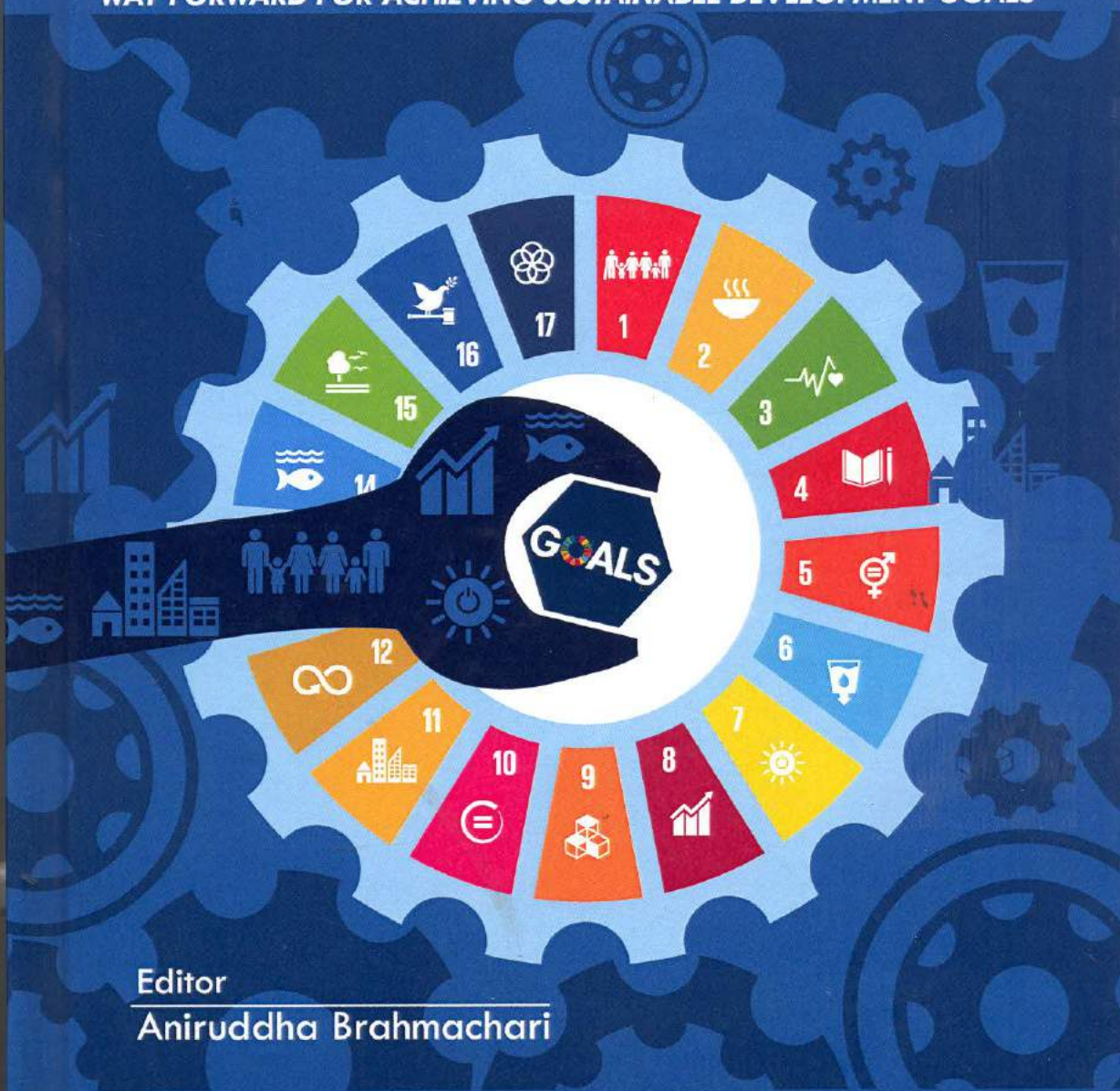


# EMERGING EVALUATION EXPERIENCES

WAY FORWARD FOR ACHIEVING SUSTAINABLE DEVELOPMENT GOALS



Editor

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2020



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## Chapter 5

# Financial Inclusion of Women: A Way to Empowerment

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### ABSTRACT

*Increasing access and usage to quality financial products and services is essential for inclusive economic growth and poverty reduction. Sustainable Development Goals (SDGs) 1 (target 4) and 5 (target 7) explicitly call for equal access to financial services as a building block to end poverty and achieve gender equality. Delhi, the national capital with over 16 million people, has been estimated to have more than half of the population living in unplanned settlements ranging from slum clusters to urban villages. Though the literacy rate among women in Delhi is around 81 per cent and around 78 per cent of the households have one bank account, the extent of financial literacy among women, particularly those belonging to marginalized and economically weaker sections in Delhi is a matter of great concern. Without financial awareness and practice, her financial independence and empowerment at large, is also at stake. The paper, using the findings of a household survey conducted in Delhi, aims to assess the knowledge and practices related to financial matters among women residing in the slum or low income localities and its impact on women's decision making and empowerment. The paper concludes with suggestions towards improving financial inclusion among women.*

**Keywords:** *Financial inclusion, Decision making, Women, Literacy, Savings*

### Introduction

Increasing access and usage to quality financial products and services is essential for inclusive economic growth and poverty reduction. Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit were needed by vulnerable groups such as weaker sections and



low income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan 2006). Sustainable Development Goals (SDGs) 1 (target 4) and 5 (target 7) explicitly call for equal access to financial services as a building block to end poverty and achieve gender equality.

For women, financial inclusion can lead to greater financial independence and control over financial resources, giving them more bargaining power at home and influence over family decisions. The issue of women's empowerment and gender equality is at the top of agenda across the world, as gender inequality is widespread in all cultures. In developing countries, gender disparity is highly rampant compared to the developed countries (Ahmed *et al.*, 2001). In fact, financial inclusion should be seen as a tool of gender equality.

While women represent a larger share of the self-employed in developing countries and thus are in greater need of access to formal financial services, they are less likely to secure bank credit (World Bank, 2013). According to Findex, women also are less likely to report having borrowed from family and friends. The International Finance Corporation (IFC) research shows that because of poor credit history or lack of collateral, women are more likely to be denied formal credit than men and often pay higher interest rates.

The 2017 Global Findex database shows that 1.2 billion adults have obtained an account since 2011, including 515 million since 2014. Between 2014 and 2017, the share of adults who have an account with a financial institution or through a mobile money service rose globally from 62 per cent to 69 percent. In developing economies, the share rose from 54 per cent to 63 percent, yet women in developing economies remain 9 percentage points less likely than men to have a bank account (Global Findex 2017). As per India's Census 2011, only 58.7 per cent of households are availing banking services in India.

According to the United Nations Food and Agriculture Organization (FAO), women typically invest 90 per cent of economic resources into health, nutrition, and family education, the financial inclusion of women contributes to long-term prosperity for communities. For women empowerment and gender equality, it is therefore critical to make women aware of basic skills of financial inclusion and services such as operating bank accounts, operating ATMs, accessing loans, *etc.* Additionally, there is a need to develop awareness of personal financial issues and choices, and basic understanding of earning, spending, budgeting, saving, investing and borrowing money.

## Financial Inclusion Initiative in India

In India, a key element of the flagship programme, *Pradhan Mantri Jan Dhan Yojana* (PMJDY)<sup>1</sup> and other financial inclusion efforts, in general, is to create

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1 Pradhan Mantri Jan Dhan Yojana provides a platform for universal access to banking facilities with at least one basic banking account at zero balance for every household, financial literacy, and access to credit, insurance and pension facility.

financial awareness, without which the true objective of financial inclusion will not be achieved. Financial literacy is important to ensure that financial services reach the unreached and under-reached sections of the society. A higher level of financial literacy can significantly improve the quality of living and enables sound financial decision making for individuals.

Women make up almost half of the 1.3 billion Indian population, a majority of whom live on under USD 4 a day. There remains a 7 per cent gender gap in bank account ownership (Global Findex 2014), and a 14 per cent gap in account usage, according to Omidyar Network. Recent research conducted by Women's World Banking puts the per cent of un- and under-banked Indian women at a whopping 62 percent, or 411 million women. Looking in to the high percentage of unreached population in India of basic financial services, since 2014, financial inclusion is high on the agenda of the present national government, with PMJDY being an important initiative in this direction.

This paper based on a primary survey conducted in 2018 aimed to assess the awareness and practices related to financial services among women in the national capital territory of Delhi and initiatives undertaken by the government for financial empowerment of women in India.

## Assessment Approach

Delhi is expected to be the focus of most of the policy interventions in India. Delhi, the national capital of India with over 16 million people, is estimated to have more than half of the population live in unplanned settlements ranging from slum clusters to urban villages. As per the Government of National Capital Territory (NCT) Delhi, there are 685 slums with around 4.2 lakh (0.42 million) households. The literacy rate among women in Delhi is around 81 per cent and around 78 per cent of the households have one bank account. However, the extent of financial literacy among women, particularly those belonging to marginalized and economically weaker sections in Delhi is an important area of investigation.

Assessment of the women in terms of her basic financial literacy and availing financial services such as, holding a bank savings account, independently operating it, using Automated Teller Machine (ATM) or using mobile banking, along with other financial services was done. A financially independent individual is able to make intellectual judgments and take effective choices regarding the usage and management of money (Noctor *et al.*, 1992).

A sample of 300 randomly selected households having a woman in the age group of 18-35 years were identified as an 'eligible' household for the assessment study from socio-economically marginalized population across different geographical locations of NCT Delhi. The reason for keeping the age group up to 35 years is that, in India, around 65 per cent of the population is below 35 years and important for the focus of intervention on financial inclusion, if any to be made in future.



## Result and Discussion

### Profile of Surveyed Women

All randomly selected women respondents were selected from socio-economically marginalized population. The average age of women respondents was around 26 years. Around one-third of these women respondents were illiterate, while around 21 per cent had attained education up to only grade 8 or less. Around 29 per cent of women had completed secondary or more level of education. On occupational front, majority (76 per cent) of the women were home-makers *i.e.* not engaged in any economically gainful activity while only 7 per cent of the women were employed. Another 12 per cent of the women were neither working nor studying and 5 per cent were studying in schools/colleges. Less than one-tenth of the women were engaged in any economically gainful activity despite their poor household income. The average monthly household income was reported to be around INR 7247/- *i.e.* a mere USD 100 per month.

*Possess government approved identification documents:* One of the important and a requisite, to a large extent, for accessing and availing government schemes/benefits, is to possess an identity document issued either by the Central government or the respective state government. A report prepared in the initial stages of the Aadhaar project showed that the four major identification programmes – passports, voter IDs, PAN cards and ration cards – only covered about half of the population and fraudulent versions of these documents were widespread (S. Falk, A. Römmele and M. Silverman, 2016). An overwhelming percentage of surveyed women reported having one or more documents- *i.e.* Public Distribution System (PDS) ration card for subsidized food grains (73 per cent), election voter identity card (88 per cent) or bio-metric Unique ID (*Aadhaar*) card (99 per cent). This could primarily be attributed to being a resident of national capital of the country and having much easier access to these services.

**Table 5.1: Awareness and Access to Financial Inclusion Schemes**

Government Schemes	Women* (in %)	
	Awareness	Availed
Jan Dhan Yojana- bank account	92	41
Subsidy on LPG (cooking gas) cylinder	55	43
Pension Yojana	21	1
Mudra Yojana- self employment	14	0
Pradhan Mantri Jeevan Jyoti Bima Yojana-life insurance	2	0
Pradhan Mantri Jan Suraksha Bima Yojana-accidental insurance	2	2

\*Multiple Response.

## Financial Literacy and Practices

### Wide Gap between Awareness and Access

Awareness about development programmes and schemes among the people is very important. Unless the people have proper knowledge of the basic criteria and purpose of the scheme, access of the scheme will be adversely affected. The benefits of the scheme are greatly linked to the awareness level of the respondents. Awareness about PMJDY was overwhelming (92 per cent). This was followed by 55 per cent of the women being aware about the direct benefit transfer (DBT) of subsidy on cooking fuel (LPG) cylinder given by the government. Among rest of the schemes which aims at social security (pension) or insurance against life or accidents, awareness was found to be very dismal. Even lesser percentage of women, among those who were aware, had availed the benefits- 43 per cent in case of cooking fuel subsidy on LPG cylinder or opened account under PMJDY (41 per cent).

### Possess a Savings Bank Account and Savings Habit

While 68 per cent of women possess an individual bank savings account, another 3 per cent of women hold a bank account jointly with a family member. Around one-fifth (18 per cent) women informed that none of their family members have an account in a bank. In developing economies, 46 per cent of men report having an account at a formal financial institution, while only 37 per cent of women do (Klapper and Demircuc-Kunt 2012). In 2011, only 53 per cent of adults in India had a bank account. In 2017, that number reached 80 per cent with a gender gap of just 6 percent, a significant improvement from 2014, when the gender gap was 14 per cent (Women's World banking).

In spite of having a savings bank account, only less than a quarter of the women informed that they deposit money in the bank account primarily because they are unable to save any substantial amount to deposit in their bank account *i.e.* have irregular or insufficient savings. Women reinvest up to 90 per cent of their income in their families, compared with 30 to 40 per cent by men (Phil Borges, 2007). Among those having a bank account, more than half (52 per cent) had never deposited or withdrawn any money from their account.

Amongst the rest, 32 per cent use it as and when required while around 9 per cent do the transactions 'once in a month' and another 7 per cent reportedly do transactions in their bank account 'once in 3 months'. Majority of the women saved money to meet unexpected expenses (77 per cent), followed by reasons such as, children's educational needs (74 per cent) and for health needs (51 per cent). Less than 10 per cent also save money for socio-cultural events/functions in the family.

### Mobile Financial Services

As part of financial literacy and to promote banking transactions through mobile phone and also to keep the bank account holders updated with regard to their bank account, banks send messages on account holder's mobile phone. Majority of women (78 per cent), among those having a bank account, informed



that their mobile number is linked with their bank accounts. However, using mobile phones for purchasing or sending money is yet to happen among women surveyed. Neither of the women have any Application in their phones to use it for these purposes nor they have heard of any mobile financial service applications.

**Table 5.2: Benefit of Savings in a Bank**

<i>Benefits Cited</i>	<i>Women* (in per cent)</i>
Money is safe in bank	97
Helps to save some money	48
Inculcate habit of savings	17
Get interest on deposited money	14

\* multiple responses possible.

### **Benefits of Depositing Money in Bank**

Even though many women or other members in their families do not deposit money in a bank account but as a part of financial literacy, it is important to assess their extent of awareness about benefits of depositing money in the bank. On enquiring about the perceived benefits include, money is safe in bank (97 per cent) followed by 'inculcates habit of savings' (48 per cent).

**Table 5.3: Sources of Credit and Loan**

<i>Sources</i>	<i>Women* (in per cent)</i>
Relatives	43
Money lender	7
Bank	4
Not aware of any such source	56

\* multiple responses possible.

### **Credit and Loan Options**

More than half of the women (56 per cent) are not aware about any source where one can go and take money on loan. Amongst the rest, 43 per cent identified relatives, an informal source, in case of need of money. Only 4 per cent identified bank also as a source for taking loan. Further on being enquired about the awareness among women about benefits of repaying loan on time/regular basis, majority (61 per cent) informed that delay in repaying loan will 'levy higher interest' on the loan amount.

### **Insurance Facilities**

Insurance for the poor is a comprehensive shield against risk and uncertainties. Awareness and access to insurance facilities is essential for bringing poor under 'financial safety net' and protect them against loss from unexpected risks such as loss of breadwinner, illness, accident, theft, etc.. Majority of women (82 per cent) are

Table 5.4: Benefits of Insurance

<i>Benefits Cited</i>	<i>Women* (in per cent)</i>
Risk Coverage	53
Free treatment in hospital	55
Good savings option	6
Assured return on maturity	2
Don't know	18

\* multiple responses possible.

aware about at least one benefit of insurance, life or health. Among those aware of the benefits of insurance, more than half of the women identified 'free treatment in hospital' (55 per cent) and 'risk coverage' (53 per cent) as key benefits of insurance.

Table 5.5: Types of Insurance Policy Available

<i>Type of Insurance</i>	<i>Women* (in per cent)</i>
Life Insurance	33
Health Insurance	8
Vehicle	13
None	32
Don't know	16

\* by women or any family member; multiple response possible.

Further enquiry about women or any of her family member has taken insurance policy, almost all from the government subsidiary, the Life Insurance Corporation of India (LIC), by around 33 per cent women said, 'life insurance' while 8 per cent has taken 'health insurance'. However, around one-third women informed that she or any of her family member has not taken any insurance policy.

### Decision making on Financial Matters

Participation in decision making on financial matters at household/family level is a critical and indicative factor towards women's empowerment. Women's autonomy in decision making is associated with her ethnicity, deprivation level, urban/rural classification, education, and number of living children (Kabeer N 2002). Only 10 per cent women informed that they are involved in decision on financial matters. In majority of cases decisions are taken by her husband (74 per cent) or by parents/-in-laws (16 per cent). Female share of total household income could be a viable proxy for female participation in decision-making in the family. Only a tenth of women having a role in decision making on financial issues is corroborated with the fact that around three-fourth of women were home-makers *i.e.* not engaged in any economic activity and more than half had attained schooling up to grade 8 or less, thus in line with other studies indicating minimal role in decision making.



Gender differences are a significant factor when explaining an individual's decision making (Bernasek and Shwiff 2001). From the study, they found that women are more conservative than men in financial decisions. Another study suggested that gender plays a vital role for the individual's decision making (Barber and Odean 2001).

## Conclusion

Women have a critical role to play in all of the SDGs, with many targets specifically recognizing women's equality and empowerment as both the objective, and as part of the solution (UN Women). Assessment brought out that awareness about financial inclusion tools is very basic among women from socio-economic marginalized population. These women lack proper understanding of financial institutions and about managing finances. As a result, to some extent, women's negligible participation in decision making process even at family level, particularly related to financial matters impedes women empowerment initiatives. While majority of women had a bank account, lack of information about loan and credit facility available at bank was glaring. Insurance coverage is another area, where women should be made aware as only around one-third had 'life insurance' cover and just 8 per cent had gone for 'health insurance'. Noticeably, none of the women had ever used mobile banking or apps on mobile phones for making purchase or transferring money to other accounts.

Poor financial awareness defeats the very purpose of the financial inclusion and empowerment of women. Some suggested pro-active initiatives will be in consonance with Goal 5 Target 7 of SDG: "Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws" and may include:

- ★ **Communication interventions** aimed at awareness generation about the financial inclusion schemes should be vernacular and audio-visual mediums for greater impact among women population with low educational qualification.
- ★ **Engagement with youth and female students** at educational institutions to update about relevant financial knowledge and skills.
- ★ **Use of Mobile Apps** should be encouraged to use mobile Apps for financial services such as balance check or to pay for purchases at grocery shops.
- ★ **Promote Insurance Coverage among women** to bring more and more women under the safety net of insurance (life or health).

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