https://doi.org/10.31995/jgv.2026.v17iSI08.009

Financial Literacy in Ancient India: The Economic Role of Rural Women and Its Continuity in Modern Non-Formal Financial Systems

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Reference to this paper should be made as follows:

Received: 03.03.26
Approved: 27.07.26

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Vol. XVII, Sp. Issue Aug. 2026
Article No.09, Pg. 065-070

Similarity Check: 03%

Online available at
https://anubooks.com/special-issues?url=jgv-si-apsmgpc-lkn-2026

DOI: *https://doi.org/10.31995/jgv.2026.v17iSI08.009*

Abstract

Financial literacy is commonly viewed as a modern concept associated with formal banking systems and financial education. However, the foundations of financial literacy existed long before the emergence of modern economic institutions. In ancient India, rural women played a crucial role in managing household and agrarian economies. Although the term "financial literacy" did not exist, these women practiced sophisticated economic management rooted in the Indian Knowledge System (IKS). They managed grain storage, livestock assets, barter exchanges, and household savings while ensuring sustainability and community welfare. Over time, these traditional practices evolved into modern non-formal financial systems such as Self-Help Groups (SHGs), rotating savings systems, and digital financial participation. This paper explores the economic role of rural women in ancient India and examines how their traditional financial practices continue to influence modern rural financial literacy.

Keywords: *Financial Literacy, Rural Women, Indian Knowledge System (IKS), Non-Formal Financial Systems, Self-Help Groups (SHGs), Household Resource Management, Livestock Economy, Traditional Economic Practices, Rural Financial Inclusion.*

**This article has been peer-reviewed by the Review Committee of JGV.*

1. Introduction

Financial literacy refers to the knowledge and ability to manage financial resources effectively, including budgeting, saving, investing, and managing risks. While modern discussions about financial literacy often focus on banking, digital payments, and financial education programs, the underlying principles of financial management have existed in traditional societies for centuries. In ancient India, rural households formed the basic unit of the economy. Within this system, women played a central role in managing household resources, agricultural produce, and small-scale trade. Their economic contributions were embedded within cultural traditions, community cooperation, and ethical frameworks. Ancient Indian texts, such as the Rig Veda and the Manusmriti, indicate that women were entrusted with managing household wealth and expenditure.

Similarly, the economic treatise *Arthashastra* by Chanakya discusses the importance of organized economic systems and responsible resource management. These references demonstrate that economic awareness and financial discipline were embedded in ancient Indian social structures. In ancient India, the concept of wealth was broader than the modern understanding of money or currency. Wealth was not measured only in coins or monetary income but also in terms of land, livestock, stored grain, agricultural produce, and valuable household goods. These resources represented economic security and sustainability for families and communities. As agricultural techniques improved, the production of surplus crops increased. This surplus allowed rural communities to engage in exchange and trade beyond basic subsistence. Over time, regional trade routes developed, connecting villages with larger markets and urban centres. In this evolving economic system, men were often involved in external market activities such as trade and transportation, while women played a crucial role in managing household resources, preserving surplus produce, and ensuring the efficient use of available wealth. Thus, women functioned as the internal managers of the household economy, while men were more directly engaged in market-based transactions.

2. The Economic Role of Rural Women in Ancient India

The role of rural women in ancient India extended far beyond domestic responsibilities. They were central to the functioning of the agrarian economy and acted as the primary managers of household resources. In rural communities, the household functioned as a production unit where food processing, livestock management, textile production, and storage of agricultural produce were carried out. Women were responsible for managing these activities, which required practical knowledge of budgeting, inventory management, and resource optimisation. They also contributed to cottage industries such as weaving, pottery decoration, dairy production, and oil extraction. These activities often generated additional income for the household, Thus, ancient rural women effectively practiced what can be described today as ***micro-economic management.***

3. Management of Grain and Household Resources

One of the most important responsibilities of rural women was grain storage management, often referred to as “Dhanya management.”

Inventory Management

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After the harvest season, women carefully divided the stored grain into different categories:

- Grain for household consumption throughout the year
- Grain reserved for seeds (Bija) for the next agricultural cycle
- Surplus grain used for barter or trade

This required careful planning and estimation to ensure that the household could survive until the next harvest season. Women also protected stored grains from pests, moisture, and spoilage by using traditional storage techniques such as clay containers, bamboo bins, and natural preservatives like neem leaves and ash. These practices demonstrate an early form of **inventory management and resource planning**, which are important components of financial literacy.

4. Classical Texts and the Concept of Wealth Management in Ancient India

4.1 Teachings from the *Arthashastra*

The *Arthashastra*, written by Kautilya (Chanakya), is one of the most important ancient Indian texts on governance, economics, and administration. It highlights the importance of resource management, state revenue, agriculture, and trade. A well-known principle from the text states:

"कोष मूलो दण्डः" ***(Kosha mulo danda)***

This statement means that the stability of governance and social order depends on a well-managed treasury. Wealth and resources are therefore considered the foundation of economic stability.

Although the text primarily discusses state administration, its principles reflect the broader economic philosophy of ancient India, where careful management of resources was essential at every level of society. At the household level, rural women performed a similar role by managing food storage, livestock resources, and household consumption. Their management ensured that families maintained economic stability even during difficult seasons. Thus, the idea of systematic resource management described in the *Arthashastra* is also evident in the practical economic roles rural women perform.

4.2 Teachings from the *Rig Veda*

The *Rig Veda* also contains references that highlight the value of prosperity, agricultural wealth, and household management. One example is:

"सम्राज्ञी श्वशुरे भव, सम्राज्ञी श्वश्रवां भव" ***(Rig Veda 10.85.46)***

This verse describes the bride as becoming the "queen," or leader, of the household after marriage. The verse symbolically emphasizes her authority and responsibility in managing household affairs. In the context of rural economic life, this responsibility included the management of food supplies, domestic production, and household wealth. Women were, therefore, not only caretakers but also economic managers who ensured the efficient use of resources. This reflects an early recognition of women's role in sustaining the household economy.

4.3 Teachings from the *Manusmriti*

The *Manusmriti* also discusses the responsibilities of household members and the importance of proper wealth management**.** One verse often cited is:

"यत्र नार्यस्तु पूज्यन्ते रमन्ते तत्र देवताः" ***(Manusmriti 3.56)***

The verse emphasizes that where women are respected, prosperity and harmony prevail. Although the verse is primarily social in nature, it reflects the belief that the stability and prosperity of households are closely connected to the role of women. In the rural economic context, this respect was reflected in the trust placed in women to manage household resources. Their responsibilities included budgeting food supplies, preserving surplus grain, and managing valuable household assets.

4.4 Economic Learning from Classical Texts

These classical texts collectively illustrate several important economic principles:

1. Wealth is broader than money – It includes grain, land, livestock, and other productive assets.
2. Resource management is essential for stability, whether at the level of the state or the household.
3. Women play a key role in household prosperity through careful planning and management of resources.

When these ideas are examined together, they reveal that financial awareness and economic management were deeply embedded in ancient Indian society. Rural women practiced many of these principles in their daily activities, making them key contributors to the economic sustainability of their communities.

5. Barter Systems and Local Trade

Before the widespread use of coins and currency, many rural communities relied on barter systems for economic exchange. Women frequently participated in these exchanges by trading household goods such as grains, dairy products, textiles, and handmade items.

For example:

- Grain could be exchanged for vegetables or spices.
- Dairy products could be exchanged for tools or household items.
- Handmade cloth could be traded for agricultural supplies.

Through these transactions, women developed negotiation skills, market awareness, and an understanding of value exchange.

6. Household Budgeting and Savings

Ancient rural households depended heavily on careful budgeting to survive seasonal changes in agricultural production. Women were primarily responsible for allocating resources throughout the year. They ensured that food supplies lasted until the next harvest and that extra resources were preserved for emergencies such as droughts, illness, or crop failure.

Savings often took the form of:

- Stored grains
- Livestock
- Jewellery or metal ornaments
- Cloth and other durable goods

Journal Global Values, Vol. XVII, Sp. Issue Aug. 2026 ISSN: (P)0976-9447, (e)2454-8391, Impact Factor 8.906(SJIF)
https://doi.org/10.31995/jgv.2026.v17iSI08.009

These items functioned as **informal savings instruments**, similar to financial savings in modern banking systems. Thus, rural women practiced financial planning even without formal education or financial institutions.

7. Community Cooperation and Collective Financial Practices

Another important feature of rural economic life was cooperation within communities. Women often supported each other through informal networks where resources and labour were shared. For example, during weddings, harvest seasons, or periods of hardship, women contributed food, grains, or labour to help one another. These cooperative arrangements created early forms of **collective financial systems**, in which community members supported one another in times of need. Such practices built trust and social capital, which are important foundations for modern community-based financial systems.

8. Continuity in Modern Non-Formal Financial Systems

Many of the traditional financial practices developed by rural women in ancient India persist today in modern non-formal financial systems.

Self-Help Groups (SHGs)

Self-Help Groups are small groups of women who save money together and provide loans to members when needed. These groups encourage financial discipline, savings habits, and collective decision-making. The structure of SHGs closely resembles traditional community cooperation practices.

Rotating Savings and Credit Systems

In rotating savings systems, members contribute a fixed amount of money regularly, and each member receives the collected amount in turn. These systems function as informal financial institutions and help people access funds without relying on banks.

Digital Financial Inclusion

In recent years, rural women have also begun participating in digital financial systems through mobile banking, digital payments, and government financial programs. Although the technology is new, the underlying financial practices—saving, budgeting, and resource management—have deep historical roots.

9. Importance of Traditional Knowledge in Modern Financial Literacy

Understanding the historical role of rural women in economic management can improve modern financial literacy programs. Instead of viewing financial literacy as entirely modern, policymakers and educators can recognize the traditional knowledge already present in rural communities. By connecting modern financial tools with traditional practices, financial education programs can become more culturally relevant and effective. Recognizing the economic contributions of rural women also helps promote gender equality and empowers women to participate more actively in formal financial systems.

10. Conclusion

The concept of financial literacy did not originate in modern banking institutions; rather, it has deep roots in traditional economic practices. In ancient India, rural women played a vital role in managing household resources, agricultural produce, and local trade. Through grain management, livestock care, barter exchanges, budgeting, and community cooperation, these women demonstrated sophisticated financial skills. Their knowledge and practices formed the foundation of informal economic systems that supported rural communities for centuries. Today, many of these traditional practices continue to influence modern non-formal financial systems such as Self-Help Groups, rotating savings systems, and digital financial participation. Recognizing the historical contributions of rural women provides valuable insights into the development of financial literacy and highlights the importance of traditional knowledge in shaping modern economic systems.

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