

NEXT IAS

**DAILY EDITORIAL
ANALYSIS**

TOPIC

**Financial Inclusion of
Women**

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FINANCIAL INCLUSION OF WOMEN

In Context

- It is observed that the gender gap in access to mobile phones has an impact on financial inclusion.

About Financial Inclusion

- Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs.
- The Reserve Bank of India, releasing the National Strategy for Financial Inclusion (2019-2024), defined '**financial inclusion**' as "the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost.
- **Financial inclusion** has been identified as an **enabler for 7 of the 17 Sustainable Development Goals**.

Importance Financial Inclusion for Women

- Financial inclusion is critical to achieving the **economic empowerment** of women—one of the targets under the **fifth Sustainable Development Goal** on gender equality.
- Access to financial services gives opportunities for **generating income, accumulating assets, and participating more fully in economic activities**, thereby promoting social and economic empowerment.
- Financial inclusion has a **positive impact on women's control** over household resources by increasing their savings.
- It will result in direct improvements in outcomes of health, education, and employment.
 - ◆ In turn, such progress helps achieve collective goals of eradicating poverty, promoting inclusive growth, and reducing inequality
- Additionally, women play a crucial role in promoting entrepreneurship by channeling their savings into starting or expanding small businesses.
- The adoption of digital payments across the world was boosted by COVID-19 and digital payments, in turn, have widened financial inclusion
- The percentage of women who have a bank or savings account that they themselves use has increased from 53 percent in NFHS-4 (2015-16) to 79 percent in NFHS-5.

Challenges

- Although the country's programmes promoting financial inclusion have increased the percentage of women having access to a bank account, **wide gaps remain in account use, and access to savings and credit**.
- Women continue to face barriers to **accessing financial services** for various reasons: they are more likely to **lack proof of identity** or a mobile phone, and live far from a bank branch.
- The barriers that women face are gendered: **restrictive social norms**, mobility constraints, lack of identification, limited financial literacy, insufficient assets for collateral, and low levels of digital literacy
- **COVID-19 and the gendered digital divide** : the pandemic increased the need for contactless financial products and services, accelerating the shift to digital finance in many economies.
 - ◆ However, the tools and skills required to use digital financial products and services are not available to all, which has brought attention to the digital divide that affects women in particular.

Initiatives

- **Pradhan Mantri Jan Dhan Yojana (PMJDY)** :It aims to promote financial inclusion in every household in the country.
 - ◆ PMJDY offers an overdraft facility of INR 10,000 to the woman of the household for operating the savings account satisfactorily, without asking for security or how she will spend the money.

- **Direct Benefits Transfer (DBT)** : A key policy driver in women's uptake and use of financial services in India has been the Direct Benefits Transfer (DBT) initiative for women account holders.
 - ◆ The DBT also brings benefits to the government: it eliminates intermediaries, brings in transparency, and lowers the costs of distributing social security
 - ◆ DBT covers wages for the Mahatma Gandhi National Rural Employment Guarantee Act, LPG subsidy, and free food grains under the Public Distribution System.
- The **Pradhan Mantri Mudra Yojana** targets the financial inclusion of women by providing collateral-free loans up to INR 1 million for small and micro enterprises.
- **The Unified Payments Interface (UPI)** system has also revolutionised digital payments, making it easier for women to engage in financial transactions and investments.

Suggestions for Women's Financial Inclusion

- **Appoint more women Business Correspondents** :They 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
- **Promote women's access to, and literacy in digital tools**
- **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.
 - ◆ SHGs can also be tapped to run financial literacy centres for women.
- **Collect gender-disaggregated data and develop strategies to form women-centric approaches.**
- Promote digital credit for medium and small businesses.

Conclusion

- Financial inclusion is essential for economic growth and sustainable development; for women, it is a pathway to **economic and social empowerment**.
- The existing challenges must be addressed through a women-centric approach to financial inclusion that prioritises equal access for women to the full range of financial services available to men.
 - ◆ This will allow them the same opportunities as men to participate fully in economic activity.
- Ensuring the optimal use of women's savings in India requires a focus on efficient mobilisation and allocation, leveraging financial markets and institutions.
- Government policies with a gender-sensitive approach are pivotal in encouraging women's participation in productive investments.
- India's digital infrastructure is crucial in enabling women's savings to be channelled into productive capital and investments.

Daily Mains Question Practice

How Women's financial inclusion is pivotal for India's economic growth? Discuss Barriers hindering financial empowerment of women.

