importance of financial Literacy, which will help policymakers introduce financial literacy programs to help individuals better manage their finances and make informed decisions. It will help foster more inclusive and sustainable economies.

This study focused on the determinants of the consumer side (i.e. the access to, the usage and the quality of financial products /services) of financial inclusion. The results can be improved by analyzing both the demand-side (i.e. consumer side) and supply-side (i.e. from the perspective of financial institutions, government etc) determinants of financial inclusion such as inappropriate products/ services, risks, poor infrastructure, and policy regulations. Additionally, more robust results can be obtained by including extensive sample data.

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