

## WOMEN'S ENTREPRENEURSHIP AND FINANCIAL INCLUSION

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### Introduction

Achieving women's economic empowerment—a goal under the fifth Sustainable Development Goal (SDG) for gender equality—requires financial inclusion. Still, one in five Indian women do not have access to a bank account. There are still large disparities in account usage, savings, and credit availability despite the advancements made by financial inclusion initiatives. Lack of identification or a cell phone, restricted access to bank branches, and the requirement for assistance in opening and managing a bank account are some of the obstacles that women have while trying to obtain financial services.

### Overview

In order to create income, build assets, and engage in economic activity—all of which contribute to social and economic empowerment—access to financial services is essential. The requirement for formal financial services access for the poorest populations is highlighted by the fact that financial inclusion also makes people resilient to shock events like the COVID-19 epidemic. Financial inclusion is especially important for women since, according to research, it gives them more control over household finances and savings. However, data from the Global Findex Database 2021 shows that women are more likely to lack access to bank branches, mobile phones, and identification documents, which makes it difficult for them to obtain financial services globally.

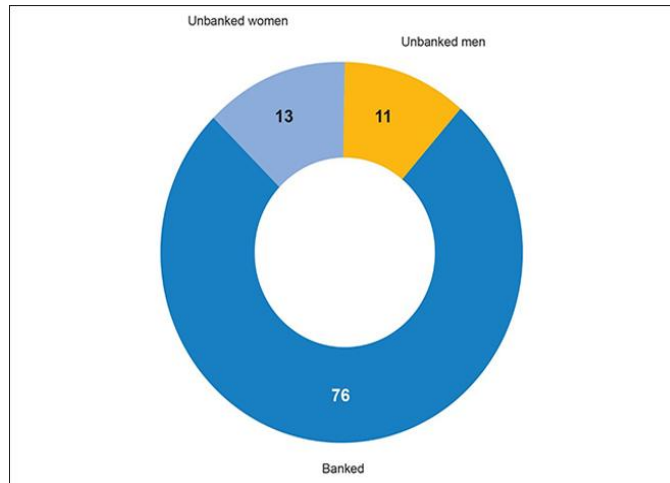
In order to encourage financial inclusion, the Prada Mantra Jan Dan Yolanda (PMJDY) was introduced in India in 2014. It offers access to basic savings bank accounts, credit, remittances, insurance, and pensions. This has led to the opening of more than 460 million bank accounts, of which 56% are owned by women and 67% are in rural and semi-urban areas. Despite advancements, there are still disparities in account usage, savings, and credit availability, and approximately 20% of Indian women do not have access to a bank account.

Since financial inclusion is a major factor in economic growth and the reduction of poverty, closing the gaps in this area is essential to guaranteeing that everyone has access to practical and reasonably priced financial services. Financial inclusion, according to the Reserve Bank of India, is the process of guaranteeing vulnerable people timely and reasonably priced access to financial services and credit. At least eight of the 17 Sustainable progress Goals are made possible by financial inclusion, which is a crucial indicator of progress that improves employment, education, and health outcomes. In order to convey current information on the gender divide and highlight the potential of digital services in addressing these gaps, this brief examines the gender gaps in financial inclusion in India using data sets, expert consultations, and literature reviews.

### Global Environment: 2021 Findex Survey

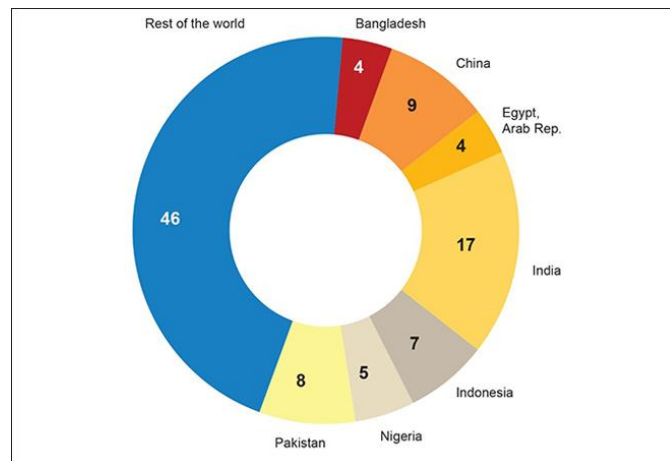
The World Bank's Global Findex Database offers extensive information on financial services accessibility worldwide, including borrowing, savings, and payments. During the COVID-19 epidemic, 128,000 adults in 123 economies participated in the 2021 edition, which provided information on digital payments and access to official and informal financial services.

**Figure 1: Ownership of Global Accounts (2021)**



Based on data from the Global Findex Survey 2021, this chart shows the proportion of adults worldwide who have and do not have a financial account.

**Figure 2: Adults With No Account (% , 2021)**



**Source: Global Findex Database 2021**

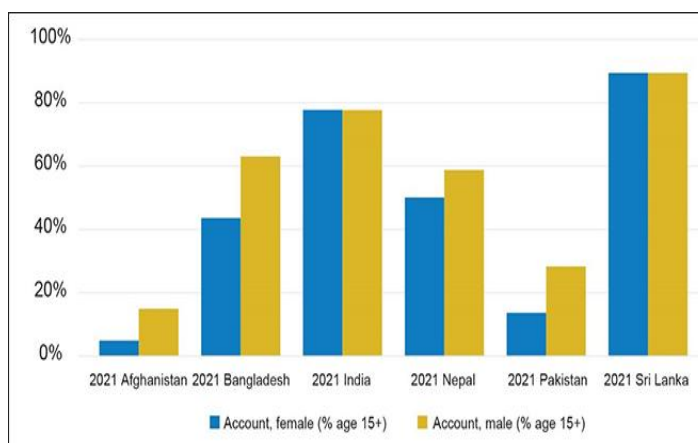
The gender gap in account ownership in developing nations decreased from 9 percentage points to 6 percentage points between 2011 and 2021, according to the poll. In developing economies, 68% of women and 74% of men have a bank account in 2021.

**People Without Bank Accounts**

Only seven economies, including China and India, are home to more than half of the world's unbanked adults. China and India have enormous populations (130 million and 230 million, respectively) that are unbanked despite having high bank account ownership rates.

There are notable gender disparities in bank account ownership in South Asian nations other than India and Sri Lanka.

**Figure 3: South Asian Bank Account Ownership (2021)**



**Source: Global Findex Database**

Inaccessible financial services, a lack of required documentation, mistrust of the financial system, and restricted access to financial institutions—all of which are frequently made worse by mobility limitations—are some of the barriers that women face globally when trying to open bank accounts. Financial inclusion is also impacted by the gender difference in mobile phone availability, while nations like Ghana and Kenya have made strides in closing this gap. Although the COVID-19 pandemic has sped up the adoption of digital payments and increased financial inclusion, there is still a gender disparity in digital payment usage of 17 percentage points. In spite of this, digital payments have made a substantial contribution to financial inclusion; in developing economies, 36% of adults receive digital payments, which have improved their ability to borrow, save, and store money.

**India’s Women’s Financial Inclusion: Important Trends**

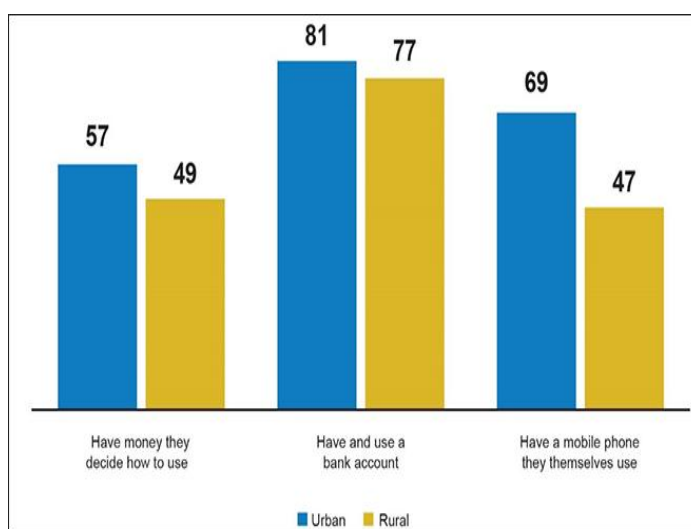
There are notable patterns in the financial resources of Indian women, according to the National Family Health Survey (NFHS) 2019–21.

**Notably:**

The proportion of women who personally use a bank or savings account rose from 53% in 2015–16 to 79% in 2019–21. Women still have limited access to credit, with only 11% having taken out a microcredit loan, despite a 51% rise in awareness of microcredit schemes.

In rural areas, women are more likely to use microcredit programs (12%) than in metropolitan areas (9%). 53.9% of women own a mobile phone, 71% can read text messages, and only 22.5% use their phones to conduct financial transactions, demonstrating the continued existence of the digital gender difference.

**Figure 4: The percentage of women aged 15 to 49 who own a mobile phone and financial assets**

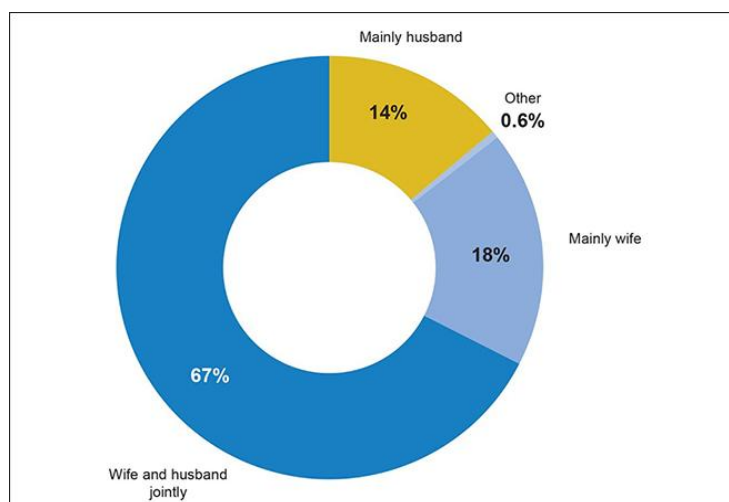


**Source: National Family Health Survey 2019–21**

**National Family Health Survey 2019–21 is the source.**

Married women in India who earn a living yet have little financial independence. Just 18% of married women with incomes make decisions about their spending on their own, while the majority (67%) collaborate with their spouses, according to the National Family Health Survey (NFHS) 2019–21.

**Figure 5: Management of Women's Income**



**Source: National Family Health Survey 2019–21**

Note: The percentage of married women (ages 15–49) who earned cash in the 12 months prior to the poll, as determined by the person who typically decides how to use it. Data on financial inclusion for each household member was gathered by the All-India Debt and Investment Survey (AIDIS) 2019 and supported by results from other surveys such as Finder and NFHS. According to the findings, nine out of ten households have bank accounts, but just a small percentage own other financial products including government-backed life insurance, accident insurance, and pension plans. It's interesting to note that, with 80.7% of women in rural India and 81.3% in urban India having deposit accounts, there was little variation in the availability of financial services between the two regions. However, in both rural (88.1%) and urban (89%) regions, men owned deposit accounts at significantly higher percentages. Although there is a lack of gender-disaggregated statistics from AIDIS, other sources, such the Economic Survey 2021–2022, show that the gender gap in Anal Pension Yolanda enrolment is closing, with female subscribers rising from 37% in 2016 to 44% in 2021. According to Ministry of Finance data from 2021, the number of women who have benefited from government-sponsored insurance programs has also climbed.

**The Journey of Financial Inclusion in India**

The nationalisation of banks in 1969 and 1980 marked the beginning of India's financial inclusion initiatives, which sought to bring banking services to rural areas. Despite advancements, a sizable section of the populace continued to be excluded from the official financial system. The Reserve Bank of India provided low-minimum-balance accounts in 2005 as a way to encourage banks to attract a wider audience.

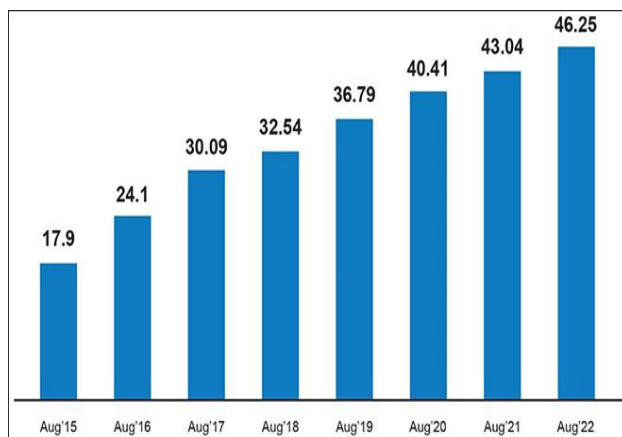
**Current Developments**

According to a household study conducted in 2016, 99% of Indian families, including urban and rural, had access to banking. There are many advantages to focussing financial inclusion efforts on women because studies show that women spend a greater percentage of their income on home expenses.

**PMJDY, or Prada Mantra Jan Dan Yolanda**

In order to facilitate direct financial transfers, PMJDY, which was introduced in 2014, connected Jan Dan bank accounts with mobile phones and biometric identification (Adhere). This "JAM trinity" illustrated how digital technology may improve speed and volume, reduce prices, and expand access to financial services. India's gender disparity in bank account access decreased from 20 to 6 percentage points between 2014 and 2017.

**Figure 6: Accounts for PMJDY (in crore)**



**Source: Ministry of Finance**

**Women's Empowerment via PMJDY**

A major factor in assisting women in opening basic bank accounts has been the Prada Mantra Jan Dan Yolanda (PMJDY) program. PMJDY has increased its reach to underprivileged and illiterate communities by streamlining the account-opening procedure and cutting down on paperwork. Women own more than 55% of PMJDY accounts as of 2022.

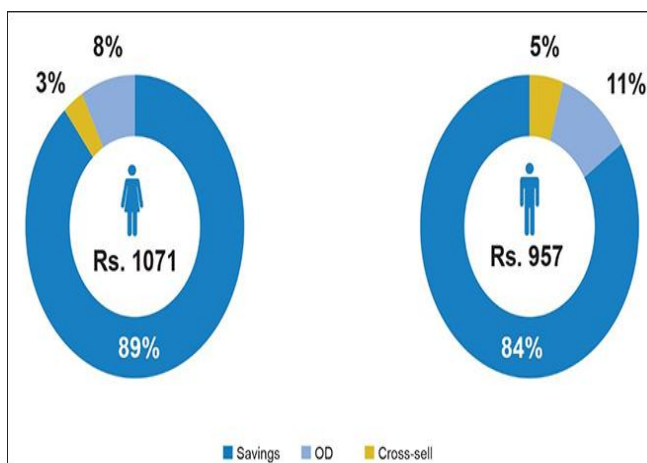
**Meeting the Financial Needs of Women**

According to a Women's World Banking report from 2021, PMJDY has been successful in meeting women's demands for financial independence and discretion. The program gives female account holders the ability to overdraft up to INR 10,000, giving them flexibility and financial independence.

**Financial Gains**

According to studies, public sector banks might get INR 250 billion in deposits if they helped 100 million low-income women in India. Additionally, female Jan Dan customers are more lucrative than male ones; their lifetime revenue is at least 12% greater than a male customer's. Women's dedication to saving is the reason for this.

**Figure 7: Jan Dan Customer Lifetime Revenue by Gender**



**Source: Women's World Banking**

Note savings, overdraft protection (OD), and cross-selling (promotion of other financial goods, such as insurance or credit, to current clients) In India, the Direct Benefits Transfer (DBT) program has revolutionised the financial inclusion of women. A staggering INR 16.8 trillion has been disbursed to beneficiaries by the government through DBT since its inception in 2013, with 33% of this total occurring in 2020–21 alone [21]. Women's financial support has been greatly aided by the notable rise in monetary transfers during the pandemic.

### **Principal Advantages of DBT**

Enhanced decision-making authority: DBT has been demonstrated to improve women's decision-making in the home and to have a favourable effect on schooling and work. Better financial autonomy: DBT has increased women's discretionary income and provided them with more financial power by directly depositing money into their bank accounts. Improved household results: DBT has also improved food security, health outcomes, and the possibility that kids would continue their education.

### **Plans Included in DBT**

- 319 schemes are covered by DBT, including:
- MGNREGA pay, often known as the Mahatma Gandhi National Rural Employment Guarantee Act
- LPG subsidy
- The Public Distribution System's free food grains
- Jevons Jota Bima Yolanda Pradhan Mantra
- Yojana Atal Pension
- MUDRA stands for Micro Units Development & Refinance Agency Bank.
- Government Advantages
- The government has benefited much from the DBT project as well, including:
- The removal of intermediaries
- Enhanced openness
- Reduced social security distribution costs: By eliminating duplicate names and phoney recipients, the government saved an estimated INR 44,000 crore in FY 2020–21 alone.

### **Beyond Access: Filling up the Gaps in Financial Inclusion**

Financial inclusion seeks to give women access to inexpensive financial tools for loans, payments, insurance, pensions, and saving, even though bank account access is essential. Nonetheless, there are still large disparities in credit and savings, with India having the largest percentage of dormant bank accounts worldwide (35%).

### **Minimal Financial Use and Inactive Accounts**

In India, more than 32% of bank accounts owned by women are inactive, with a 12-percentage-point gender disparity in account inactivity, according to the Findex survey 2021. Less than one-fifth of women's bank savings are properly saved, and their use of bank accounts is frequently restricted to withdrawals for government benefits, salaries, or crises. Women frequently use unofficial savings methods, such community-based savings groups, instead.

### **Obstacles for Female Borrowers**

Due to their restricted access to assets and property, which makes it difficult for them to offer collateral, women encounter major barriers when trying to obtain credit. Even with some advancement, women still only made up 7% of all bank credit in 2017, which is still a low percentage.

### **Women's Financial Inclusion Initiatives**

By offering small and micro business owners loans up to INR 1 million without collateral, the Prada Mantra Madras Yolanda seeks to advance women's financial inclusion. Women entrepreneurs received 68% of all loans in 2021, though the majority were small-ticket loans.

### **Digital Divide and COVID-19**

The transition to digital finance has been expedited by the COVID-19 pandemic; however, women are disproportionately impacted by the digital divide. With only 30% of Indian women using mobile internet compared to 50% of men, the GSM Association claims that the progress made in getting women online via mobile internet stalled during the pandemic.



## **Digital Literacy and Access**

According to NFHS-5 data, women's ownership of mobile phones rises with age, but falls with age. Although 89% of women between the ages of 15 and 19 can read text messages, only 53% of women between the ages of 40 and 49 can do so.

### **1. Boost the number of female business correspondents**

Women's access to financial services can be enhanced by hiring more female Business Correspondents (BCs). In rural areas, BCs offer doorstep banking services, and women prefer to visit female BCs because they are trustworthy and easy to approach. Currently, less than 10% of BCs are women.

### **2. Promote Digital Literacy for Women**

Women's limited access to digital tools and literacy restricts their use of formal financial services. Initiatives like the National Digital Literacy Mission can promote digital literacy, and policy efforts can focus on increasing women's mobile phone ownership and digital financial skills.

### **3. Deepen Convergence with Self-Help Groups**

Self-help groups (SHGs) have played a crucial role in women's financial inclusion through the SHG-Bank Linkage Programme. The Bank Sikkim programme trains SHG members to work as BCs, improving women's exposure to financial services. SHGs can also run financial literacy centers and integrate livelihood and skill-development programs with digital financial inclusion initiatives.

### **4. Collect and Use Gender-Disaggregated Data**

India, as a member of the Alliance for Financial Inclusion, has pledged to close the gender gap in financial inclusion. Collecting and analyzing sex-disaggregated data can help develop women-centric approaches and promote financial inclusion for women.

### **5. Promote Digital Credit for Women-Led Businesses**

India has a substantial number of women-owned firms, but they confront a huge credit gap due to social biases and limited access to assets and property. Fitch can play a role in bias-free digital lending to women-led firms, encouraging formalization and making women's contribution to the economy more apparent.

## **Conclusion:**

Unlocking Women's Economic Empowerment through Financial Inclusion .Financial inclusion is a critical engine of economic growth, sustainable development, and women's economic and social empowerment. Expanding financial access for women has a positive ripple effect, helping not only women themselves but also household incomes.

## **Seizing the Opportunity for Change**

The COVID-19 pandemic has accelerated the shift to digital services, presenting a unique opportunity to address the gender gap in financial inclusion in India.

## **Addressing Gendered Barriers**

To achieve equal access to financial services, it's essential to acknowledge and address the gendered barriers that women face, including:

- Restrictive social norms
- Mobility constraints
- Insufficient identification
- Insufficient knowledge of finance
- Inadequate assets to serve as collateral
- Inadequate proficiency in digital literacy

## **An Approach to Financial Inclusion Focused on Women**

In order to guarantee equal access to the entire spectrum of financial services, allowing women to fully engage in economic activity and unleash their economic empowerment, a women-centric approach is essential.

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