



WOMEN'S FINANCIAL INCLUSION IN INDIA: ANALYZING THE GENDER GAP

Ms. Nidhi A Gupta

Research Scholar

Department of Education, SNDT Women's University, Mumbai

ABSTRACT

The gender gap in Financial Inclusion remains a significant challenge in India, with women often facing systemic barriers that limit their access to financial services. Despite various government and private sector initiatives aimed at promoting inclusion, disparities in banking access, credit availability, and digital finance adoption persist between men and women. The issue of Financial Inclusion, particularly for women, has gained significant attention in recent years, as it is widely recognized as a crucial driver of economic empowerment and social development. In India, the government and financial institutions have implemented various strategies to promote Financial Inclusion by focusing on specific challenges women face. This paper discusses the concept of Financial Inclusion, its historical context, and the current status of Financial Inclusion in India. It also discusses the gender gap in Financial Inclusion and the initiatives taken by the government to bridge it. It also discusses the special schemes and recommendations for women's Financial Inclusion in India. By analyzing current trends and policies, it aims to shed light on the critical steps needed to bridge this divide and foster equitable financial opportunities for women across India.

KEYWORDS

Women's Financial Inclusion in India, Financial Inclusion, Financial literacy, Pradhan Mantri Jan Dhan Yojana (PMJDY), Gender Gap in Financial Inclusion

I. INTRODUCTION

“Financial Inclusion helps lift people out of poverty and can help speed economic development. It can draw more women into the mainstream of economic activity, harnessing their contributions to society.”¹ – Sri Mulyani Indrawati, Minister of Finance of Indonesia, former head of the World Bank Group.

Financial Inclusion ensures affordable and effective access to financial products and services for individuals and businesses. These services encompass a wide range, including transactions, payments, savings, credit, and insurance. The ultimate goal is to deliver these services in a responsible and sustainable manner.

Financial Inclusion plays a crucial role in achieving the Sustainable Development Goals (SDGs), and acting as an enabler for seven out of the 17 SDGs (World Bank, 2023)². Financial Inclusion is seen by the World Bank Group as a key driver for reducing extreme poverty. Financial Inclusion begins with access to a transaction account. It's possible to save money securely and make seamless transactions with this account. Also, it opens the access to other essential financial services.

Despite significant progress made through initiatives like the World Bank Group's Universal Financial Access 2020, there remains much work to be done. Ensuring that people worldwide have access to transaction accounts continues to be a priority. These accounts

¹ <https://blogs.worldbank.org/en/voices/financial-inclusion-stepping-stone-prosperity>

^{2,3,5} <https://www.worldbank.org/en/topic/financialinclusion/overview>

empower individuals and businesses to plan for their long-term goals, handle unexpected emergencies, and make use of additional financial services such as credit and insurance. By doing so, Financial Inclusion enhances overall quality of life (World Bank, 2023)³.

At a global level, around a 40% of the poorest households do not have a bank account, hindering their ability to save or build a financial history necessary for accessing additional financial services (Demirgüç-Kunt et al., 2018)⁴. However, significant progress has been made in Financial Inclusion: the number of adults without an account has reduced from 2.5 billion in 2011 to 1.7 billion in 2017, and further to 1.4 billion in 2021. By 2021, 76% of the adult population worldwide had access to an account. While having an account is nearly universal in high-income countries, majorly all individuals who do not have a bank account live in the developing nations. Digital financial services, particularly those utilizing mobile technology, have been introduced in over 98 countries, some achieving considerable scale. By early 2021, there were more than 1.35 billion registered mobile money accounts globally. This shift has enabled millions of previously excluded individuals to transition from cash-based transactions to formal financial services through mobile phones & other digital platforms (World Bank, 2023)⁵.

Financial Inclusion is increasingly recognized as a vital catalyst for economic growth and poverty reduction. Access to formal financial services can lead to job creation, decrease vulnerability to economic fluctuations, and encourage investment in human capital. Without sufficient access to these services, individuals and businesses often depend on their limited resources or turn to expensive informal finance options to address their financial needs & pursue opportunities for growth. On a macroeconomic level, enhanced Financial Inclusion can foster sustainable and inclusive socio-economic development.

Financial Inclusion has an important effect by increasing economic output and seeing a decline in poverty and income disparities at the national level. The Financial Inclusion of women is particularly crucial for advancing gender equality and empowering women economically. When women have greater control over their finances, they can uplift themselves and their families from poverty, mitigate the risk of falling back into it, escape exploitation in the informal sector, and participate more fully in productive economic activities. An inclusive financial system ultimately supports stability, integrity, and equitable growth for all. This initiative is essential for economic growth, poverty alleviation, and enhancing the quality of life for vulnerable groups.

II. FINANCIAL INCLUSION AND ITS IMPORTANCE

Financial Inclusion refers to providing financial services, such as banking and credit, at affordable rates to large segments of disadvantaged and low-income populations who are often excluded from these services (Chhabra, 2015)⁶.

It is defined as the process of ensuring that all segments of society, including vulnerable groups and those with low incomes, have access to suitable financial products and services. This access should be offered at a reasonable cost in an equitable way by established financial institutions (Chakrabarty, 2013)⁷.

The aim of Financial Inclusion is to make the financial services accessible to the underprivileged in the country. It plays a crucial role in boosting job creation, reducing economic vulnerability, and increasing investments in human capital. The inaccessibility of financial services often forces individuals and businesses to rely on costly informal sources of finance, which can perpetuate cycles of poverty and economic instability.

III. HISTORICAL CONTEXT IN INDIA

Historically, Financial Inclusion in the country dates back to the post-independence era, when the government recognized the need for a robust financial system to support economic development. In the 1950s, the Indian government initiated significant reforms aimed at creating a more inclusive banking sector. The nationalization of major banks in 1969 marked a pivotal moment, as it aimed to extend banking services to rural and underserved areas, ensuring that the agricultural sector and marginalized communities received adequate financial support.

The introduction of the National Bank for Agriculture and Rural Development (NABARD) in 1982 and the National Rural Employment Guarantee Scheme (NREGS) were early steps towards improving financial accessibility. However, it wasn't until the liberalization of the Indian economy in the 1990s that the landscape of financial services began to transform more rapidly. The introduction of private banks and foreign banks increased competition, leading to better services and innovations in banking.

⁴ Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S. and Hess, J. (2018). The Global Findex database 2017: measuring Financial Inclusion and the fintech revolution. Washington, DC: World Bank. <http://documents.worldbank.org/curated/en/332881525873182837/pdf/126033-PUB-PUBLIC-pubdate-4-19-2018.pdf>.

⁶ Chhabra, N. (2015). Financial Inclusion in India. Maharshi Dayanand University. Retrieved from <http://shodhganga.inflibnet.ac.in/handle/10603/36960>

⁷ Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the BIS-BNM Workshop on Financial Inclusion Indicators at Kuala Lumpur on November 5, 2012

Government of India (GoI) & Reserve Bank of India (RBI), in early 2000s began to place greater emphasis on Financial Inclusion as a key driver for sustainable economic growth. The establishment of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014 was a landmark initiative intended at universal access to banking facilities, with a focus on opening zero-balance accounts for the underprivileged.

Technological advancements further revolutionized Financial Inclusion in India. The proliferation of mobile phones and digital platforms facilitated the growth of fintech solutions, enabling easier access to Banking and Financial Services. Initiatives like the Unified Payments Interface (UPI) and mobile wallets have empowered individuals to perform financial transactions seamlessly.

According to Dr. S. HariBabu (2019)⁸ in his article "Financial Inclusion Challenges and Opportunities in India," the RBI's initiative has been a valuable step toward bringing unbanked individuals into the formal banking system. Yet, according to the World Bank's Findex Survey, nearly one-fourth of the world's adult population, or over 2 billion people, still lack access to financial services, with 1 billion of these being women (World Bank, 2023)⁹. In India, ongoing government and institutional efforts continue, particularly focused on overcoming barriers faced by women in accessing financial services.

IV. FINANCIAL INCLUSION OF WOMEN

Around 35% of women worldwide which accounts for approximately 980 million, remain excluded from the formal financial system (Demirgüç-Kunt et al., 2018)¹⁰.

Despite the efforts, the status of Financial Inclusion of women in India remains a complex and multifaceted issue. Factors such as distance, cost, documentation requirements, and trust continue to act as barriers, preventing many women from accessing basic financial services. Furthermore, the socio-cultural norms and gender-based disparities that exist in the country have contributed to the exclusion of women from the formal financial system. (Serrao et al., 2021)¹¹

V. INITIATIVES AND POLICIES FOR FINANCIAL INCLUSION OF WOMEN IN INDIA

The GoI & RBI have undertaken various initiatives to address these challenges and promote Financial Inclusion for women. Some of these initiatives are discussed under:

5.1 Pradhan Mantri Jan Dhan Yojana (PMJDY)

Launched in August 2014, PMJDY is a cornerstone of India's Financial Inclusion strategy. Pradhan Mantri Jan-Dhan Yojana, aims to provide basic banking services to the unbanked population, an emphasis on the expansion of banking infrastructure in rural areas, and the implementation of supportive policies and regulations (Mathew & Kurian, 2017)¹². As of now, over 500 million accounts have been opened under this scheme, significantly increasing the number of people with access to formal banking services. Approximately 55.6% of these accounts belong to women, and a substantial number are located in rural and semi-urban areas (Ministry of Finance, 2024)¹³.

5.2 Mahila E-Haat

The Mahila E-Haat¹⁴ is an online platform launched by the Ministry of Women and Child Development in 2016. It allows women entrepreneurs, especially those engaged in small-scale industries, to market and sell their products. This initiative promotes financial independence and provides women with an opportunity to generate income, thus aiding their inclusion in the financial ecosystem.

⁸ Babu, H. S. (2015). Financial Inclusion: Challenges and opportunities in India. ResearchGate. Retrieved from https://www.researchgate.net/publication/311818206_FINANCIAL_INCLUSION_CHALLENGES_AND_OPPORTUNITIES_IN_INDIA

⁹ <https://www.worldbank.org/en/topic/financialinclusion/overview>

¹⁰ Demirgüç-Kunt, A., Klapper, L., Singer, D., Ansar, S. and Hess, J. (2018). The Global Findex database 2017: measuring Financial Inclusion and the fintech revolution. Washington, DC: World Bank. <http://documents.worldbank.org/curated/en/332881525873182837/pdf/126033-PUB-PUBLIC-pubdate-4-19-2018.pdf>.

¹¹ Manohar Serrao & Aloysius Sequeira & K. V. M. Varambally, 2021. "Impact of Financial Inclusion on the Socio-Economic Status of Rural and Urban Households of Vulnerable Sections in Karnataka," Papers 2105.11716, arXiv.org. Retrieved from <https://ideas.repec.org/p/arx/papers/2105.11716.html>

¹² Jaya Mathew & Reeba Kurian. (2017). India's policies on leveraging Financial Inclusion in the country, Journal of Developing Areas, Tennessee State University, College of Business, vol. 51(4), pages 433-443, October-D. Retrieved from <https://ideas.repec.org/a/jda/journal/vol.51year2017issue4pp433-443.html>

¹³ Ministry of Finance. (2024). Pradhan Mantri Jan Dhan Yojana (PMJDY) — National Mission for Financial Inclusion — completes a decade of successful implementation Retrieved from <https://pib.gov.in/PressReleasePage.aspx?PRID=2049231>

¹⁴ <https://vikaspedia.in/e-governance/women-and-e-governance/mahila-e-haat>

5.3 Self Help Groups (SHGs) and Microfinance

Self Help Groups (SHGs)¹⁵ play a pivotal role in the Financial Inclusion of women, particularly in rural areas. SHGs, often composed of women, are small, voluntary groups formed to achieve common financial and social goals. These groups provide a platform for women to save and lend money to each other. In partnership with microfinance institutions, SHGs also have access to credit, enabling them to start small businesses and improve their livelihoods. SHG-Bank Linkage Programme (SBLP), initiated by NABARD, is a key driver in this area.

5.4 Stree Shakti Package by SBI

The State Bank of India (SBI) introduced the Stree Shakti Package¹⁶, a special scheme designed to offer loans to women entrepreneurs at concessional rates. Women entrepreneurs who hold a majority stake (over 50%) in their business are eligible for this package. The scheme also provides collateral-free loans up to a certain limit, encouraging women to start businesses and thereby empowering them economically.

5.5 Sukanya Samridhi Yojana (SSY)

The Sukanya Samridhi Yojana¹⁷ is a government-backed savings scheme targeted at the girl child. Under this initiative, parents can open an account for a girl child and make deposits until she reaches the age of 15. The scheme offers one of the highest interest rates among small savings schemes, promoting long-term financial planning for girls. This policy ensures that girls receive a stable financial foundation for their future.

5.6 JAM Trinity

The Jan Dhan-Aadhaar-Mobile (JAM)¹⁸ framework has revolutionized access to government services and financial products. Aadhaar, a unique identification system, facilitates secure and verifiable identities, which is crucial for accessing various financial services. This integration has helped streamline the delivery of subsidies and benefits directly to beneficiaries' bank accounts, enhancing transparency and efficiency.

5.7 Financial Literacy and Digital Payments

Efforts to promote financial literacy have been ramped up, with initiatives like "Project Financial Literacy" by the Reserve Bank of India. Additionally, the adoption of digital payment systems, such as the Unified Payments Interface (UPI) and Aadhaar-enabled payment systems, has made financial transactions more accessible, even for those without internet access through offline transaction options.

In addition to above mentioned few national schemes, several state governments have also introduced initiatives to support women. As part of celebrating 10 years of the Pradhan Mantri Jan Dhan Yojana (PMJDY)¹⁹ in 2024, the Government of Maharashtra launched the "Mukhyamantri Majhi Ladki Bahin Scheme²⁰." Maharashtra's Deputy Chief Minister and Finance Minister Ajit Pawar, during the state budget announcement, introduced a range of standard operating procedures (SOPs), including this financial aid program for women. Under the scheme, eligible women between the ages of 21 and 60 will receive a monthly allowance of ₹1,500. The government has allocated ₹46,000 crore annually for the scheme, which will be implemented starting from July 2024.

Other states have also introduced similar initiatives focused on uplifting women.

VI. OUTCOME

The National Family Health Survey (NFHS-5)²¹, conducted between 2019 and 2021 and released by India's Ministry of Health, highlights significant advancements in women's empowerment, attributing these improvements to various government initiatives aimed at reducing gender inequality in the country. The findings indicate an increase in women's involvement in financial decision-making processes compared to the previous NFHS-4 survey.

Notably, the survey shows a remarkable rise in the percentage of women who own and actively use their bank or savings accounts, jumping from 53% in NFHS-4 to 79% in NFHS-5. Additionally, awareness of microcredit programs has also improved, increasing from 41% to 51%. However, the actual utilization of these microcredit programs by women has seen only a slight uptick, moving from 8%

¹⁵ https://www.researchgate.net/publication/374509962_Impact_of_Microfinancing_and_Self-Help_Groups_SHGs_on_Women's_Empowerment

¹⁶ <https://www.indiafilings.com/learn/stree-shakti-package-women-entrepreneurs/>

¹⁷ <https://groww.in/p/savings-schemes/sukanya-samridhi-yojana>

¹⁸ https://www.pmindia.gov.in/en/government_tr_rec/leveraging-the-power-of-jam-jan-dhan-aadhar-and-mobile/

¹⁹ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1952793>

²⁰ <https://ladakibahin.maharashtra.gov.in/>

²¹ <https://www.data.gov.in/catalog/national-family-health-survey-nfhs-5>

to 11%. These statistics highlight the ongoing progress and challenges in achieving comprehensive Financial Inclusion and empowerment for women in India.

Despite these advancements, challenges remain. The need for financial literacy, the importance of addressing regional disparities, and the necessity of integrating informal sectors into the formal financial system are critical areas for ongoing attention. Overall, India's journey towards Financial Inclusion reflects a complex interplay of policy initiatives, technological advancements, and socio-economic factors.

VII. RECOMMENDATIONS

Financial literacy continues to be a concern for the nation. There is an urgent need for expansion of financial awareness, counseling and advisory services in order to reach vulnerable sections. The RBI's Financial Literacy Week (FLW)²² is a notable example, focusing on raising awareness about key financial topics such as savings, investments, and security. There is a requirement to tailor-make different literacy and counseling mechanisms depending upon the need in different regions of the country. The banks could consider extensive use of electronic and print media, including radio and TV, for spreading financial literacy, especially in the vernacular press. Also, leveraging technology and alternative data can help expand access to credit and other financial services for the unbanked and underbanked in India.

VIII. CONCLUSION

The Indian government and financial institutions have made significant strides in promoting the Financial Inclusion of women. However, a continued focus on addressing the unique challenges women face, particularly in rural and underserved areas, is crucial. Ensuring financial literacy, expanding digital access, and addressing cultural barriers are key to achieving comprehensive Financial Inclusion for women in India. With sustained efforts, these initiatives can drive economic empowerment and gender equality, contributing to the broader development goals of the country.

REFERENCES

- Babu, H. S. (2015). Financial Inclusion: Challenges and opportunities in India. ResearchGate. Retrieved from https://www.researchgate.net/publication/311818206_FINANCIAL_INCLUSION_CHALLENGES_AND_OPPORTUNITIES_IN_INDIA
- Chhabra, N. (2015). Financial Inclusion in India. Maharshi Dayanand University. Retrieved from <http://shodhganga.inflibnet.ac.in/handle/10603/36960>
- Demircue-Kunt, A., Klapper, L., Singer, D., Ansar, S. and Hess, J. (2018). The Global Findex database 2017: measuring Financial Inclusion and the fintech revolution. Washington, DC: World Bank. <http://documents.worldbank.org/curated/en/332881525873182837/pdf/126033-PUB-PUBLIC-pubdate-4-19-2018.pdf>.
- Jaya Mathew & Reeba Kurian. (2017). India's policies on leveraging Financial Inclusion in the country, Journal of Developing Areas, Tennessee State University, College of Business, vol. 51(4), pages 433-443, October-D. Retrieved from <https://ideas.repec.org/a/jda/journal/vol.51year2017issue4pp433-443.html>
- Keynote Address by Dr. K. C. Chakrabarty, Deputy Governor, Reserve Bank of India at the BIS-BNM Workshop on Financial Inclusion Indicators at Kuala Lumpur on November 5, 2012
- Manohar Serrao & Aloysius Sequeira & K. V. M. Varambally, 2021. "Impact of Financial Inclusion on the Socio-Economic Status of Rural and Urban Households of Vulnerable Sections in Karnataka," Papers 2105.11716, arXiv.org. Retrieved from <https://ideas.repec.org/p/arx/papers/2105.11716.html>
- Ministry of Finance. (2024). Pradhan Mantri Jan Dhan Yojana (PMJDY) — National Mission for Financial Inclusion — completes a decade of successful implementation Retrieved from <https://pib.gov.in/PressReleasePage.aspx?PRID=2049231>
- World Bank (2023). Financial Inclusion. Retrieved from <https://www.worldbank.org/en/topic/financialinclusion/overview>
- <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1952793>
- <https://financialservices.gov.in/beta/en/schemes-overview>
- https://www.pmindia.gov.in/en/government_tr_rec/leveraging-the-power-of-jam-jan-dhan-aadhar-and-mobile/
- <https://vikaspedia.in/e-governance/women-and-e-governance/mahila-e-haat>
- <https://ladakibahin.maharashtra.gov.in/>
- <https://www.data.gov.in/catalog/national-family-health-survey-nfhs-5>
- <https://pib.gov.in/PressReleasePage.aspx?PRID=2009202>
- https://www.researchgate.net/publication/374509962_Impact_of_Microfinancing_and_Self-Help_Groups_SHGs_on_Women's_Empowerment
- <https://www.indiafilings.com/learn/stree-shakti-package-women-entrepreneurs/>
- <https://groww.in/p/savings-schemes/sukanya-samriddhi-yojana>
- <https://www.worldbank.org/en/topic/financialinclusion/overview>

²² <https://pib.gov.in/PressReleasePage.aspx?PRID=2009202>