

Short Communication

Financial Inclusion of Women in India: Issues, Challenges, and Solutions

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Abstract

Financial inclusion of women in India has improved over the years, but we are still in the beginning phase and there is a long way to go. Around 80% of the Indian women are financially illiterate; with dedicated training and guidance, these women can be taught to invest and create wealth, avail government benefits, and establish a career for themselves, thereby leading to women empowerment. There are several factors that has led to the improvement, the most recent being demonetisation. It forced people, especially women in the home, to open bank accounts to park excess savings. Furthermore, COVID-19 turned more people towards the financial markets to find genuine investments for their savings. In this paper, an attempt has been made to analyse the current situation of financial inclusion of women, identify issues and challenges, and suggest solutions and strategies to improve and increase the inclusion of women in the finance sector, which is critical for the development of our nation.

Keywords: Financial Inclusion of Women, Financial Inclusion, Financial Literacy, Gender Equality

Introduction

Financial inclusion refers to awareness, accessibility, and utilisation of banking and financial solutions and services by every individual in the society, without any form of discrimination. Financial inclusion of women is a very big challenge in our country. In Indian culture, women are always believed to be gifts from God when

it comes to finance, but according to Standard & Poor's Ratings Services Global Financial Literacy Survey 2015, 80% of the women are financially illiterate, compared to 73% of men. The biggest need is to train and educate these women about banking systems, financial markets, government benefits, and wealth creation, and therefore, empower them.

Although the condition has improved over time owing to various steps taken by the government and infrastructural developments undertaken in recent years, there is still a huge need and potential to include these women in the financial sector. Women play a significant role in the development of a nation, from economic, social, and political perspectives, and greater financial inclusion of women, which is a critical part of the development process, would allow us to effectively develop and use India's most powerful resource – human capital.

Objectives of the Study

- To identify the issues and challenges in financial inclusion of women in India.
- To suggest solutions and strategies to overcome these issues and challenges.
- To highlight opportunities with financial inclusion of women in India.

Methodology

This study is based on secondary data; this data was collected from various sources - reports, books, papers, articles, journals, and other websites.

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Current Scenario of Women’s Financial Inclusion in India

- *Women Bank Account Usage:* As per livemint, the percentage of women in India who reported owning a bank account, or an account at any other financial institution, rose from 26% in 2011 to 43% in 2014, and to 77% in 2017. The gender gap in terms of account ownership effectively reduced from 20 percentage points in 2014 to just 6 percentage points in 2017.
- *Women Internet Usage:* As per the 5th National Family Health Survey, on a national scale, the report reveals that only an average of 42.6% of women have ever used the Internet, contrary to an average of 62.16% men.

Table 1: Division for National Level Data

	Female	Male
Urban India	56.81%	73.76%
Rural India	33.94%	55.6%

Table 2: Internet Usage by Gender Equality

	Female	Male
2020	40%	60%
2016	30%	70%

Over time, Internet penetration rate has also improved. Below is the data from 2007-2021 (Source: Statista).

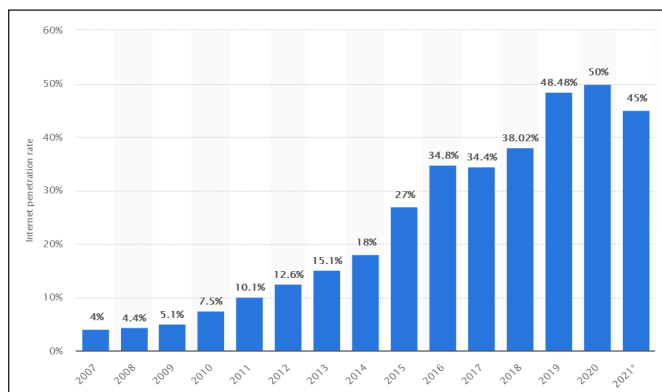


Fig. 1

- *Women Workforce Participation in Financial Sector:* As per Statista, in 2019, about 20.7% of

women were in the labour force across India, down from approximately 30% in 1990. Women’s share of employment in financial and insurance activities was 16.8%, the lowest among the major developing and developed nations.

Table 3: Women’s Share of Involvement in Financial and Insurance Activities

Country	Year	% Employed
Australia	2018	48.6%
Brazil	2019	49.9%
France	2019	56.6%
Germany	2019	51.3%
India	2018	16.8%
Italy	2019	45.1%
Japan	2018	52.2%
Netherlands	2019	37.5%
Singapore	2018	51.8%
Spain	2019	53.0%
Sweden	2019	48.9%
United Kingdom	2019	43.8%
United States	2019	54.3%

- *Women Participation in Capital Market:* The total number of demat accounts between March 2011 and March 2015 were 1.09 crores, in which male participation was 76% and female participation was 24%. In the NRI category, 81% belonged to men and 19% belonged to women.

According to SEBI, nearly 6.3 million demat accounts were opened between April and September 2020, which is a whopping 130% growth year-on-year basis.

COVID-19 has played a significant role in increasing the participation of women in stock markets. The reason behind it is the job uncertainty that the pandemic created.

In 2020-2021, women were major contributors in capital markets, which is in contrast to 2019. As per CDSL 2016 Survey, less than 25% women participated in capital markets. However, these numbers changed post 2019.

According to ShareKhan, 34% female demat accounts were opened in 2020, and the women were in the age group of 25-40 years.

Table 4: According to MOSL

January 2020	14.09%
January 2021	35.69%

Issues and Challenges in Women's Financial Inclusion

Despite the fact that women literacy has improved over the years, 80% of Indian women are still financially illiterate. There are various problems behind this saddening number, a few of which are highlighted below.

India's population is considered to be its biggest resource but this huge number is also a big challenge when it comes to financial inclusion of women. The issue is that a majority of the Indian women are unaware and uneducated about banking systems, financial markets, and monetary schemes that were formulated to benefit women. The challenge is to train and educate this huge population, as only less than 20% of the women are financially literate. This requires a big team of professionals that are skilled in providing this training, which in itself is a huge challenge. Although there has been a rise in the number of bank accounts owned by women, the usage still remains low because there is a lack of quality service that involves patient listening and dedicated guidance.

Another issue is the dominant patriarchal mindset in the society. In India, women are primarily associated with household work and they lack support when they want to go out and do something for themselves. This creates hesitation, lowers confidence, and instills fear in them, all of which stops them from taking action, even when they want to. The challenge, here, is to a) convince these women to take the leap of faith, and b) convince their families to trust these women and allow them to do something beyond household work.

The 3rd issue is the lack of access to smartphones. A majority of Indian women, especially those belonging to low income households, do not own a phone. This stops them from connecting themselves to the online financial world. The challenge here is to bring these women into the smartphone-user category and connecting them to opportunities (financial, banking, and so on), digitally.

The next issue is the absence of a regular income source. This takes away motivation from these women to train

and educate themselves. Finance cannot be learned just from books, it requires one to invest. Not having money to invest creates an incentive barrier. The challenge here is to place some money in their hands, either through government programmes or by helping them create a livelihood, and ensuring that a part of these earnings is saved and invested.

Another issue is the lack of trust in the banking and financial systems. History has shown various cases of fraud and failure in this domain, which has created a fear of loss of money. Women find it safer to keep their savings with themselves in their home, as it provides easy accessibility and takes away the fear of loss. The challenge is to create trust among these women, which is extremely difficult, as money is an extremely sensitive issue for them.

A lot of women, especially those in menial jobs, have their accounts in their village banks, which were created years ago. These accounts have not been transferred with migration of labour, and this has led to zero usage of banking facilities. There is an infrastructural challenge here that majorly includes easy and direct transfers to bank accounts.

Solutions and Strategies to Overcome Issues and Challenges

The immediate solution to tackle the problem of financial inclusion is to create awareness about banking systems, financial systems, and government policies. This requires dedicated effort in the form of back-to-back trainings and workshops. Awareness, here, does not only mean informing women, but also educating them. Moreover, the women who would be empowered today via these trainings and education would go on to become leaders and train more women in the future, thereby creating leaders of tomorrow.

Secondly, these women need to be shown the benefits that they would receive from financial inclusion. These can be shown in the form of testimonials from other women, showing factsheets of women who earned returns from capital and financial markets, and showing examples of increased respect and self-confidence that women experience after being financially secure and free. Doing this would instill trust in their minds, which is a huge

problem, and would also motivate them to take action.

Thirdly, the government needs to step in to provide smartphones through their schemes. A majority of women do not have access to smartphones. Similar to government schemes that provide laptops and so on to a girl child, a scheme can be created to provide smartphones to women. This would solve the problem of absence of touch with the online financial world. Overtime, access to FinTech would increase ease and convenience.

The next solution is a collaboration between banks and not-for-profit organisations. NGOs can take up the task of guidance and training, and banks can ensure a seamless service. In fact, there can be a special card issued to members seeking benefit under this collaboration, so that they can be given special treatment that is very much needed when it comes to financial inclusion of women. Technology can well address the challenge of training a huge workforce, as this task can be performed by robots. From a long-term perspective, leveraging AI would be both time- and cost-effective.

Another solution is a JIO-like free Internet system by the government, to provide Internet access to these women. To avoid misuse, a system can be created where those SIM cards that are registered in the name of a woman living below the poverty line would get a certain fixed amount of free data every single day. Setting a free fixed limit would avoid overuse.

To create sustainable motivation for women to stay financially included, NGOs in the finance domain can create creative business models to provide higher returns than the market. This would incentivise women to stay connected with a community that is dedicated towards financial inclusion of women. One example of this can be a special scheme by the government, where the latter provides a per cent or 2 higher returns, similar to schemes run for senior citizens.

Benefits to Women of being Financially Included

Financial inclusion would allow women to become financially, socially, and emotionally independent. It is true that the rich are respected; having a secure career and a source of livelihood will provide financial freedom,

allowing them to create wealth and become financially independent. It would also help women gain the respect and recognition that they deserve. On a personal level, it would empower them emotionally as there will be a boost in their self-confidence levels.

Secondly, disciplined training and education would create a habit of saving. This habit will not only secure the future of these women, but the habit would also be passed on to the next generation as the children will learn it from their mothers. Someone had said right – when you teach a woman, you teach a family.

Another benefit is the adequate use of government schemes that were created for these women in the first place. Being aware of these schemes and knowing how to avail these benefits would allow them to do so.

The next significant benefit is the reduction in crime rate. Research shows that a lot of women in India do not speak up against domestic violence and rape. Being in a community where they are independent and respected would instill in them the confidence to take a stand for themselves. This will go a long way in ensuring the safety of women and provide them a life in which they feel happy and satisfied.

Furthermore, there would be an elevation in the mindset that would help these women live a better life, as they would start thinking beyond just taking care of the house. There would be improved self-image and women would dream for themselves, dreams that go far beyond just serving one's husband and children.

Opportunities for the Nation with Women's Financial Inclusion

The development of any nation is closely associated with its ability to develop and use its human resources. For a country like India, where 48% of the population consists of women, it is even more crucial that we focus on women empowerment. Financial inclusion would allow these women to contribute to the economy and would help India speed up its journey of going from a developing to a developed nation. Moreover, including women would mean comprehensive development – economic, social, and political.

The 2nd obvious opportunity is improving the situation of gender equality. The increased confidence and respect that women gain from financial inclusion would allow them to have an equal say in decision making processes. Moreover, this will increase family support for women who have high aspirations for themselves, and there will be a greater recognition of the fact that women's only role is not just to be good wives and mothers. The day is not far, when India would be able to call itself a gender equal nation.

Research has shown that financially independent women take a stand for what they believe is right. Financial inclusion would instill self-confidence and self-respect among women, and therefore, instill in them the courage to act against wrongs. In essence, this would lower cases of sexual harassment and domestic violence, which would be a huge achievement for any society.

Bringing more women into FinTech would elevate India's pace towards digitalisation. The world is moving online, and technology is the future. A part of financial inclusion mandatorily requires online interactions with the financial world; financial inclusion of women would therefore bring a larger population in touch with technology, thereby making our country as a whole digitally smart.

Financial inclusion of women would have a direct positive benefit on economy. This improved economic situation would arouse the interest of foreign parties in our nation. This will increase foreign direct investment and foreign institutional investment in India and provide us a host of benefits: exchange rate stabilisation, improved capital flow, and so on.

Conclusion

Women, especially in India, are tied down because of the expectations of the society. They are primarily associated with household work, and despite having dreams and desires to create a career for themselves and of being respected, they stay silent due to lack of family support

and society's judgments. It is crucial that these women are given a platform to become free and independent, which they very much deserve. Being financially independent instills a sense of freedom. Although the situation of financial inclusion has improved over the years, there is still a huge scope for improvement. There are several issues and challenges behind the low number of financially included women, but there are creative and simple solutions, as highlighted in this paper, to tackle these problems. Taking steps towards financial inclusion of woman would benefit not just the woman, but would create several opportunities for the society as a whole. We have a long way to go, but there is hope that there will be a day when the sun on Indian horizons will rise on a financially literate, independent, and gender equal land.

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