



# Empowering Women through Financial Inclusion

(Special reference to labour class women of India)

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## Abstract

This paper is an attempt to study on the financial inclusion and gender disparity in India. Financial inclusion means access to various banking and financial services including savings account, fixed deposit, credit, insurance, mutual fund schemes etc at an affordable cost to the women of the country working under labour class. Financial inclusion of women not only encourages social and financial development of the country but also contributes to the overall economic sustainability. Financial inclusion increases the purchasing power of the women, inculcates the habit of thrift, discourages money lending from unorganized and monopolistic money lenders, optimizing the consumption through spending on education and health, escalating the investment in less risk asset class rerouting the passive income, increases the standard of living of the entire family and thus resulting in reduction of absolute poverty and subsequent increase in the nominal GDP of the country directly leading to economic development through the national income and revenue. The result of the study is of relevance to the academicians, practitioners and policy makers of the country and emphasizes on promoting measures for empowering women for financial inclusion.

Keywords: financial inclusion, gender disparity, women empowerment, labour class women, economic sustainability, chi square

## Introduction

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.” - Franklin D. Roosevelt

Financial inclusion has been a major objective of Reserve Bank of India and Indian Government since independence. Some of the efforts that can be enumerated include nationalization of banks, provision of bank licenses to increase, more number of banks and branches of scheduled commercial banks, co-operative banks and regional rural banks, increasing the focus on priority sector lending, lead bank scheme, self-help group,

introduction of business correspondent/business facilitator for speeding up the array of banking services including door to door banking services, zero balance basic savings bank deposit account, mudra loans, SME lending services, wealth management, cross selling and relationship building etc. The government Of India had recently announced Pradhan Mantri Jan Dhan Yojana, a national financial inclusion mission which aims to provide bank accounts linked to their Aadhar card.

In India where women constitute approximately 48% of total population most of them are deprived of opportunities and rights because of their financial dependence. Access to credit facilities are generally restricted to women possessing assets like land and building. As most of the financial decisions are controlled by male members of the family, women lack understanding of financial instruments. As popularly said by Social Worker Savitribai Phule, when a man is educated, education is restricted to him, however when a woman is educated, the entire family learns and becomes educated. Thus, women empowerment plays a crucial role in poverty alleviation, eradicating unemployment and thus the overall economic development of the country. Regular habit of saving and investment helps in boosting nation's GDP and at the same time increasing the social security measures for the people of the country.

Financial literacy helps women to act smart financially by picking up the right financial product based on her needs and requirement. A financial literate women may have the required skills to understand financial planning, importance of savings and investment, household budgeting, basics of banking, cash flow, asset allocation to meet financial goals, health and general insurance, various investment avenues, MSME credit for women entrepreneurship, various government subsidies and incentives, etc. A women should be empowered to knowledge on basic necessities of like including health, education, water and sanitation, and legal rights.

The opposite of financial inclusion is financial exclusion which is nothing but social exclusion. As per Rangarajan Committee report, the excluded section comprises of the marginal farmers, landless labourers, self-employed, and unorganized sector, enterprises, urban slum dwellers, migrants, ethnic minorities and socially excluded group, senior citizens and women

Why Financial Inclusion?

Financial Inclusion brings in additional resource base into the country's GDP by bringing into the ambit the huge savings from urban as well as rural population. Further, by including the labour class and unorganized working-class population into the banking arena, not only helps in financial literacy but also protects the uneducated sector from monopolistic money lenders and guiding them into good investment opportunities.

## Literature Review

Bincy George and K T Thomachan (2018) on "Financial Inclusion and Women Empowerment: A gender perspective" have focused on those women who are doing some entrepreneurial activities by taking up loans. Their survey comprised of women who have taken up their own businesses and are successful and financially independent. This also leads to empowerment of women especially economic empowerment.

Manjul Vaidya and Madhur M Mahajan & Sukrit Garg (2018) in Amity Journal of Management have analysed that financial inclusion level is affected significantly by the percentage of literates as well as by the population density in various districts of Himachal Pradesh. Though marginal workers and banking parameters (population per bank, credit-deposit ratio) exhibited no signs of impact on financial inclusiveness in Himachal, it may be asserted that a comprehensive effort should be formed to inspect similar cases for other states in India. According to them Future endeavours should focus on examining bank account per head as a measure of financial inclusion.

Sarah Hendriks (2019) in her paper “The role of financial inclusion in driving women’s economic empowerment” have highlighted why the Bill & Melinda Gates Foundation has focused on financial inclusion to advance women’s economic empowerment and drive progress on gender equality. She has developed an approach known as “D3”:

Digitise: reliability, accessibility and accountability of digital payments.

Direct: the principle of “one woman, one account” and her control over funds.

Design: coverage and targeting, complementary services and mitigating adverse effects.

S. Monisha and P L Rani (2016) in their paper “Women Working in Unorganized Sector-A conceptual study” have stated that women in the unorganized sector are very hard working, but the conditions in which they are work are inconsolable. Government has initiated various schemes for streamlining this segment however it is not well implemented.

Asli Demirguc-Kunt, Leora Klapper, and Dorothe Singer (2017) in their paper “Financial Inclusion and Inclusive Growth a Review of Recent Empirical Evidence” have discussed about financial inclusion around the world and reviews the recent empirical evidence on how the use of financial products—such as payments services, savings accounts, loans, and insurance— can contribute to inclusive growth and economic development. Challenges to achieving greater financial inclusion and directions for future research.

Shivangi Bhatiah and Seema Singh (2019) in their research paper “Empowering Women through Financial Inclusion: A Study of Urban Slum” have examined the relationships between financial inclusion and women empowerment based on social, political, and economic empowerment in urban slums. In their study they have studied on programmes for financial inclusion of women in urban slums and the impact of recently launched financial inclusion schemes by the Government of India.

### **Statement of the Problem**

Financial Inclusion means the access to financial services reasonably priced to that excluded sections of disadvantaged groups of society which may lead to their empowerment. However, formal financial system has not yet reached the entire population of India. Gender inequality still remains as a major constraint for financial accessibility to women. Women are multi taskers, undertaking various responsibilities both in personal and professional arena. Women can manage to do various roles of a daughter, mother, sister, friend, wife, cook, nurse, doctor, teacher, lawyer, sportsperson, professional etc. well efficiently. It is estimated that the unorganised sector

workers constitute 88% as per the 66th round NSSO survey of 2011-12 out of which 40% constitutes women workers. There should be financial literacy programmes organized for this section of Indian population for bringing about complete financial inclusion. This paper discusses the pertinent issues of financial inclusion comprising of the various aspects with respect to women empowerment, the importance of the financial literacy and steps to be taken to improve the reach of financial and banking services at proletarian level. Financial inclusion would automatically contribute to economic development of the country, thereby contributing India in becoming a competitive global player.

The extent of financial inclusion based on their availing of banking services is presented as follows:

	2001	2011	2021(Approx.)
Rural	30.1%	54.4%	88.1%
Urban	49.5%	67.8%	98.5%

(Source: Department of financial services, GOI)

As per RBI annual report dated 31st March, 2021 on financial inclusion, there are 55.40% women Jan-Dhan account holders and 65.99% Jan-Dhan accounts are in rural and semi-urban areas. Out of total savings accounts, there were overall 27% female accounts in March 2014. However, under PMJDY, women accounts constitute 55.40% of the total Jan Dhan accounts as on 31.3.2021.

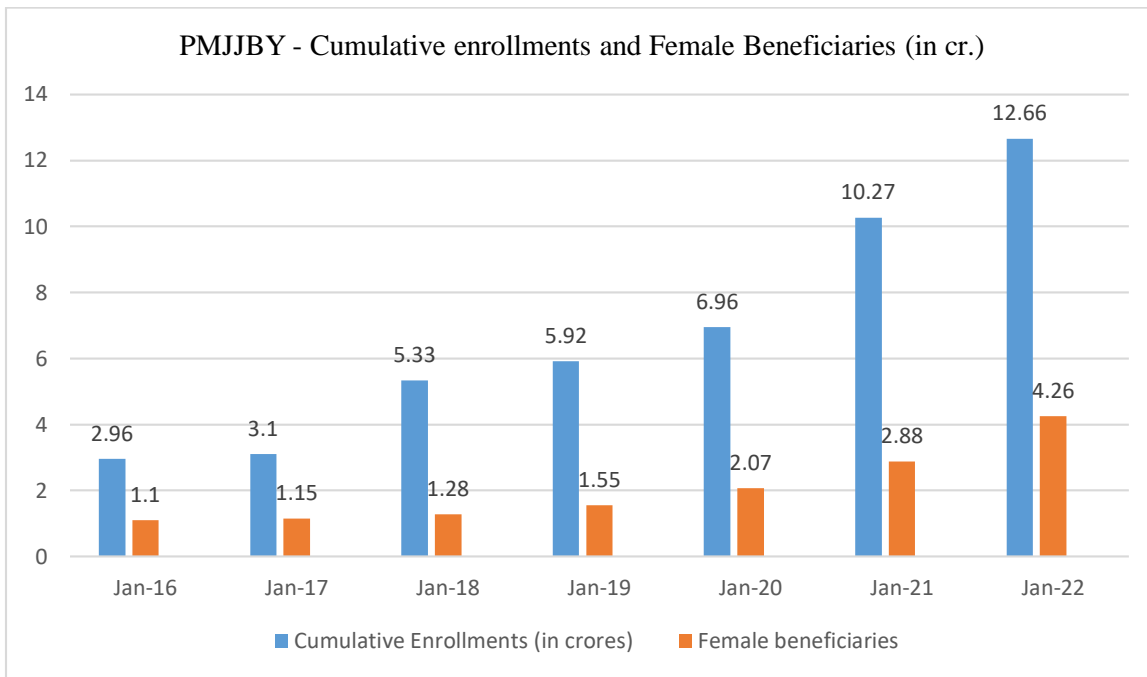
A digital pipeline has been laid for the implementation of PMJDY through linking of Jan-Dhan account with mobile and Aadhaar [Jan Dhan-Aadhaar-Mobile (JAM)]. This infrastructure pipeline is providing the necessary backbone for DBT flows, adoption of social security/pension schemes, facilitating credit flows and promoting digital payments through use of Rupay Cards and thereby accelerating the pace of attaining the goal of a secured, insured, digitalized and a financially empowered society. The Stand-Up India Scheme launched on 5th April, 2016 aims to promote entrepreneurship among the Scheduled Caste/ Scheduled Tribe and Women by facilitating bank loans of value between Rs.10 lakh and Rs.1 Crore to at least one SC/ ST borrower and one-woman borrower per bank branch of Scheduled Commercial Banks for setting up Greenfield enterprises in trading, manufacturing and services sector

SUI loan number of accounts opened and loan amount sanctioned to women entrepreneurs (in crores):

No. of Accounts opened: 95407 & Sanctioned amount: Rs. 21903.2 crores

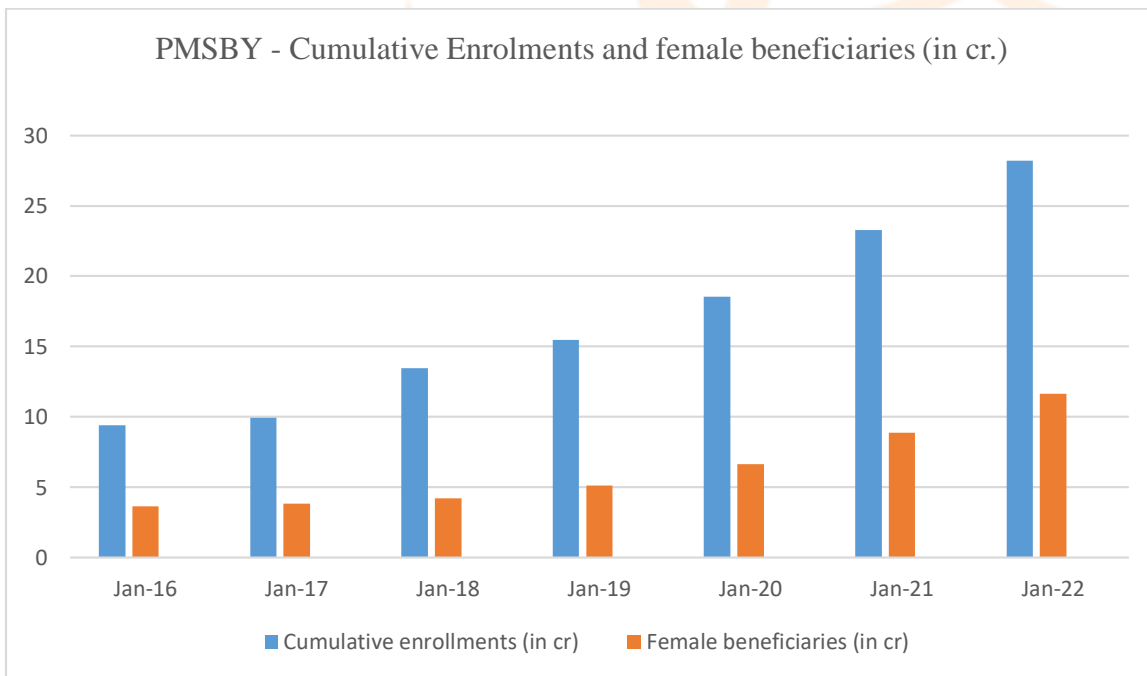
Source: SIDBI

The main purpose of launching the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) was a universal social security system for all Indians, especially the poor and the under-privileged, the PMJJBY was launched by the Hon'ble Prime Minister for providing cover for death due to anyreason.



Source: Department of financial services

The Pradhan Mantri Suraksha Bima Yojana (PMSBY) was for providing insurance cover for death/disability due to accident.



Source: Department of financial services

### Objectives

The objectives of this study are:

To assess the level of awareness on financial inclusion in India among the labour class women.

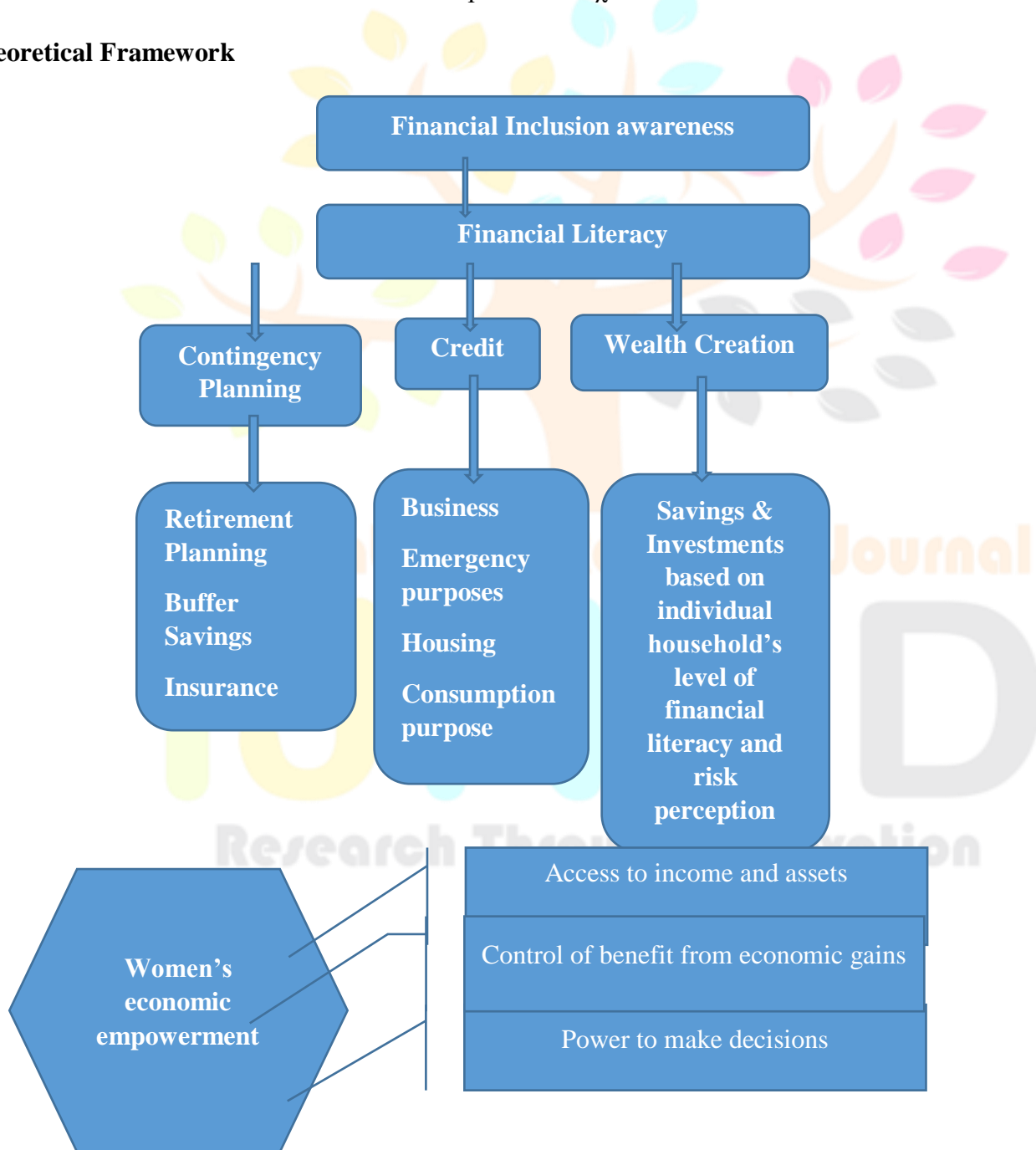
To understand the financial literacy factors that can empower women in family’s financial decision making.

**Data and Methodology**

To understand the extent of financial inclusion among women in India data has been collected from both primary and secondary sources. Primary data for the study has been collected from around 50 samples by using random sampling method. The study is purely based on sample surveys conducted among women in North Bengaluru locality. The sample survey was conducted by using a questionnaire.

The secondary data has been collected from financial inclusion articles published in several journals, E- journals and websites of CRISIL, RBI, Ministry of finance, EPW and others. For analysing the data mathematical tools like percentage, ratios etc. and statistical tools like mean, standard deviation etc. have been used. To understand whether financial inclusion leads to women empowerment  $\chi^2$  test of association has been used.

**Theoretical Framework**



## Chi-square Test ( $\chi^2$ )

To assess the association between socio-economic characteristics (income, sex, religion and occupation) and the extent of financial inclusion, we use the Chi-square test for independence. The hypothesis for independence is:

Ho: The two classification variables are independent of each other.

H1: The two classification variables are not independent.

The Chi-square test statistic for independence is:

$$\chi^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

## Results and Discussion

This section outlines the major findings of sample survey. It examines the various socioeconomic characteristics of the sample consumers and financial independence of women in the study area and the level of their empowerment. The analysis about various financial services availed by women is important as it leads them to empowerment. It reveals the fact that the accessibility of financial services leads to their empowerment. The sample survey was conducted by using a questionnaire. The study reveals the awareness level of respondents regarding the various financial inclusion schemes like basic savings bank account, credit facilities, simplification of KYC norms, insurance etc

### Level of awareness about financial inclusion schemes

Financial Service Scheme	Level of awareness			Total
	1	2	3	
Pradhan Mantri's Jan Dhan Yojana	56	8	36	100
Basic Savings Bank Account in Bank	36	20	44	100
Mudra loan (microfinance without collateral)	92	2	6	100
Relaxed and simplified KYC norms	84	8	8	100
Overdraft facilities/general credit card/kisan credit card	94	2	4	100
Insurance schemes like Rashtriya Swasthya Bima Yojana (RSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY)	84	4	12	100
Pension schemes like Varishtha Pension Bima Yojana, Pradhan Mantri Vaya Vandana Yojana (PMVVY), Atal Pension Yojana	88	4	8	100

Post Office time deposits/bank FDs/Kisan Vikas Patra	76	12	12	100
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Source: Sample Survey

Where 1 - low awareness level, 2 - medium awareness level, 3 - high awareness level

As the table suggests, there is difference in the awareness level of 100 respondents regarding different financial awareness schemes. There is high level of awareness regarding DBT schemes, Jan Dhan Yojana, no frills account, etc. among the respondents. When it comes to the overdraft facilities the level of awareness is low. While observing the information in this table we are able to understand how much people are aware about different financial inclusion schemes provided by the government in its plan to bring people under the umbrella of financial inclusion. This shows whether financial literacy programmes are efficient or not.

### Access to financial services and women empowerment

Financial inclusion is the expanding outreach of banking or financial services at an affordable cost. This also indicates whether access to financial services helps them to make their own decisions and whether they are financially independent. The various financial services include access to saving, credit, insurance, bank account etc. The access to financial services helps them in their social and economic development. Saving helps women to plan and invest in small ventures which they can run successfully with the help of loan. Insurance enables women to overcome risk to health, old age, death etc.

We examine whether there is any association between decision making power in the family leading to social empowerment of women. To assess this association,  $\chi^2$  test of independence has been performed. Test results are given in Table 2.

Table 2: Participation in decision making within family

Category	Decision making		Total	$\chi^2=8.6902$ (0.003199) *
	Employed Women	Unemployed Women		
Women	31	2	33	
Both men and women	45	22	67	
Total	76	24	100	

Source: Sample survey

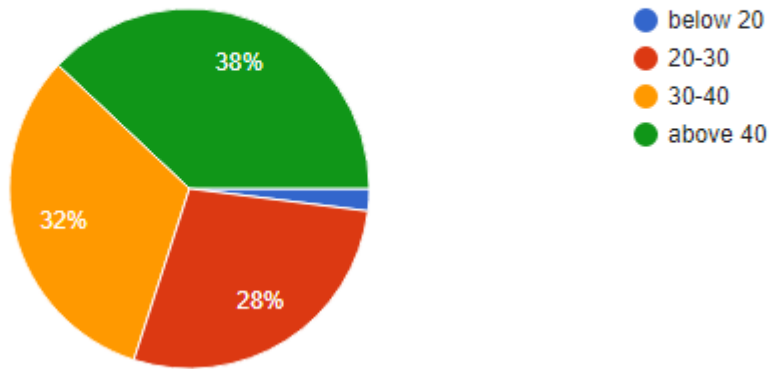
(Figures in bracket is p-value, \* indicates significance at 5% level)

As the table suggests, there is association between decision making power in the family leading to social empowerment of women ( $\chi^2=8.6902$ ,  $P=0.003199$ )



## 2. Age (in years)

50 responses

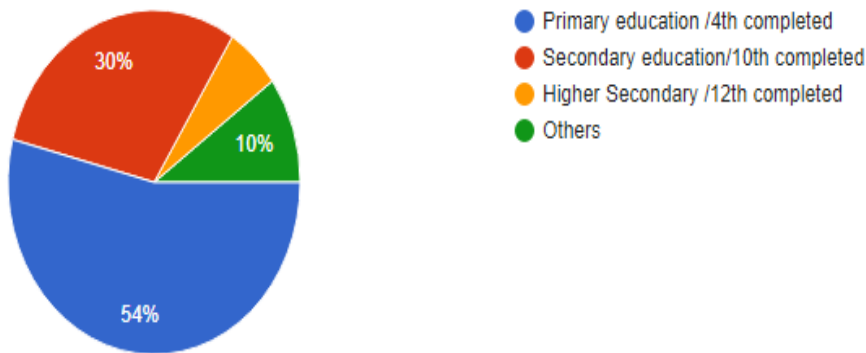


From the above pie chart, we can see that the respondents are from all age group between 20 and 50 years.

## 3. Educational qualifications

50 responses

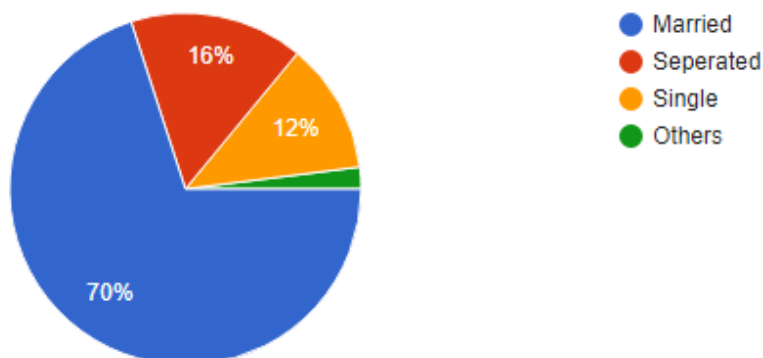
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From the above, we can see that majority of the women have completed the basic primary education; only 30% have completed secondary education, remaining have higher secondary and other education like diploma or graduation.

## 4. Marital status

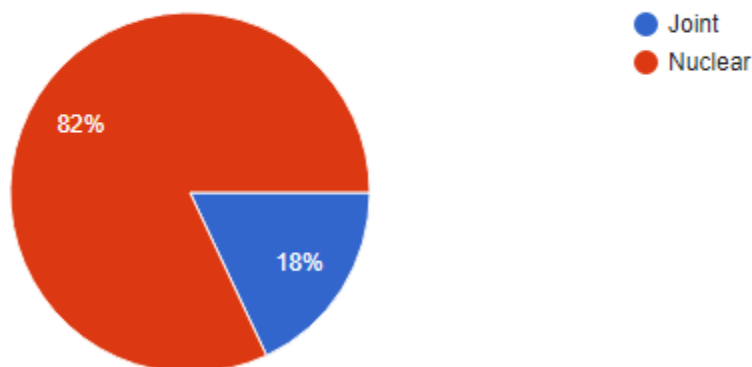
50 responses



From the above figure, we can see that majority of the respondents are married, remaining 16% are separated and 12% are single.

### 5. Nature of family

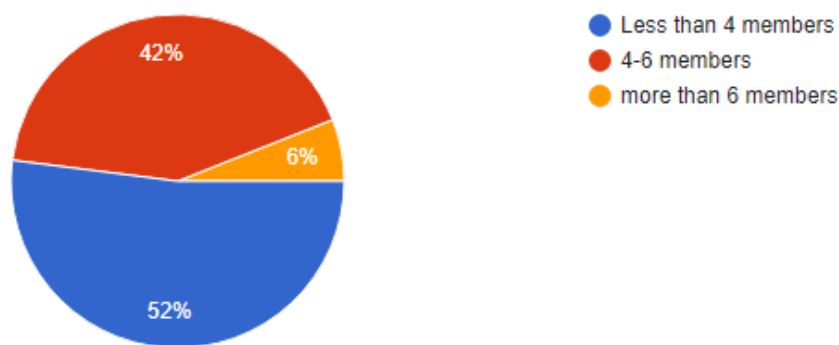
50 responses



The nature of family where the respondents reside are 82% in a nuclear family set up and the remaining 18% are from the joint family.

### 6. Family size

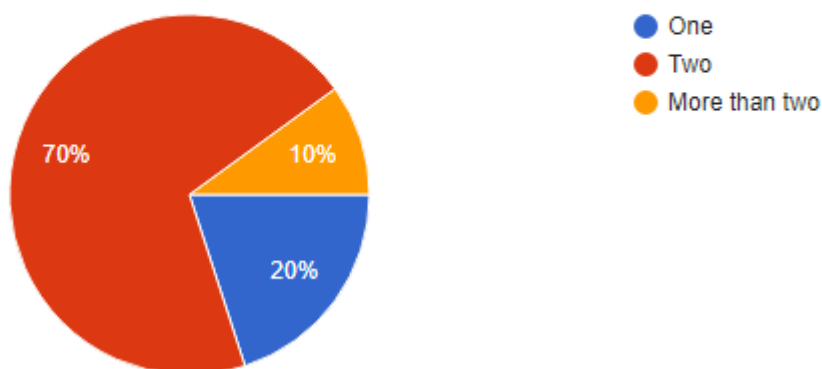
50 responses



Since majority of the respondents are from nuclear family set up 52% are in a family size of less than 4 members, 42% are in a family size of 4 to 6 members and the remaining 6% are from big families with more than 6 members.

## 7. No. of earning members in the family

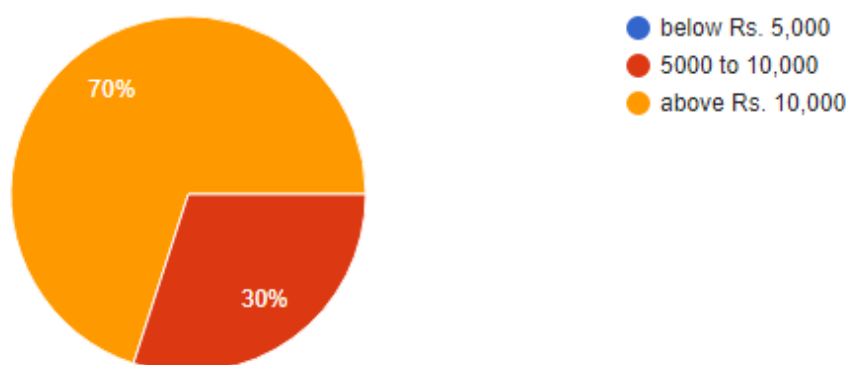
50 responses



The number of earning members in the respondent's family is two for around 70% of the respondents. It is 20% and 10% of the respondent's family for earning members one and more than two members.

## 8. Monthly income

50 responses



Monthly income for the respondents is above Rs. 10,000 for 70% of the respondents. Considering the inflation and the present standard of living, the minimum monthly income of Rs. 10,000 is required in a city like Bengaluru.

## Conclusion

This study has special reference to the labour class women or uneducated women working in unorganized economic sector as house helps, maids, cleaners, sweepers, daily wage employees etc. Financial inclusion means access to all types of basic financial services like savings bank account, fixed deposit, KVP, NSC, NSS, loan facilities, insurance etc. When women have their own savings and investment, they will be financially independent and thus can take their own decisions. This leads to economic empowerment of women of the country.

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