

Financial inclusion and women empowerment: A case study in India

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ABSTRACT

Despite general progress made in terms of Financial Inclusion worldwide, the gender gap has remained unaltered since 2011. The study aims to identify the impact of Financial Inclusion on women's empowerment. This research used descriptive qualitative methods. Content analysis approaches are used to analyze secondary data. Various reports published by the Reserve Bank of India (RBI) and other financial institutions have been used as relevant input. Besides, research articles from different reputed journals, websites, and magazines have been used. The study found that some strategies have been implemented to minimize the gender gap in access to financial services. The systems are *Know Your Customer* (KYC) norms, no-frill accounts; an extension of the financial services and became medium of empowering women; the introduction of a small loan to make the females capable and self-dependent. The paper provides implications about strategies to overcome the barriers women face to access and use financial services in the condition of social norms constraining women's capacity to access and meaningfully use financial services.

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1. Introduction

Women's empowerment is an attempt to promote women's sense of self-worth, their ability to make their own choices, and their right to influence social change for themselves and others (Annan et al., 2021; Danquah et al., 2021; Malekan, 2015; Meier zu Selhausen, 2016). It can be defined in several ways, including accepting women's viewpoints or seeking to seek them out, improving women's status through education, literacy awareness, and training. They may have the opportunity to redefine gender roles or other such roles (Eisend, 2010; Hosseini-Nezhad et al., 2022; Makita, 2010), which may allow them more freedom to pursue their desired goals.

One form of women's empowerment can be done through economic empowerment. Economic empowerment allows women to control and benefit from resources, assets, and income nations, businesses, communities, and groups may benefit from implementing programs and policies that adopt the notion of female empowerment.

The Financial Inclusion Agenda

The Financial Inclusion agenda continues to rise, as demonstrated by the much-awaited 2017 data set recently published by World Bank, Global Findex. Although significant progress has been achieved, there is a persistent gender gap in access to basic accounts in the financial system where 72% of men have access to an account while only 65% of women have an account; this gender gap remain unchanged since 2011. Greater women's financial inclusion requires a more gender-inclusive financial system. It is also important to acknowledge broader social constraints related to intra-household power and the wider impact of financial inclusion on women's economic empowerment.

A well developed body of literature shows that closing the gender gap in financial inclusion could have positive effects in smoothing consumption (Pattison 2020); lowering financial risks and costs, women tend to be lower risk taker than men (Perrin and Weill 2022); providing security; and increasing saving and investment rates and facilitating new business opportunities. However, paying special attention and ensuring that gender equality can be realized is not easy. Women are more marginalized than sold – men, especially in the possession and use of resources (Adegbite and Machethe 2020).

Massey (2010) analyzed that role of financial institutions in a developing country is decisive in promoting financial inclusion. Financial inclusion can increase economic potential by embracing credit-worthy productive projects from the excluded group (Marcelin et al. 2022). The role of government in the promotion of financial inclusion can be more improved by active participation of the capital market, players, and the financial institution, as financial institutions have a very fundamental and wider role to play in the development of financial inclusion. Literatures assert that government intervention in promoting financial inclusion is related to financial stability (see also Danisman and Tarazi 2020; Banna et al. 2022).

Alfred Hannig and Stefan Jansen (2010) advocated that financial inclusion attracts abundant opportunities to enhance financial ability. This study also shows a more significant positive impact of saving women's accounts than for men's. The paper also exposes the risk associated with financial inclusion tends to financial crisis. Increasing the portion of loans to women's small micro-entrepreneurs can reduce the nonperforming loans and reduce the risk of default from financial institutions (Wang and Luo 2021). Social cohesion becomes a way to guarantee loan payments for small business women (Bongomin, Woldie, and Wakibi 2020). Thus, stronger social cohesion helps prevent political instability and permits undivided attention to crisis products and processes synergistic partnership with technology service providers for efficient handling of low value, large volume transactions and appropriate regulatory and risk management policies that ensure financial inclusion.

Arpita Manta (2014) studied the extent to which financial inclusion for women has taken place in India, and the period of study was from 1996 to 2006. There are unlimited opportunities to enhance the potential of women as the direct contributors of economic growth, but they are still financially excluded, and the northern region needs more attention. Reserver Bank of India is committed to improving financial services for vulnerable groups. But low-income savings, illiteracy, and limited bank branches in remote areas are still challenges in the Financial Inclusion campaign (Iqbal and Sami 2017).

Social norm change

Traditional social norms have instilled a tradition that men have a higher position in society by occupying government and social institutions' positions. At the same time, the place of women is in the family and household. Likewise, in the division of roles, the role of men as the primary breadwinners and women as housekeepers. Men need more financial access than women because men's job is to work and make money (Le & Stefańczyk, 2018).

However, nowadays, the traditional social norms have changed. There has been a shift between male and female roles (Dahlum et al., 2022). Conventional gender roles began to change with the entry of women into male-dominated sectors. Working women start developing businesses with micro-level to small and medium-sized enterprises. Women's involvement in economic growth

simultaneously increases their need for financial access (Aristei & Gallo, 2016). Although financial inclusion has been successfully launched, there is still little research that explains the impact of financial inclusion programs on women's empowerment. The study aims to identify the impact of Financial Inclusion on women's empowerment.

2. Methods

The method used in this study is a descriptive method with a qualitative approach. This research is qualitative research that uses a descriptive approach. Research with a qualitative approach is oriented toward data exploration and descriptive. Qualitative research provides a more holistic understanding. The data collection process is carried out by collecting documents and information from reports published by the RBI, various reports from financial institutions and other reports relating to financial service providers. The research site is India.

3. Results

Strategies Adopted by Reserve Bank of India (RBI) Strengthening Financial Inclusion:

In India, RBI has initiated several measures to achieve greater financial inclusion. These schemes are made for the whole population but play a vital role in providing financial stability, especially to low-income women in rural areas.

1. Simple KYC norms. KYC norm is a critical process for financial institutions. This norm aims to minimize practices in financial institutions that harm customers, such as preventing fraud using false identities or other illegal activities. KYC norm also protects banks from the risk of loss, helps financial institutions avoid financial fraud, and helps identify money laundering activities and unnatural activities (Soni and Duggal 2014). However, KYC norm became one of the major constraints faced by the public in getting linked to the formal and strict financial system was the Know Your Customer (KYC) norms approved for opening bank accounts.

Since 2005, KYC requirements have been relaxed primarily for small account opening activities. Simplification of this procedure has reduced the burden and hesitation of females. Because the literacy rate of females is lower than of males in India, women feel uncomfortable with strict norms. With the simple norms of KYC they are coming forward, and there is the hike in a number of females availing of banking services. Meanwhile, banks are allowed to collect the required documents regarding the identity and address of customers issued by the Unique Identification Authority of India.

2. No frill accounts. No Frill scheme allows the customer to open a saving account that requires no or negligible balance, leading to lower costs, which enables excluded people to open a saving account. This scheme accommodates those unbanked rural people whose income is very low to get the account opened earlier.
3. Government achievements towards women empowerment under Financial Inclusion. Various schemes just extended the financial services and became a medium of empowering women. This scheme played an important role in pushing unbanked women to use financial services at an affordable cost.

Table 1. Schemes run especially for Females by Bharatiya Mahila Bank

Schemes	Features
BMB Shringaar – Loan for Beauty Parlour/Saloon/Spa	<ul style="list-style-type: none"> ✓ For assisting women to establish their own parlor. ✓ For purchase/construction of shop purchase of tools and equipment, meeting day to day expenses of business. ✓ Collateral free to be covered under CGTMSE ✓ Tie up with Naturals, Cavin Kare and Lakme Ltd. ✓ Loan repayment in 7 years ✓ Age of applicant min 20 years and max 60 years
BMB Annapurna Load – Food Catering	<ul style="list-style-type: none"> ✓ For assisting women to establish food catering unit for selling tiffin/lunch packs

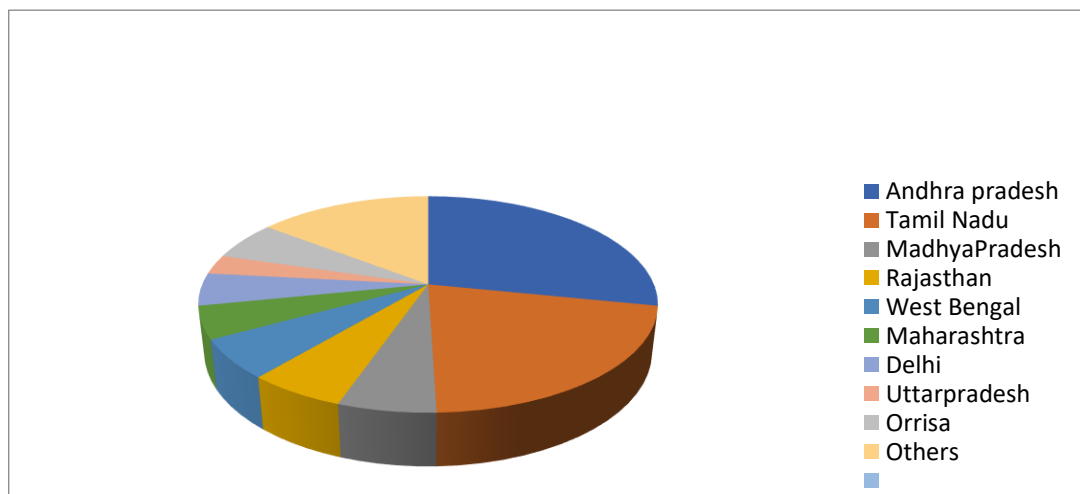
	<ul style="list-style-type: none"> ✓ Nature of loan – Term Loan ✓ Age of applicant min 18 years and max 60 years ✓ Collateral Free to be covered under CGTMSE ✓ Loan repayment in 3 years
BMB Kitchen Modernization Loan	<ul style="list-style-type: none"> ✓ For working women and housewives ✓ For renovation of kitchen ✓ For purchase of kitchen electronic items, kitchen furniture & utensils etc ✓ Loan repayment in 7 years ✓ Age of applicant min 21 years and max 60 years (for salaried) 55 years (for others) ✓ Minimum Rs. 50000/-, Maximum Rs. 5.00 Lacs
BMB Parvarish – Loan for Day Care Centre	<ul style="list-style-type: none"> ✓ To assist women to establish Child day care centre, for purchase of utensils, equipment etc ✓ Collateral Free to be covered under CGTMSE ✓ Loan repayment in 5 years ✓ Age of applicant min 21 years and max 55 years

Source: Complicated data of Bharatiya Mahila Bank by author

4. Rashtriya Mahila Kosh. It was established in 1993 under the Ministry of Women and Child development to provide micro-loans to bring socio-economic upliftment of lower income group women in India. As per annual report of Ministry of Women and Child development the scheme started with the intial corpus 31 crores which has grown over 186 crores with the help of additional budgeting allocation of 69 crores to fulfill the credit need of poor and asset less women in informal sector.
5. Various schemes has been introduced for promoting small loan with a maximum limit of 10 lakhs to make the females potentially capable and self dependent. A facility of 100% refinance to Mahila Urban Cooperative banks, gold credit passbook scheme, housing, loan scheme have also been provided.

State wise distribution of financial support by Rashtriya Mahila Kosh is most popular in Andhra Pradesh followed by Tamil Nadu, MP, Orissa, Rajsthan and many states. Theory also reveals that the females are more empower in these states as compared to other states.

Figure 1. Loan Distributed by Rashtriya Mahila Kosh



Source : Compiled by author From Annual Report ,Ministry of Women and Child Development , Government of India

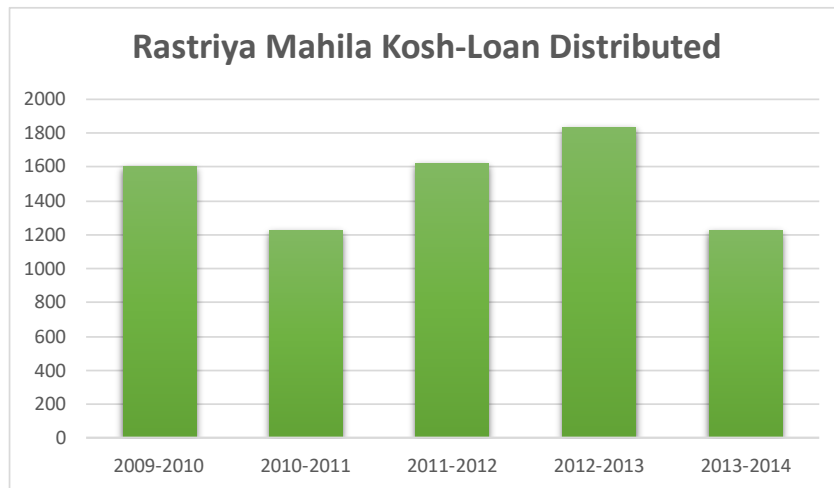


Figure 2. Rastriya mahila kosh-loan distributed

6. Financial assistance and support services to victims of rape. As per Article 38(1), the Honorable Supreme Court has directed National Commission for women to evolve a "scheme to wipe out tears of unfortunate rape victims". Under this scheme, financial support of rupees two lakhs is provided to rape victims. The amount of money is given to the woman or the girl. In case of Injuries, compensation up to rupees one lakh to a maximum limit of three lakhs is transferred to the rape victim by the Ministry of Women and Child development under "State Criminal Injuries Relief and Rehabilitation Board"

4. Discussion

Lowering Gender Gap in Financial Inclusion

Women's empowerment is an attempt to promote women's sense of self-worth, their ability to make their own choices and their right to influence social change for themselves and others. One form of women's empowerment can be done through economic empowerment. The issue of gender-biased financial access should be well observed (Le & Stefańczyk, 2018). If it is ignored, economic development will run very slowly. On the one hand, women are the type of customers who pay loans on time; besides, productive female entrepreneurs can contribute to economic development (Perrin & Weill, 2022).

Another explanation that women are lower-risk borrowers is that women are more sensitive to social pressures than men. Women can form a solid social cohesion in guaranteeing loan payments. If a micro-enterprise businesswoman has nothing to give as collateral for a loan to a financial institution, individuals in the social group will guarantee each other (Bongomin et al., 2020). This behavior makes it easier for women to pay back debts on time than men. Women don't want to ruin their social image because they are in arrears.

Women's default credits are lower than men's because they invest more in business than the number of loans. Therefore, if financial access to women is not facilitated, it will inhibit opportunities for economic progress. The RBI has implemented a strategy to lower the gender gap in credit access to improve financial stability. This access allows them to contribute to economic growth and increase their chances of taking advantage of the opportunities that the future of employment will bring.

Impact of Financial Inclusion in India

Reserver Bank of India is committed to improving financial services for vulnerable groups. RBI telah menerapkan strategi simple KYC norm untuk memudahkan masyarakat mengakses financial inclusion program. Lembaga keuangan tidak lagi ketat dalam meminta dokumen – dokumen penting khusus untuk akun – akun kecil. Kemudahan vulnerable group mendapatkan

akses financial terlihat dari sebaran loan pada program rashtriya mahila kosh. Program tersebut konsisten dijalankan dari tahun 2009 – 2014.

Dampak financial inclusion di India dapat dilihat dari partisipasi Bharatiya Mahila Bank dalam memberikan kredit kepada women-led business. It is important to consider that in the implementation of financial inclusion data to facilitate women's access to financial services, they need to face potential risks to privacy, creating regulations and implementing a system to ensure that no abuse is behind any financial product offered to women.

5. Conclusion

The study aims to identify the impact of Financial Inclusion on women's empowerment. The Financial Inclusion agenda continues to rise, as demonstrated by the much-awaited 2017 data set recently published by World Bank, Global Findex. Although significant progress has been achieved, there is a persistent gender gap in access to basic accounts in the financial system. The study found that women and women-led businesses have access to and use multiple financial services. The access allows them to contribute to economic growth and enhance their opportunities to take advantage of the opportunities that the future of work will bring. Increasing the degree of economic participation of women is one of the considerations in implementing financial inclusion. Financial institutions understand that financial decisions influenced by gender social norms are beginning to diminish. Men and women have a balanced role in making financial decisions and accessing and using financial products. The change in social norms can be seen in the increasing number of women who develop businesses, from micro-businesses to small businesses. This simultaneously changes women's behavior towards ease of access to business funding. Thus, It is important to embed social norms change in product design and rollout for financial inclusion to become a transformative tool for women's empowerment and enhanced welfare inputs.

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