Financial Inclusion and Women Empowerment in India: Recent Trends

By

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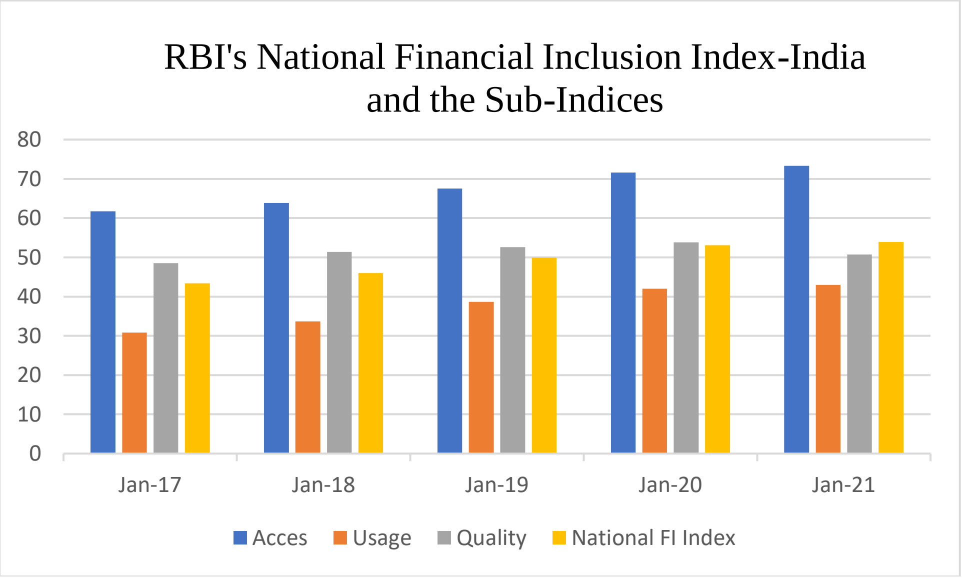
1. Introduction

Financial inclusion has received significant attention from both the Govt. of India (GOI) and India's central bank, the Reserve Bank of India (RBI) in the last decade. Accordingly, a number of measures have been taken up by the GOI and RBI. The government has introduced the following landmark schemes to deepen financial inclusion. The Pradhan Mantri Jan Dhan Yojna(PMJDY), 2014, an inflection point in India's efforts towards financial inclusion included a large number of people with bank accounts and then followed the Jan Dhan, Aadhar and Mobile (JAM) ecosystem. The other notable schemes in the bouquet of financial services include the Sukanya Samriddhi Yojna a saving scheme aimed at protection and survival of girl child, an insurance scheme, the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), available for people in the age group of 18-50 yeas. The risk coverage under PMJJBY is for ₹ 0.2 million in case of death of the insured. The insurance scheme, Pradhan Mantri Suraksha Bima Yojna (PMSBY) covers the insured for ₹ 0.2 million on account of accidental death and full disability and ₹0.1 million for partial disability. On the credit side the popular scheme is the Pradhan Mantri MUDRA Yojana (PMMY). This scheme was launched by the Hon'ble Prime Minister on April 8, 2015 for providing loans up to ₹1 million to the non-corporate, non-farm small/micro enterprises. These loans are classified as MUDRA loans under PMMY. These loans are given by Commercial Banks, RRBs, Small Finance Banks, MFIs and NBFCs. MUDRA stands for Micro Units Development & Refinance Agency Ltd (MUDRA) set up by the Government of India (GoI). In addition to these govt. sponsored schemes the Micro Finance Institutions have been lending to women self help groups for small business and entrepreneurial activities. Since most schemes require having bank accounts the efforts and programmes aimed at financial inclusion have complemented each other. The participation of women has significantly increased in access to savings, credit, and insurance. What has catalysed and accelerated financial inclusion is the Digital India programme in various dimensions. The Prime Minister Rural Digital Literacy Movement, 2017 is an example in this direction. On payments front the United Payments Interface (UPI) has made life easier for all including women to transact via mobiles for payments and receipts for most of their needs. It is interesting to note that the policy big push in all directions has taken place since 2014.

We see the efforts towards deepening financial inclusion by all stakeholders resulting in a higher financial inclusion index. The RBI has recently released a comprehensive Financial Inclusion Index (FI-Index). This index comprises of three broad parameters (weights indicated in brackets) viz., access (35 per cent), usage (45 per cent), and quality (20 percent) with each of these consisting of various dimensions. The annual FI-Index for the period ending March 2021 is 53.9 as against 43.4 for the period ending March 2017.

Chart 1: RBI's FI-Index



The RBI has also constructed a Digital Payments Index (RBI-DPI) with March 2018 as a base to capture the extent of digitization of payments across the country. The index for March 2021 stands at 270.59 as against 207.84 for March 2020. The RBI-DPI index shows significant growth indicating the rapid adoption and deepening of digital payments in recent years. The growth in DPI is primarily because of the demonetization move of 2016, followed by a digitization push from the supply side. In fact, RBI started publishing some representative data on payment systems indicators for the first time after demonetization. But the COVID-19 pandemic seems to have pushed digital payments from the demand side.

2.Financial Inclusion and Women Participation

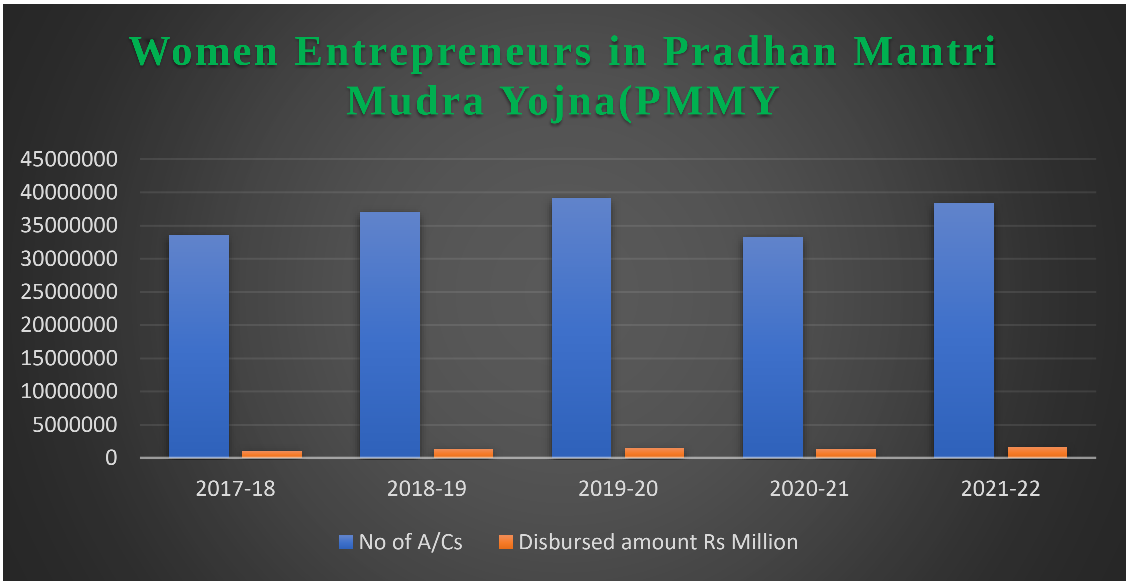
Financial inclusion is a critical factor in women's empowerment in India. By breaking down barriers and providing access to financial services, women can enhance their economic independence, make informed decisions, and contribute to the overall development of the nation. Continued efforts to improve financial literacy, create gender-responsive policies, and foster an inclusive financial ecosystem are vital to realizing the full potential of financial inclusion and women empowerment in India. Though the World Bank's Global Findex Database 2017 indicates that only 48% of women in India have access to formal financial services, compared to 55% of men, in the last few years women participation in different schemes discussed above has significantly increased. A recent piece of research released by the State Bank of India shows that the share of women depositors in incremental bank deposits of scheduled commercial banks during FY22 increased to 35% from 15% in FY21, which is a 20% increase. Further, the share of women depositors in incremental rural deposits has increased from 37% in FY20 to 66% in FY22. The semi urban area shows an increase to 41% in FY22 from 29% in FY20. The data released by RBI on outstanding credit to scheduled commercial banks also shows that the share of women in credit to individuals has increased by 4.3% between 2014-15 and 2021-22. About 67 million new women customers have been disbursed incremental credit[1]. The PMJDY dashboard[2] shows that 492.3 Crore beneficiaries are banked with ₹1989.0676 billion of balance in the beneficiary accounts. The banking services are delivered by about 0.85 lakh Bank Mitras under this flagship scheme. About 56% account holders under PMJDY are women[3].

On the occasion 8th Anniversary of PMJDY, Union Finance Minister Smt. Nirmala Sitharaman in said, "The JAM pipeline created through account holders' consent-based linking of bank accounts with Aadhar and mobile numbers of the account holders, which is one of the important pillars of FI ecosystem, has enabled instant Direct Benefit Transfer (DBT) under various government welfare schemes to the eligible beneficiaries**.** The advantage of the architecture created under FI ecosystem came handy during the Covid-19 pandemic when it facilitated direct income support to farmers under PM-KISAN and transfer of *ex-gratia* payment to *women PMJDY* account holders under PMGKP in a seamless and time-bound manner**."** During the COVID period, within 10 days of nationwide lockdown more than 200 million women PMJDY accounts were credited with ex-gratia.

Let us look at the data on PMMY as an example to see how women participation has increased. The number of accounts of women entrepreneurs under this scheme has witnessed a 15.39% growth over 2020-21 and 2021-22 whereas the loan disbursed has grown by 26.74%. The trend is given in the following chart.

[1] Ecowrap,18, 2023, SBI research.
[2] https://pmjdy.gov.in/
[3] https://www.pib.gov.in/PressReleasePage.aspx?PRID=1854909

Chart 2: Women PMMY Entrepreneurs



How does PMMY help women in small business? To gain insights into the characteristics of small businesses, it is valuable to examine the 73rd NSS survey (2015-16) focusing on unincorporated non-agricultural enterprises. The survey reveals that approximately 60% of the unregistered enterprises operate in the services sector. In comparison to the NSS 67th round, these enterprises have witnessed a significant 16% growth in urban areas, indicating a rise in urban small businesses. Notably, the food and accommodation sector has experienced a growth rate of 12%. The majority of these enterprises are classified as own account enterprises, meaning they do not employ hired workers on a regular basis. However, despite this, they make up a significant proportion of the total number of enterprises. In the food and accommodation sector specifically, these enterprises constitute 15.20% of the total in urban areas. During the 2015-16 period, there were approximately 111.3 million workers employed in unincorporated non-agricultural enterprises, excluding construction. Of these workers, 55% were based in urban areas, while 45% worked in rural areas. It is worth noting that the number of workers has increased by 6.7% over the two rounds of NSS survey[4].

The Pradhan Mantri Mudra Yojana (PMMY) introduced on April 8th, 2015, as a scheme aimed at providing financial assistance to small business enterprises involved in generating income and overcoming the credit gap discussed above. This initiative was launched in conjunction with MUDRA (Micro Units Development and Refinance Agency Ltd.), requiring all banks to offer loans up to Rs. 1 million to micro entrepreneurs engaged in income-generating activities. MUDRA plays a role in providing refinance support to banks and other lending institutions that provide loans under PMMY, catering to their specific requirements. Additionally, eligible institutions participating in the Yojana can benefit from MUDRA's credit guarantee support.

Among the other schemes, *Stand-Up India* s launched in 2016, facilitates bank loans between ₹1 million and 10 million to women and Scheduled Caste/Scheduled Tribe entrepreneurs for setting up greenfield enterprises. The National Rural Livelihood Mission (NRLM) focuses on poverty alleviation and women's empowerment by providing financial assistance, skill development, and livelihood opportunities.

Let us look at the Micro finance sector to see the progress of women participation. The Bharat Miro finance report 2022 released by Sa-Dhan[5] shows the women borrowers to have constituted 99% of the total clientele of Micro Finance Institutions (MFIs). MFIs work with the Self-Help Groups (SHGs). SHGs refer to groups of 10-20 women coming together to form a semi formal community-based institution to meet their common financial and social needs.

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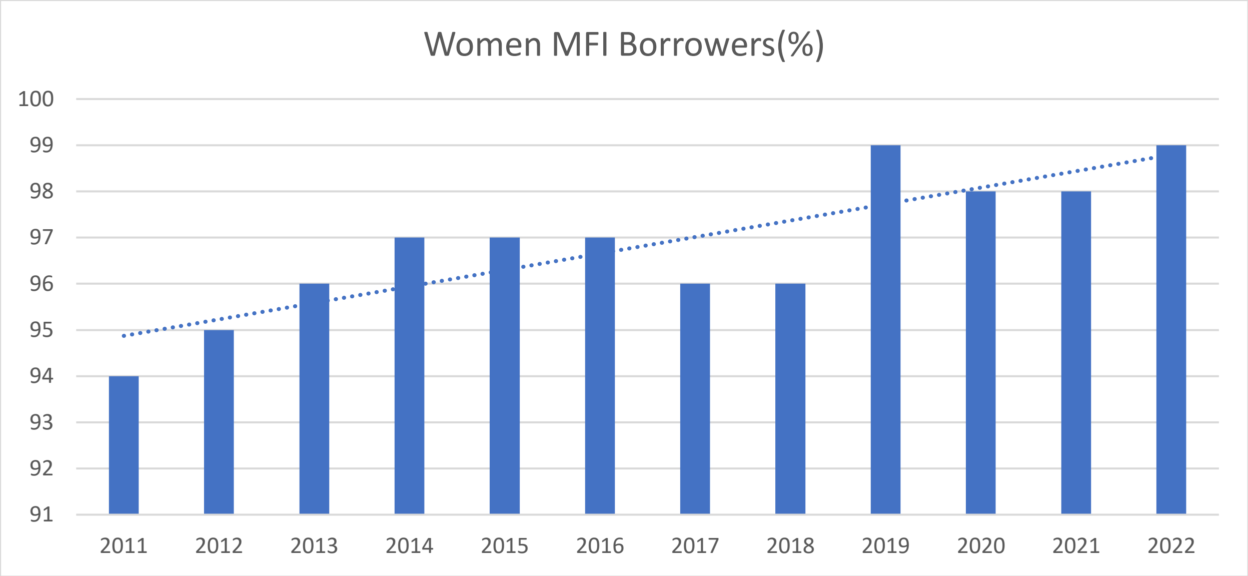
[4] Acharya Debashis and Bibekananda Panda (2022), Targeting Stimulus Schemes for Small Businesses, The Hindu Business Line, May 11.

[5] https://www.sa-dhan.net/wp-content/uploads/2023/05/BMR-2022_c.pdf

Over the years 2011-2022 the number of women MFI borrowers has consistently increased. This sector has contributed to increased women participation even before the govt. flagship schemes started reaching the women. Interestingly MFI sector employs 0.195 million personnel, out of which 13% are women. Further the Women Employees in MFIs increased to 13% in 2022 from 10% in 2021.

Chart-3 Women MFI Borrowers



Source: The Bharat Microfinance Report, 2022, Sa-Dhan

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3.Concluding remarks

The trends on increased women participation in some of the major schemes discussed above indicate that financial inclusion is empowering women in India. The policy makers often use the term “women empowerment” in their discourse in the context of financial inclusion. For instance in one of his speeches[6], Dr M Patra, the Deputy Governor, RBI, says, " Financial inclusion in the sense of access to the formal financial system for basic financial services at a reasonable cost is now positioned as a policy objective in more than 60 countries. It is also central to the United Nation's (UN's) 2030 Sustainable Development Goals (SDGs) and the G 20's Action Plan on the 2030 Agenda for Sustainable Development. Several direct developmental effects are attributed to financial inclusion such as greater mobilisation of savings, improving conditions for remittances, boosting fiscal revenues and improving the effectiveness of fiscal transfers. Rather than a lever or a growth multiplier, however, it is widely viewed as enhancing the quality of growth by fostering inclusivity and by enabling other developmental goals such as poverty eradication, reduction of inequality and *women empowerment*, to name a few." Similarly to quote Shri M Rajeswar Rao, Deputy Governor, RBI, " It was thirty years ago in 1992 that an innovative model to harness the synergy of flexibility of an informal system with the strength and affordability of a formal system was launched in the form of 'Self-Help Group - Bank Linkage Programme'. Since then, a slew of policy measures and approaches have been put in place to bring the financially excluded population within the ambit of formal financial institutions. While microfinance journey started with SHG-Bank Linkage Program (SBLP), microfinance institutions subsequently also adopted Joint Liability Group (JLG) mechanism. SBLP, which was launched in 1992 on a pilot basis has since grown significantly to 67.4 lakh SHGs having an outstanding loan amount of approximately ₹1.5 lakh crore (as of March 2022) leading to social, *economic and financial empowerment* of the poor, especially the *women*."[7]

In conclusion, potential measures to improve financial inclusion for women involve addressing gender biases, raising awareness about accessible financial services, and implementing

[6] https://rbi.org.in/scripts/FS_Speeches.aspx?Id=1194&fn=2754
[7] https://rbi.org.in/scripts/FS_Speeches.aspx?Id=1336&fn=2754

financial literacy programs. A collaborative approach that involves the government, financial institutions, NGOs, and educational institutions is crucial for advancing efforts to empower women through inclusive financial practices.

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