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WOMEN'S EMPOWERMENT THROUGH FINANCIAL INCLUSION: CHALLENGES AND THE EFFECTIVENESS OF KEY GOVERNMENT PROGRAMMES

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Abstract

Financial inclusion plays a vital role in this process by providing women with financial tools, skills, and resources to manage money, plan for the future, and reduce vulnerability to economic shocks.Women's empowerment goes beyond economic gains—it enhances their decision-making power, confidence, social status, and participation in community and household affairs.This study investigates the role of financial inclusion in promoting women's empowerment in India, with a specific focus on the challenges faced and the effectiveness of key government programmes, along with steps taken by the Reserve Bank of India (RBI) to expand financial access in rural regions. Using a mixed-method approach, the study draws upon secondary data from RBI reports, NABARD documents, government publications, and dashboards such as PMJDY and MUDRA. The findings reveal that financial inclusion has significantly enhanced women's access to bank accounts, savings, credit facilities, digital financial services, and entrepreneurship opportunities. However, challenges such as limited financial literacy, digital divide, socio-cultural barriers, inadequate documentation, and low access to formal credit continue to restrict full empowerment. Government initiatives like PMJDY, Mudra Yojana, Aadhaar-enabled services, and SHG-Bank linkage programmes have played a crucial role in improving financial participation and economic resilience among women, especially in rural areas.

Keywords: *Women's empowerment; financial inclusion; RBI initiatives; PMJDY; Mudra Yojana*

Introduction

Financial inclusion in India refers to providing affordable and accessible financial services—such as savings accounts, credit, insurance, and digital payments—to all sections of society, especially the poor, women, and rural populations. Over the past two decades, India has made significant progress in expanding financial access through initiatives led by the Reserve Bank of India (RBI) and the Government of India. Major programmes like the Pradhan Mantri Jan DhanYojana (PMJDY), MUDRA Yojana, and digital platforms such as UPI have transformed the financial landscape by increasing bank account ownership, formal credit availability, and digital transactions. Despite this progress, challenges such as low financial literacy, limited access in remote areas, and gender gaps still persist. Financial inclusion remains a key driver for inclusive growth, poverty reduction, and women's empowerment in India**.**

Women's empowerment in India refers to enhancing the social, economic, political, and personal strength of women so they can participate equally in society and make independent decisions. Over the years, India has taken significant steps to improve women's rights through education, employment opportunities, legal reforms, and welfare schemes. Initiatives such as Beti Bachao Beti Padhao, SHG–Bank Linkage programmes, MUDRA loans, and digital financial services have contributed to improving women's mobility, income, and decision-making power. While notable progress has been made, challenges such as gender discrimination, limited access to resources, social norms, and safety concerns still hinder full empowerment. Strengthening women's empowerment remains essential for achieving inclusive growth, gender equality, and sustainable development in India.

Literature Review

Zelu, B. A(2024), The study examines how access to financial accounts influences women's economic empowerment in Ghana. Using national survey data and Propensity Score Matching, it found that women who possess financial accounts—especially formal bank accounts—are more likely to be employed and have higher income. Informal accounts, like mobile money or Susu, showed limited impact. The study concludes that promoting formal financial inclusion and banking services among women, particularly in rural and poorer areas, can significantly enhance their economic empowerment.

Assaf, (2024), The study examines how social entrepreneurship promotes women's empowerment in Saudi Arabia through financial inclusion. Using surveys of 210 women and interviews with social enterprise founders, the study analyzes how collaboration, creativity, diversity, and scalability in social initiatives improve women's access to financial services and their economic independence. The findings show that financial inclusion significantly mediates and strengthens the impact of social entrepreneurship on women's empowerment, promoting economic and social advancement.

Mathew, (2014), The study examines how financial inclusion, particularly through self-help groups and microfinance, empowers rural women in India by improving income, confidence, and decision-making. Using secondary data, it reviews RBI initiatives and SHG-Bank linkage models. It concludes that financial inclusion promotes women's economic and social empowerment, though challenges like low literacy, poor awareness, and infrastructure gaps still limit its full impact.

Aggarwal, (2014), The paper examines financial inclusion in India, focusing on the challenges, opportunities, and steps taken by RBI to expand access to financial services. Using secondary data and a descriptive approach, it highlights initiatives like simplified KYC norms, basic banking accounts, financial literacy, and rural branch expansion. The study concludes that financial inclusion supports economic growth and poverty reduction, but faces barriers such as illiteracy, low awareness, and poor infrastructure.

Arnold & Gammage, (2019), The article examines how financial inclusion can empower women by not only providing financial services but also addressing social barriers like low literacy, limited mobility, and restrictive gender norms. Using a thematic review of case studies and programs, it emphasizes that effective financial inclusion requires combining digital tools with financial education, social norm change, and tailored support. It concludes that holistic, gender-responsive strategies are essential for meaningful and sustainable women's financial empowerment.

Saluja, Singh & Kumar, (2023), The study reviews research from 2000–2020 to identify barriers and solutions for empowering women through financial inclusion. Using a PRISMA-based systematic review of 67 studies, it finds that factors like patriarchy, low income, poor financial literacy, and limited access hinder women's inclusion. It concludes that digital tools, microfinance, SHGs, and targeted government programs are essential for meaningful financial inclusion and women's empowerment.

(Siwela & Njaya, 2018), The study explores the financial inclusion challenges faced by female street traders in Asia, Latin America, and Sub-Saharan Africa. Using a qualitative desk-study based on archival data, it finds that women face major barriers such as lack of identity documents, low financial literacy, irregular income, mobility issues, and cultural restrictions. The study concludes that financial services remain largely inaccessible for these women, and recommends promoting financial literacy, mobile banking, agency banking, and gender-responsive financial services to improve inclusion.

Shetty & Hans, (2018), the paper examines how SHGs and financial inclusion support women's empowerment in India. Using secondary data, it analyzes how SHGs improve women's access to savings, credit, financial literacy, and decision-making. The study concludes that SHGs enhance women's economic independence and social status, but challenges like low awareness, gender barriers, and limited access to formal financial services still hinder full empowerment.

Objectives

- To examine the challenges faced in achieving women's empowerment through financial inclusion.
- To explore the steps taken by the RBI to expand financial inclusion across rural regions of India.

Research methodology

The study adopts a mixed-method research methodology to examine the challenges in achieving women's empowerment through financial inclusion and to explore the initiatives taken by the Reserve Bank of India to promote financial access in rural areas. Secondary data will be sourced from RBI reports, government publications, NABARD documents, PMJDY and MUDRA dashboards, and existing literature on financial inclusion and women's empowerment.

Women's Empowerment through Financial Inclusion

Women's empowerment through financial inclusion faces multiple interlinked challenges that hinder its full potential. Despite access to formal financial services like bank accounts, credit, and digital platforms, many women, especially in rural areas, struggle due to limited financial literacy, which restricts their ability to understand, manage, and utilize financial products effectively. Cultural and social norms rooted in patriarchy often discourage women's economic independence and decision-making power within households. Limited mobility, lack of digital skills, and restricted access to smartphones or internet services further reduce their participation in digital finance. Additionally, inadequate collateral, complex loan procedures, and small loan sizes limit women-led enterprises from expanding. Financial institutions sometimes perceive women as high-risk borrowers, resulting in higher interest rates or fewer opportunities. Moreover, weak market linkages, absence of entrepreneurial training, and insufficient policy support reduce their ability to convert financial access into sustainable economic empowerment. Thus, to make financial inclusion truly empowering, it is essential to address these structural, social, and institutional barriers through comprehensive policy reforms, capacity-building initiatives, and inclusive financial systems.

Challenges in Achieving Women's Empowerment through Financial Inclusion

- **Low Financial Literacy:** Many women, especially in rural and low-income households, lack basic knowledge about banking services, savings, credit, insurance, and digital payments. Limited understanding reduces confidence and restricts their ability to use financial products independently.
- **Socio-Cultural and Patriarchal Norms:** Traditional gender roles often limit women's mobility, decision-making power, and control over household finances. Male family members frequently make major financial decisions, reducing women's autonomy in managing bank accounts or loans.
- **Limited Access to Formal Credit:** Women often struggle to meet collateral requirements or credit eligibility criteria. Lower property ownership among women restricts their ability to offer security for loans. As a result, many rely on informal credit sources with high interest rates.
- **Digital Gender Divide:** A large number of women do not have access to smartphones or the internet. Even when devices are available, digital skills are limited, leading to fear or hesitation in using digital banking and UPI services. This creates barriers in accessing modern financial tools.
- **Lack of Documentation:** Many women lack essential documents such as Aadhaar, PAN card, or address proof. Absence of documentation delays or prevents opening bank accounts, availing loans, or receiving government benefits digitally.
- **Inadequate Awareness of Government Schemes:** Women are often unaware of initiatives like PMJDY, MUDRA Yojana, or SHG–Bank Linkage programmes. Poor

outreach and insufficient financial literacy drives prevent women from fully benefiting from these schemes.

- **Mobility and Safety Concerns:** In rural areas, banks are often located far from homes, and women face mobility constraints due to household responsibilities or safety concerns. Dependence on male relatives for travel affects independent access to financial services.
- **Limited Employment and Income Opportunities:** Low participation in the formal workforce means many women have irregular or insufficient income. Lower income reduces eligibility for loans and limits savings capacity.
- **Operational Barriers in Banks:** Long queues, unfriendly bank environments, lack of female staff, and limited time due to household duties discourage women from visiting banks. Technical language and lengthy procedures also create discomfort.
- **Social Stigma and Lack of Confidence:** Women often feel hesitant or intimidated to interact with financial institutions. Fear of making mistakes while transacting digitally or handling money affects confidence levels.
- **Gender Bias in Lending Practices:** Financial institutions sometimes perceive women as higher-risk borrowers. This bias affects women's access to credit for entrepreneurship or livelihood activities.
- **Limited Support for Entrepreneurial Activities:** Even when credit is available, women lack access to training, mentorship, and market linkages needed to run successful income-generating activities. This reduces the empowerment outcomes of financial inclusion.

Fig 1. National strategy for financial inclusion

Key Steps by RBI to Expand Rural Financial Inclusion

- **National Strategy for Financial Inclusion 2019-2024:**The RBI, in its document titled "National Strategy for Financial Inclusion 2019-2024", sets out a roadmap and strategic objectives to broaden financial inclusion across all regions, including rural India. Key pillars include:
  - Universal access to financial services: ensuring every village has a formal financial service provider within a reasonable distance.
  - Providing a basic bouquet of financial services (savings, credit, remittance, insurance, pension) in a reasonably priced way.
  - Focusing on livelihood and skill development, financial literacy & education, and customer protection & grievance redressal. This strategy explicitly targets rural and underserved areas, recognising the geographical, socio-economic and infrastructural challenges.
- **Financial Literacy and Education Programmes:** RBI maintains a dedicated section on its website for financial education and inclusion, emphasising rural outreach. For example, efforts include setting up "Centres for Financial Literacy" (CFLs) with the aim of reaching all blocks (administrative units) including rural ones. These programmes aim to equip rural residents (often with low literacy and weak access) with knowledge of banking, digital payments, savings and credit products.
- **Use of Business Correspondents (BCs) and Technology:** Recognising that bank branches are often far in rural areas, the RBI has supported the deployment of business correspondent networks (BCs) and technology-led service delivery (like e-KYC, digital banking) to bring banking to villages..The National Strategy emphasises leveraging fintech, digital infrastructure and BC/BC-agent models for rural inclusion. Monitoring and Measurement Framework: To specifically track rural financial inclusion, the RBI has built measurement frameworks that track three dimensions — access, usage and quality. For access, metrics such as number of banking outlets per 100,000 adults including rural localities are employed. For usage and quality too. This helps in identifying rural gaps and enabling targeted interventions.
- **Priority Sector Lending (PSL) and Rural Credit Flow:** Under its regulatory role, RBI ensures that banks allocate a portion of credit to priority sectors which often include rural households, agriculture, micro-enterprises etc. These regulatory tools help channel credit into rural areas, complementing physical access.

- **Rural Financial Inclusion Plans and Branch Authorisation Policy:**The RBI has changed policies on branch opening in rural/unbanked areas, thereby enabling banks to open branches and outlets in underserved rural regions. It also expects banks to prepare financial inclusion plans that cover rural outreach

Table 1. Women's Empowerment through Financial Inclusion (India)

Indicator	Numerical Data	Year/Period
Increase in women's bank account ownership vs. men	36% higher for women	2024
Average deposit in women's PMJDY accounts	Rs.1,279 to Rs. 3,761	2015 to 2022
Women owning smartphones (digital access)	60% of women	2024
Increase in digital transactions by rural women	22% growth	Last 2 years
Share of loans to women under Mudra Yojana	68% of total loans	2024
Growth of women-led MSMEs	1 crore to 1.92 crore	2010-11 to 2023-24
Women monitoring their credit	27 million (42% increase YoY)	Dec 2024
Credit self-monitoring growth – Gen Z women	56% increase	2024
Credit self-monitoring growth – Millennial women	38% increase	2024
Increase in women-owned proprietary establishments	17.4% to 26.2%	2010-11 to 2023-24

Author composition

Table 1 shows that women's financial inclusion and economic empowerment in India have significantly improved over time. Bank account ownership for women has increased faster than for men, and the average deposits in women's PMJDY accounts have nearly tripled, showing higher financial participation. Digital access is rising, with 60% of women now using smartphones and rural women's digital transactions growing by 22%. Women are also increasingly accessing credit—receiving 68% of Mudra loans—and actively monitoring their financial health. Moreover, the number of women-led MSMEs and women-owned enterprises has almost doubled, showing rising entrepreneurship and economic independence. Overall, the data reflects strong progress in women's financial empowerment, driven by inclusion, digital access, and entrepreneurship.

Conclusion

The study concludes that financial inclusion has become a powerful driver of women's empowerment in India, particularly through increased access to bank accounts, credit, digital financial services, and entrepreneurship opportunities. The data indicates significant progress, with women showing higher growth in account ownership, improved savings behavior, and increased participation in credit-based schemes such as MUDRA. The rise in women-led MSMEs and digital financial engagement further reflects growing financial independence and economic resilience among women. However, persistent challenges such as limited financial literacy, digital divide in rural areas, inadequate documentation, socio-cultural barriers, and restricted access to formal credit continue to hinder full inclusion. Government and RBI initiatives—such as PMJDY, Mudra Yojana, Aadhaar-enabled banking, and SHG-Bank linkage programmes—have been instrumental in bridging these gaps, particularly in rural regions. To sustain and accelerate this progress, policies must focus on strengthening digital literacy, improving last-mile financial access, addressing gender-specific barriers, and promoting women-centric financial products. Overall, financial inclusion, when supported by robust government programmes and targeted policy measures, plays a crucial role in advancing women's empowerment and fostering inclusive economic development.

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