ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 10| Issue: 10| October 2024|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2024: 8.402 || ISI Value: 1.188

A COMPREHENSIVE REVIEW ON THE INTRICATE RELATIONSHIP BETWEEN FINANCIAL INCLUSION AND WOMEN'S ECONOMIC EMPOWERMENT

Parasmani Jangid
Asst. Prof., SDJ International College, Surat

Article DOI: https://doi.org/10.36713/epra18392
DOI No: 10.36713/epra18392

ABSTRACT

This study offers insights on financial inclusion for women's empowerment based on earlier research. Half of the population is women & girls, if we consider their involvement in formal financial system it will double the growth rate of economy. For Inclusive Growth of Country, Financial inclusion becomes the priority. Financial inclusion ensures the inclusion of all the class of the society in economic growth of country. It is important that the hard-earned money of poor people come into the formal financial system and not get clutch into the vicious circle of private money lender. Efforts are already been put to include the financially excluded people but this study throws light on specifically women entrepreneur (i.e. including women in formal financial system). Several study have already been done on the financial inclusion and women empowerment individually and here review of all several research has been done. Researcher found four dimensions namely availability (affordability), regularity, adaptability and attainability of financial needs. This study directed to understand the importance of financial inclusion for women empowerment as well as How economically empowered women can change the whole game of the economic growth as being the part of formal financial system.

KEY WORDS: *Financial Inclusion, Women, Economic Empowerment.*

INTRODUCTION

Financial Inclusion

The story of the blind men and the elephant can be applied to financial inclusion in India, as each person's limited experience results in a limited grasp of a much bigger notion. Financial inclusion is frequently oversimplified to mean opening a Zero Balance or No-Frills account. In actuality, it includes a wider range of services meant to give disadvantaged groups fair and impartial access to financial products. Among these products are Kisan credit cards, generic credit cards, No-Frills Accounts, and savings accounts with overdraft protection.

Financial inclusion, as defined by the World Bank, is the ability of people and organizations to obtain cost-effective and customized financial services, such as payments, transactions, savings accounts, credit, and insurance, all of which are provided in an environmentally friendly and sustainable way. Since it allows people to keep money and make payments, having access to a transaction account is essential to achieving financial inclusion. This is the reason why creating globally accessible transaction accounts is a top priority for the World Bank Group's Universal Financial Access 2020 strategy.

Based on how widely products are used in society, there are three levels of financial inclusion. The first category, known as the "super included," actively uses a variety of financial services and products. The second category, known as the "financially excluded," is primarily concentrated in impoverished areas and has little knowledge of the financial resources that are accessible to them. Those in the third group, who have access to basic banking services, are a combination of the two. The latter two classes are more common in emerging nations like India, noting the need for targeted strategies to enhance financial inclusion.

Banking excluded People

- Vulnerable or unemployed or low-income section of society
- People with history of bad debts with financial institutions
- People from rural or remote area which are either un-banked or under-banked area
- Very young or elderly individuals

OBJECTIVES OF THE STUDY

1. To understand the financial inclusion and its importance.
2. To understand the women economic empowerment and its importance.
3. To study the various schemes launched by GOI and role of RBI to achieve financial inclusion.
4. To understand the relationship between financial inclusion and women's economic empowerment.

ROLE OF GOI AND RBI

The origins of financial inclusion in India trace back to 1904 with the enactment of the Co-operative Society Act, aimed at ensuring easy access to borrowing for all members of society. Significant milestones followed, including the establishment of the State Bank of India in 1955, the nationalization of commercial banks in 1969 and 1980, the introduction of the Lead Bank Scheme in 1970, the formation of Regional Rural

Banks (RRBs) in 1975, the launch of the Self-Help Group (SHG)-Bank Linkage Programme in 1992, and the creation of the Kisan Credit Card scheme in 2001.

The Indian government has focused on providing subsidies and preferential credit to disadvantaged populations to help them enhance their income. Since 1970, various poverty alleviation programs have been implemented, including the Small Farmers' Development Agency (SFDA) program (1971-79), Deen Dayal Upadhyaya Antyodaya Yojana (1978), the Integrated Rural Development Programme (IRDP) (1979-99), the Swarnjayanti Gram Swarozgar Yojana (SGSY) (1999-present), the Sampoorna Grameen Rozgar Yojana (SGRY) (2001-present), and the National Rural Employment Guarantee Act (NREGA) of 2005.

The Reserve Bank of India has prioritized expanding access to the organized financial system since 2004. In November 2005, banks were encouraged to offer basic "no-frills" accounts with low or no minimum balance requirements, aimed at broadening outreach. Additionally, KYC procedures for account opening were simplified, and the Reserve Bank mandated that all customer-facing materials be available in multiple languages, including English, Hindi, and regional languages. According to the Reserve Bank of India (RBI), the instructions outlined in the circular dated November 24, 2005, regarding No Frills Accounts have been superseded. As per the circular issued on August 17, 2012, banks are now mandated to provide a 'Basic Savings Bank Deposit Account' to all customers, which will include a set of minimum common facilities specified therein. Furthermore, banks are required to convert any existing 'no-frills' accounts into 'Basic Savings Bank Deposit Accounts.'

In 2006, banks were authorized to collaborate with non-governmental organizations (NGOs), SHGs, and other civil society entities to deliver financial services through business facilitators and correspondents. The Government of India has consistently emphasized the importance of inclusion in its development initiatives, including the Rural Employment Guarantee Scheme, Bharat Nirman programme, and Sarva Shiksha Abhiyan.

The Swavalamban scheme, initiated in 2010 and later replaced by the Atal Pension Yojana, launched on May 9, 2015, offers a pension plan allowing individuals to make voluntary contributions within a specified range, supplemented by government matching contributions. Additionally, the Pradhan Mantri Jan Dhan Yojana, launched on August 28, 2014, serves as a National Mission for Financial Inclusion, ensuring access to various financial services, including banking, savings accounts, remittances, credit, insurance, and pensions, in an affordable manner.

The Pradhan Mantri MUDRA Yojana (PMMY), introduced on April 8, 2015, aims to provide loans up to 10 lakh to non-corporate, non-farm small and micro enterprises without requiring collateral. This scheme also supports female entrepreneurs in establishing or expanding their businesses. The Micro Units Development and Refinance Agency (MUDRA) Bank plays a key role by providing loans to micro-finance institutions, which subsequently lend to MSMEs. MUDRA Yojana offers three loan categories—Shishu (up to 50,000), Kishor (50,000 to 5 lakhs), and Tarun (5 lakhs to 10 lakhs)—with flexible repayment terms ranging from 12 months to 5 years.

The Stand-Up India scheme, launched in 2016, aims to promote entrepreneurship among marginalized communities, including Scheduled Castes, Scheduled Tribes, and women, facilitating loans between 10 lakh and 1 crore for new enterprises.

The Pradhan Mantri Vaya Vandana Yojana (PMVVY) provides social security and safeguards against declining interest income for individuals aged 60 and above. The Pradhan Mantri Vaya Vandana Yojana (PMVVY) was introduced by the Government of India on May 4, 2017. Initially set to conclude on March 31, 2020, the scheme was later extended for an additional three years, with the new end date being March 31, 2023. The scheme was managed by the Life Insurance Corporation of India (LIC) on behalf of the Ministry of Finance. Its primary objective was to provide social security for the elderly and safeguard them against fluctuations in interest income resulting from volatile market conditions. The scheme guaranteed a return of 8% per annum for a duration of 10 years, with a minimum pension of Rs 1,000 per month and a maximum pension of Rs 1,11,000 per year.

Furthermore, Additional initiatives such as the Interest Subvention Scheme, and the Lead Bank Scheme have contributed significantly to enhancing financial literacy across India.

REVIEW OF LITERATURE

International Studies

Financial Inclusion

(Klapper, unknown) Financial inclusion is to make people access & use the financial services provided by various financial centers in sustainable regulated environment.

For financial inclusion, (Kempson, Atkinson, & Pilley, 2004) have given due importance to cater the people's need for banking services satisfactorily. The causes for financial exclusion are identity requirement, terms & conditions of bank account, several bank charges, physical access problems, cultural & psychological problems, banks' refusal for low-income group, etc. according to researchers the simple solution for rapidly increasing use of banking provision in developed country, provide overdraft facility to the customer with good credit score only.

(Finnegan, 2015) Financial inclusion product must be accessible, usable and being served the quality according to the need of client.

(Holloway, Niazi, & Rouse, 2017) Financial inclusion is an important element in the formulation of Sustainable Development Goals. For inclusive growth it is necessary to have quality financial product. Research shows that when

ISSN (Online): 2455-3662
EPRA International Journal of Multidisciplinary Research (IJMR) - Peer Reviewed Journal
Volume: 10| Issue: 10| October 2024|| Journal DOI: 10.36713/epra2013 || SJIF Impact Factor 2024: 8.402 || ISI Value: 1.188

people participate in the financial system, they are better able to manage risk, start or invest in a business, and fund large expenditures like education or a home improvement. According to study reason of financial exclusion present in the barriers in demand, supply and legal regulatory framework of the main four financial products provided by banks and other financial institutes on women's economic empowerment namely; Savings, Credit, Payment and Insurance.

(Hendriks, 2019) To include women and girls financially is a key importance on women's economic empowerment. studied the efforts focusing Financial Inclusion to advance women's economic empowerment and drive progress on gender equality SDG-5 which is all about stop discrimination with women in public & private, reforms to give women equal rights to economic resources and access to ownership property.

(Chatterjee, Gupta, Srivastava, & Tiwari, 2019) The Financial Service Space is a three-dimensional approach includes frequency of banking services, convenience in approaching and availability of influential factor.This study used a blanket approach wherein 6 categories of FSS (financial service space) has been described namely FSS Absent for financially excluded women, FSS Restricted for Dormant account holders, FSS Dummy for proxy users, FSS fragile for Irregular basic users, FSS Active for regular basic users and FSS Vibrant for Advanced women as users.

(Diwan, unknown)The schemes and policies devised by the RBI, GOI, and the public sector banks have enabled a conducive environment for financial inclusion. The change in perception from women being viewed as vulnerable and not creditworthy to being considered as potential bank clients in last few years in India.

Women Empowerment

(Finnegan, 2015) This study is focusing on the barriers & its solution. when it comes to including women financially in formal financial system, problems like legal and regulatory hurdles, access to education and training, culture and tradition, lack of collateral, anticipation of rejection, risk aversion, etc. arises. Empowering women economically with the strategies like change in regulatory frameworks and unfavorable cultural norms, Ensure collection of gender-disaggregated data on the financial center, Study women-specific needs and create appropriate financial products and services, Promote financial education and financial literacy, Encourage innovation and relaxation of financial rules and procedures to address barriers faced by women, Create support programmes for women's entrepreneurship, Promote women's leadership and strengthen women's organisation, Promote private sector initiatives in support of women's financial inclusion, etc.

(Peters, Astone, Malik, & Mar, 2016)have focused on tree main aspect in order to achieve womens' economic empowerment; first reducing unpaid work (burden of care), second moving from precarious to secure work, and moving into high-productivity and high-growth sectors of the economy. These three aspects are selected to focus on barriers and enablers to WEE.

(Hendriks, 2019) Melinda Gates concerned about why women & girls are considered as beneficiaries of development programme& to recognize as agents of change? By considering women & girls at the center of action it can bring transformative effects on economy. Women can make financial decision & control over resources allocation, access to individual private savings account. Financial choice for household increasing bargaining power in household and this will attract to less empowered women. It affects children education, Nutrition and also increases the health expenses by women.

(Bull, 2021) Women's economic empowerment is not only to do with bank accounts. But bank accounts are one of the most powerful tools with women for their independent lives. A woman with no control over resources generally lose control over her life and choices too. (Bull, 2021) CEO of Consultative Group to Assist the Poor has mentioned the need to keep women at the center of all the financial inclusion strategy for shared prosperity. Without including women, one cannot fully achieve the financial inclusion and this need to put the gender lens whatever we do. Where the troubles are cultural, financial, and legal restrictions and barriers in people's minds. Mainly the CGPA work for poor people and its own theory of change is framed around opportunities to women and resilience.

(Adera & Abdisa, 2023) With the use of sophisticated analytical techniques like instrumental variable analysis and Copula Switching Regression, the study in Ethiopia seeks to determine the factors that influence financial inclusion among a particular sample of women. By concentrating on women, the study illuminates the obstacles and possibilities that they encounter while attempting to obtain financial services, offering significant perspectives to decision-makers. The results are consistent with previous research, highlighting the beneficial effects of financial inclusion on gender equality and women's empowerment. The study emphasises the significance of customised interventions to support financial inclusion and women's empowerment in Ethiopia and the necessity of stakeholder collaboration in order to foster an atmosphere that is supportive of women's economic inclusion.

National Studies

Financial Inclusion

(Mohan, 2006)Formal savings are the part of financial inclusion. Higher the financial exclusion more the income inequality. Financial development is important from either a supply-leading (financial development enforce growth) or a demand following (growth generates demand for financial products) channel. Financial deepening accelerates economic growth through the expansion of access to those who do not have adequate finance themselves both in underdeveloped and mature financial system.

(Agrawal, 2007) Financial Inclusion means availing feasible banking product to the vulnerable class of the society. On the basis of interview of NGOs and SHGs, researcher pointed out the U.K.'s strategy of making easy access to bank, credit facility and banking advices. While U.S. has adopted the change in legal aspect like prohibition discrimination by law under Community Reinvestment Act. (Agrawal, 2007) has presented a three-dimensional model including 1. Basic Banking 2. Create Awareness & financial Literacy 3. Innovative strategies to achieve the goal of financial inclusion.

(Murari & Didwania, 2010)Financial inclusion is the tool to bring out the people from the clutches of poverty. Financial inclusion can be achieved but the changes are required from demand as well as supply side. Financial inclusion is all about searching the new way to improve the existing formal credit delivery and evolve new models. Unless the financially excluded class don't demand or utilize the available services, hardly any financial institution bring any change in the situation. the solution is the self-employment to beat the poverty and thus achieve financial inclusion.

(Garg & Agarwal, 2014)It is needed to get participation of all the section of society for inclusive growth. The development of banking services & technology opens the door for underprivileged people to get access of all online banking services & various financial products. Major problem in achieving the goal of financial inclusion are lack of money while the expensive banking services, uneasy procedure to avail facility and non-reachability of bank are also the hurdle in path of goal achievement. Financial inclusion can be achieved by working on the banking product, government initiatives, creation of awareness, technology & regulation etc.

(Santosh, Subrahmanyam, & Nara, 2016)Financial Inclusion is financial services such as saving accounts, insurance funds and credit provided to poor and low-income clients so as to help them to increase their income, thereby improving their standard of living. Study focus not only on accepting deposits to open account but also grant credit to meet their needs, focus more on increasing awareness about banking services and technological development in banking sectors.

Biggest obstacle in the way of achieving financial inclusion is lack of security & high operating cost in taking loan from Bank for poor people. SHG Bank Linkage Programme Model, MFI Bank Linkage Model can be the solution for this obstacle. Continuous efforts in team with all the stakeholders can make it possible to achieve.

Women Empowerment

Financial inclusion has helped women in becoming self-reliant. women entrepreneurship needs a change from superficiality to productivity.

(K, Johnson, & Babu, 2017) have shown the positive relationship between women empowerment and membership in SHG, availability of credit facility, income level, standard of consumption and expenditure, and awareness of financial services. Increase the awareness regarding banking services among women leads to more inclusion of women in economy. Financial inclusion has made an enormous contribution to economic development by finding innovative ways to empower the poor, women and other disadvantaged group. To empower women through financial inclusion it is needed to scale up the parameters like access, quality, training and welfare.

(Dharmarajan, 2018)Achieving Sustainable Development Goals could be difficult without gender equality. financial literacy can empower women to develop a financial identity of women, even with their household savings can help them to get access to formal for gainful occupation & economic freedom and power.

(Bhatia & Singh, 2019)Financial Inclusion is a priority, which focuses on gender equality and sustainable development goals. Women empowerment includes three dimensions; that is; social, political, economic. There is need to assess the impact of recently launched Financial Inclusion Schemes by GOI and advancing the literature on Financial Inclusion. (Batliwala, 2010) As women empowerment leads to gender equality which is important to raise self-dependency among women and living standard.

(Pandey & Parthasarathy, 2019) Women empowerment leads to increase in self-esteem, self-dependency, increase purchasing power, decision making power, and that's all an empowered woman has. Women's entrepreneurship has strong relation with the economic health of family and communities, poverty reduction and women's empowerment and meeting the Sustainable Development Goals. Financial assistance to women by government schemes, training facilities, infrastructure and its awareness, increases the motivation, confidence, the rate of women opting for entrepreneurship. Traditional role of women has been changed due to the economic need. Availability of cheaper credit leads to increase in entrepreneurship quotient of women.

(Jadhav, 2021)There is high rise in women availing the benefit of loan related financial inclusion scheme such as facilities under PMJDY, loan facility under Stand-up India and Pradhan Mantri Mudra Yojana. (Maurya, unknown) Still unlimited opportunities are untouched by women of which the result can be steep rise in economic growth. It is important that women make their own decision for their own benefits. Policies and Government schemes for financial inclusion of women and in financial literacy.

(Vosuri Sandya RaniA & Sundaram, 2023) With an emphasis on women-owned businesses in Vellore, Tamilnadu, the study intends to investigate how financial inclusion affects female entrepreneurs in India. A sample of 357 MSMEs owned by women was chosen from 1,274 firms located in strategic rural areas. Interviews and questionnaires were used to gather data, which was then subjected to multiple regression and correlation analysis. The results highlight the need for specialised financial services to empower women entrepreneurs and increase their competitiveness and sustainability. They also demonstrate that increased financial inclusion has a favourable impact on the performance and success of women-led firms.

CONCLUSION

In a predominantly male-dominated society, women in rural areas often face constraints in their financial autonomy, frequently compelled to invest their earnings in male-led economic activities due to societal pressures. The remittance of funds by men who work away from home can create further difficulties in financial management for rural women. Enhanced access to financial services, such as online banking, could significantly empower these women. Similarly, in urban settings, many women remain financially dependent on their husbands, lacking control over their earnings.

Obstacles such as intra-household bargaining power and social status limit the benefits of financial inclusion for women's economic empowerment. Ensuring smooth consumption in times of income shocks is critical, as is the integration of women into the formal financial system to bolster their financial confidence and contribute to the overall economy.

The relationship between women's economic empowerment and financial inclusion was investigated by researchers. The researcher also discovered that financial inclusion plans, such as PMJDY, PMMY, etc., are available, and they learned how these schemes, or yojanas, aid female entrepreneurs. They also looked at the role that NGOs, financial literacy programmes, and SHGs play in assisting poor women.

These studies, which focused on particular populations like women, have proven insightful in the sense that they offer useful information for formulating public policy. Thus, as it is undesirable that this established illiteracy would affect these particular groups, policy makers who are specifically focused on addressing the issue of specific segments of society (e.g., the young, women, and the elderly) could take these inferences into consideration. Therefore, the research that focuses on these particular groups may draw attention to some implications that could serve as important indicators for the agendas of policy makers.

REFERENCE

1. *Adera, A., & Abdisa, L. T. (2023). Financial inclusion and women's economic empowerment: Evidence from Ethiopia. Cogent Economics & Finance.*
2. *Agrawal, R. (2007). 100 % Financial Inclusion: A Challenging Task Ahead.*
3. *Batliwala, S. (2010). Taking the power out of empowerment – an experiential account. Development in Practice , 557-565.*
4. *Bhatia, S., & Singh, S. (2019). Empowering women through Financial Inclusion: A study of urban slum. Vikalpa: The Journal for Decision Makers.*
5. *Bull, G. (2021). Women and Finance: Enabling Women's Economic Empowerment. CGAP Leadership Essay Series.*
6. *Chatterjee, R., Gupta, A., Srivastava, M., & Tiwari, A. (2019). The Real Story of women's financial inclusion in India- A research report. MicroSave Consulting.*
7. *Dharmarajan, K. (2018). Financial Inclusion: the key to empowerment in India. Retrieved from your story: https://yourstory.com/2018/05/financial-inclusion-the-key-to-womens-empowerment-in-india/amp*
8. *Diwan, P. (unknown). Financial Inclusion: A pathway to Women's Empowerment. Retrieved from www.usibc.com: https://www.usibc.com/blog/financial-inclusion-a-pathway-to-womens-empowerment/*
9. *Elaine Kempson, A. A. (2004). Policy level response to financial exclusion in developed economies: lessons for developing countries.*
10. *Finnegan, G. (2015). Strategies for Women's Financial Inclusion in the Commonwealth . Commonwealth Secretariat.*
11. *Garg, S., & Agarwal, D. P. (2014). Financial Inclusion in India – a Review of Initiatives and Achievements. IOSR Journal of Business and Management, Volume 16, Issue 6. Ver. I (Jun. 2014), PP 52-61.*
12. *Hendriks, S. (2019). The role of financial inclusion in drivingwomen's economic empowerment. In Development in Practice (pp. 1029-1038).*
13. *Holloway, K., Niazi, Z., & Rouse, R. (2017). Women's Economic Empowerment Through Financial Inclusion- A Review of Existing Evidence and Remaining Knowledge Gaps. Financial Inclusion Program, Innovations for Poverty Action.*
14. *Jadhav, R. (2021, february 28). Have women reaped the benefit of financial inclusion schemes? Retrieved from The Hindu BusinessLine: https://www.thehindubusinessline.com/data-stories/deep-dive/have-women-reaped-the-benefit-of-financial-inclusion-schemes/article33956360.ece*
15. *K, D. A., Johnson, E., & Babu, M. (2017). Financial Inclusion and Impact on Women Empowerment in Rural area with special reference to Central Travancore Region of Kerala. International Journal of Application or Innovation in Engineering & Management (IJAIEM).*
16. *Kempson, E., Atkinson, A., & Pilley, O. (2004). Policy level response to financial exclusion in developed economies: lessons for developing countries. The Personal Finance Research Centre University of Bristol.*
17. *Klapper, L. (unknown). The Link Between Financial Inclusion & Sustainable Development. Development Research Group, The World Bank.*
18. *Maurya, P. (unknown). Financial inclusion and women empowerment in India . ABS International Journal of Management*
19. *Mohan, D. R. (2006). Economic Growth, Financial deepening and Financial Inclusion. The Annual Bankers' Conference 2006. Hyderabad.*
20. *Murari, M. K., & Didwania, D. M. (2010). Poverty Alleviation through Financial Inclusion: An Analytical Study with Special Reference to India. The Research Journal of K.P.B. of Hinduja College.*
21. *Pandey, D. N., & Parthasarathy, P. D. (2019). Impact analysis of welfare schemes of women's empowerment: with reference to RMK, step and e-Haat. Journal of Management (JOM), 146–156.*
22. *Peters, H. E., Astone, N. M., Malik, A. A., & Mar, F. (2016). Women's economic empowerment: A review of evidence on enablers and barriers. International Development Research Centre.*
23. *Santosh, K., Subrahmanyam, D. S., & Nara, D. T. (2016). Major Milestones of Financial Inclusion in India – An Analytical Study. International Journal of Advanced Scientific Research & Development, 24-34.*
24. *Vosuri Sandya RaniA, & Sundaram, N. (2023). IMPACT OF FINANCIAL INCLUSION ON WOMEN ENTREPRENEURS IN INDIA: AN EMPIRICAL STUDY EMPIRICAL STUDY. International Journal of Professional Business Review, 1-24.*