

# A ROLE OF FINANCIAL INCLUSION AND WOMEN EMPOWERMENT

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## Abstract

*Financial Inclusion is more than access to banking—it's the foundation for economic freedom, mainly for women. Across many regions, women continue to face significant obstacles in accessing formal financial services. Deep-rooted cultural norms often discourage women from managing their own finances independently, while the absence of legal documentation—such as identification cards or birth certificates—limits their ability to open bank accounts. Additionally, geographic barriers, like living in remote areas far from financial institutions, further restrict their access. These challenges are compounded by limited digital literacy and economic dependence on male family members, creating a cycle of exclusion that hinders women's financial empowerment. In the journey toward equality and sustainable development, financial inclusion emerges as a transformative force—especially for women. Financial inclusion, defined as the process of providing affordable access to financial services such as banking, credit, insurance, and investment opportunities, empowers individuals and communities to thrive economically and socially. For centuries, women—particularly in developing countries—have been marginalised from formal financial systems. But in recent years, initiatives targeting inclusive finance have sparked social, economic, and political changes, positioning women as key agents of development.*

**Keywords:** *Financial Inclusion, Women's Empowerment, Financial services, PMJDY (Pradhan Mantri Jan Dhan Yojana), Digital Financial Services, Economic Empowerment, Financial Literacy*

## Introduction

Financial inclusion is widely recognized as a key indicator of global development and societal well-being. By promoting access to essential financial services, financial inclusion fosters equitable growth and strengthens economic resilience across communities worldwide. Providing inclusive financial services that are affordable and accessible to all—has become a fundamental priority in many countries, including India. This approach aims to bridge economic disparities and empower underserved populations by integrating them into the formal financial system. G-20 Nations have emphasised on financial Inclusion as a facilitator for achieving gender equality and other sustainable development goals. Women empowerment is a transformative approach aimed at reshaping power dynamics to promote gender equality. It focuses on enhancing the status and agency of women, and is widely recognized as essential for achieving sustainable global progress. Thus, an inclusive financial model is being adopted in developing nations to achieve fundamental to formative objectives. The current article investigates the dimensions of women empowerment, that is, social, political, and economic. It also undertakes a test to see if the dimensions change with financial Inclusion. The authors draw upon literature to develop a structured questionnaire on women empowerment and financial Inclusion through schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jivan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), and Atal Pension Yojana (APY) on women living in urban slums in the manufacturing hub of Ludhiana, Punjab. The data were collected from 737 females living in urban slums with PMJDY bank accounts. The results indicate that the Pradhan Mantri Jan Dhan Yojana (PMJDY) scheme has been notably

successful, particularly among women living in slum areas. It has had a positive impact on various dimensions of women empowerment, social, political, and economic—by enhancing their access to financial resources and decision-making opportunities. The study contributes to existing literature by advancing the debate on women in urban slums and identifies the substantial need for the development of formal financial system to enhance the scale of financial inclusion.

### The Connection between Financial Inclusion and Women's Empowerment

Financial inclusion is a powerful catalyst for advancing women's empowerment across multiple dimensions of life. When women gain access to financial services—such as savings accounts, credit, insurance, and digital payment platforms—they unlock opportunities that extend far beyond economics.

### Domains of Empowerment

- **Economic Independence** Women who control their own finances experience greater autonomy, confidence, and decision-making power in both personal and professional spheres.
- **Social Mobility** Access to credit and savings enables women to invest in education, healthcare, and entrepreneurial ventures—key drivers of upward mobility and long-term resilience.
- **Political Participation** Financially empowered women are more likely to engage in civic activities, participate in local governance, and advocate for community development.
- **Family Well-being** Studies show that women reinvest up to 90% of their income into their families, prioritizing nutrition, education, and health—creating a ripple effect of prosperity.

### Empowerment Is Not Automatic

While financial inclusion opens doors, true empowerment requires more than access. It demands:

- **Financial Literacy:** Women must understand how to use financial tools effectively.
- **Trust and Safety:** Systems must be secure, inclusive, and culturally sensitive.
- **Supportive Infrastructure:** Digital connectivity, local institutions, and policy frameworks must work together to remove barriers.
- **Community and Government Backing:** Empowerment thrives when women are supported by their families, communities, and national policies.

### Financial Inclusion in India

Financial Inclusion brings unbanked and under-banked people in the financial system to provide them the opportunity to access the financial services to create economic growth and Creates change empowerment opportunities The Reserve Bank of India (RBI), in 2015, defines financial Inclusion as 'the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. Financial exclusion is a concern for developed as well as developing countries. Even a 'well-developed'

financial system has not been successful in bringing universal financial Inclusion in many countries.

Financial Inclusion in the Indian context in the Post-Liberalization period has witnessed a significant increase in the number of bank branches in urban, semi-urban, and metropolitan regions. Despite significant progress, a large segment of the population in India still lacks access to essential financial products and services. This gap highlights the need for more inclusive policies and targeted interventions to ensure that financial inclusion reaches every corner of society. To counter this situation, the Government of India has taken important steps such as the launch of PMJDY in 2014 for the 20–65 age group, with an aim to make financial services, such as banking, insurance, and pension, accessible at an affordable rate for lower- and middle-income groups. These schemes mainly targeted women for their financial security. These schemes have been idealised to keep with the pace of economic growth, and further to meet sustainable development goals (SDG). Interestingly, there has been an increased expectation on their effect on empowerment of women. As of May 2019, approximately 53 percent of women in India owned bank accounts, with the majority of them linked to public sector banks. This reflects growing financial inclusion among women, although further efforts are needed to ensure deeper engagement and usage of financial services

**Table -1: Financial Inclusion Schemes Launched by the Government of India**

Scheme	Details and Benefits	Eligibility
PMJDY launched in 2014	<ul style="list-style-type: none"> <li>Accidental insurance cover of ₹ 0.2 million</li> <li>Life cover of ₹ 30,000</li> <li>Overdraft facility up to ₹ 10,000 to preferably lady of the household</li> <li>RuPay ATM-cum-Debit Card</li> </ul>	<ul style="list-style-type: none"> <li>All citizen of India with valid proofs</li> <li>Preference is given to female of household</li> </ul>
PMJJBY launched in 2015	<ul style="list-style-type: none"> <li>Pay premium is ₹ 330 per annum</li> <li>Risk coverage under this scheme is for ₹ 0.2 million in case of death</li> </ul>	<ul style="list-style-type: none"> <li>People in the age group of 18–50 years</li> <li>Having bank account under PMJDY</li> </ul>
PMSBY launched in 2015	<ul style="list-style-type: none"> <li>Pay premium of ₹ 12 per annum</li> <li>The risk coverage under the scheme is ₹ 0.2 million for accidental death and full disability and ₹ 0.1 million for partial disability</li> </ul>	<ul style="list-style-type: none"> <li>People in the age group 18–70 years</li> <li>Having bank account under PMJDY</li> </ul>
APY launched in 2015	<ul style="list-style-type: none"> <li>Fixed pension for the subscribers ranging between ₹ 1,000 to ₹ 5,000</li> </ul>	<ul style="list-style-type: none"> <li>Minimum age of joining APY is 18 years and maximum age is 40 years</li> <li>Having bank account under PMJDY</li> </ul>

**Source:** Financial services.gov.in

## Financial Inclusion- RBI Initiatives

In India, RBI has initiated several measures to achieve greater financial Inclusion. Although these schemes are designed for the entire population, they play a particularly vital role in promoting financial stability among low-income women in rural areas. By improving access to banking and financial services, such initiatives help empower women economically and support inclusive development. The relaxation of KYC (Know Your Customer) norms has significantly reduced the burden and hesitation among women, making it easier for them to access financial services with greater confidence and convenience. With the simple norms of KYC, they are coming forward and there is a hike in the number of females availing of banking services.

- All banks are required to open Basic Savings Bank Deposit (BSBD) accounts, which offer essential facilities such as no minimum balance requirement, the ability to deposit and withdraw cash at bank branches and ATMs, receipt and credit of funds through electronic payment channels, and the provision of an ATM card. These features are designed to promote financial inclusion and make banking more accessible to all, especially underserved communities.
- The No-Frills scheme enables customers to open savings accounts without any minimum balance requirement and at lower costs, making banking accessible to previously excluded individuals.
- To further support financial inclusion, the Reserve Bank of India (RBI) has encouraged banks to introduce a General Purpose Credit Card (GCC) facility of up to ₹25,000, tailored to the cash flow assessments of households in rural and semi-urban areas. Additionally, simplified branch authorization policies have facilitated the expansion of banking infrastructure.
- This is especially beneficial for women in rural and even urban areas who face mobility challenges due to health issues or family responsibilities.
- By extending branches to underserved regions, banks aim to ensure that financial services reach every corner of the country.

**Table -2: Accounts Under PMJDY (All figures in ₹ million)**

Bank Type	Beneficiaries at Rural/Semi-Urban centre Bank Branches	Beneficiaries at Urban Metro Centre Bank Branches	Rural-Urban Female Beneficiaries	Total Beneficiaries	Deposits in Accounts	Ru pay Debit Cards Issued to Beneficiaries
PSB	153.4	129.7	149	283.1	781,556.7	223.7
RRB	51.2	9.8	34	61	172,782.7	38.5
PRB	6.9	5.5	6.7	12.4	29,806.1	11.6
Total	211.5	145.1	189.7	356.5	984,145.5	2774

**Source:** PMJDY Progress Report, GOI, May 2019. Retrieved from <https://www.pmjdy.gov.in/account>

## Recommendations for Women's Financial Inclusion

This brief offers the following recommendations to expand the financial Inclusion of women beyond access to bank accounts.

1. ***Appoint more women Business Correspondents.*** Business Correspondents (BCs) are retail agents that provide doorstep *banking* services in rural areas. Introduced in 2006, BCs have emerged as the predominant delivery model in the country for financial services. Women prefer visiting a female BC as they find them easier to approach and more trustworthy. As of March 2022, less than 10 percent of BCs are women. The BC model circumvents the challenges women face with mobility and literacy.
2. ***Promote women's access to, and literacy in digital tools.*** An underlying factor that restricts women's use of formal financial services is the lack of capability to conduct transactions. Women are less likely to own a mobile phone, which limits their learning of digital financial skills. Policy initiatives on digital literacy and skilling, such as the 2014 National Digital Literacy Mission, demonstrate how the private sector and CSOs can work with the government in promoting digital literacy.
3. ***Deepen convergence with self-help groups.*** In India, self-help groups (SHGs) have historically played an important role in the financial Inclusion of women through the SHG-Bank Linkage Programme. The Bank Sakhis programme by the National Rural Livelihoods Mission trains SHG members to work as BCs in the rural districts. The programme has improved women's exposure to financial services, in turn driving up transactions in rural India. SHGs can also be tapped to run financial literacy centres for women. Livelihood and skill-development programmes by SHGs can be integrated with other initiatives in digital financial Inclusion.
4. ***Collect gender-disaggregated data and develop strategies to form women-centric approaches.*** India is a member of the Alliance for Financial Inclusion (AFI), a policy leadership alliance led by central banks and financial regulatory institutions. As such, it has pledged to close the gender gap in financial Inclusion by implementing the Denarau Action Plan adopted in 2016 by members of the AFI. One of the commitments under the Plan is to promote best practices in collecting, Analysing, and using sex-disaggregated data to promote financial Inclusion for women. India can take this up as a policy objective.
5. ***Promote digital credit for medium and small businesses.*** India is home to approximately 13.5 to 15.7 million women-owned enterprises, with up to 95 percent classified as micro-businesses. Despite their growing presence, women-led businesses face a significant credit gap, largely due to social biases within financial institutions when assessing creditworthiness. Additionally, limited access to assets and property makes it difficult for women to provide collateral, further restricting their ability to secure loans. Fintech solutions can help bridge this gap by offering bias-free digital lending platforms tailored to women entrepreneurs. This not only promotes formalization of their businesses but also enhances the visibility of women's contributions to the economy.

## Conclusion

Financial Inclusion is a powerful lever for women's empowerment—but it must be intentional, inclusive, and supported by education and infrastructure. By providing women with the tools to manage, grow, and safeguard their finances, we unlock untapped potential and pave the way for more equitable, prosperous societies. Financial Inclusion is essential for economic growth and sustainable development; for women, it is a pathway to economic and social empowerment. Expanding financial access for women has been shown to positively impact not only their personal economic empowerment but also overall household income levels. When

women gain control over financial resources, it often leads to better family welfare, increased savings, and more resilient communities.

The momentum generated by policy responses to the pandemic, along with the accelerated shift to digital services, presents a valuable opportunity to address the gender gap in financial inclusion in India. The barriers women face are deeply gendered and include restrictive social norms, mobility limitations, lack of formal identification, limited financial literacy, insufficient assets for collateral, and low levels of digital literacy. To overcome these challenges, a women-centric approach to financial inclusion is essential—one that prioritizes equal access to the full spectrum of financial services available to men. Such an approach will empower women with the same opportunities to participate fully in economic activities, thereby fostering inclusive growth and development.

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