

Assessing the Impact of Financial Inclusion on Women's Empowerment: Evidence from Selected Areas of Hassan District, Karnataka

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Abstract:

Financial Inclusion is considered to be a critical indicator for development and well-being of the society around the globe. Providing inclusive financial services that is, financial services affordable for all, has become a basic priority in many countries including India. G-20 Nations have emphasized on financial inclusion as a facilitator for achieving gender equality and other sustainable development goals. Women empowerment is a radical approach concerned with transforming power relations in favour of female gender and considered essential for global progress. Thus, an inclusive financial model is being adopted in developing nations to achieve fundamental to formative objectives. The current article investigates the dimensions of women empowerment, that is, social, political, and economic. It also undertakes a test to see if the dimensions change with financial inclusion.

The authors draw upon literature to develop a structured questionnaire on women empowerment and financial inclusion through schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Jivan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), and Atal Pension Yojana (APY) on women living in urban slums in the city of Bangalore. The data were collected from 50 females living in urban slums with PMJDY bank accounts. The result indicated that PMJDY scheme has been quite successful especially in case of women in slums and has a positive influence on social, political, and economic dimensions of women empowerment. The study contributes to existing literature by advancing the debate on women in urban areas and identifies the substantial need for the development of formal financial system to enhance the scale of financial inclusion.

Key Terms: Women Empowerment, Financial Inclusion, Financial System, PMJDY, PMJJBY, PMSBY, APY, Financial Engineering, Innovative Financial Products

Introduction and Review

Women empowerment is a radical approach to transform power relations in favour of female gender that leads to better gender equality (Batliwala, 2007). This enables females to make their life choices, which in turn, effectively improves their well-being. Gender equality and women empowerment are essential to global progress and it can be enhanced by providing affordable financial services to women (Holloway, Niazi, & Rouse, 2017). After the persuasions by G-20 in 2014, financial services were perfused to a vast section of the society, and the period between 2011 and 2014 witnessed an upward trend in the number of first-time adults as bank account holders. On the flip side, it was not able to fill the gender gap for access to basic banking services (Ghosh & Vinod, 2017). This led to social exclusion and gender disparity, highly rampant in case of developing country as compared to a developed country (Ahmed, Aurora, Biru, & Salvini, 2001; Dawar & Singh, 2016). In the words of Noble Laureate Amartya Sen, 'Poverty is not merely lowness of income, but deprivation of basic capabilities' (2014). Thus, accomplishing complete financial inclusion does not just determine the issues identified with financial structure, rather its centre is annulling the condition of social exclusion (Rangarajan Committee, 2008). Thus, the inclusive financial model has emerged as an arrangement in developing nations to achieve formative objectives. Formulation of mechanism to achieve women empowerment through affordable financial services is a rigorous approach to achieve sustainable growth globally.

The concerns for women empowerment have been rising in India over last few decades. Series of political events post-2014 in India has heightened societal concerns about women's role in economic life as well as

critical roles within their households. Mostly, empirical articles in this literature have studied the effects of financial inclusion on women empowerment that has evaluated an over-broadened meaning of empowerment or a truncated part of it (Goetz & Gupta, 1996). Most investigations are typically cross-country research (Demircuc Kunt, Klapper, & Singer, 2013; Lampietti & Stalker, 2000; Quisumbing, Haddad, & Pena, 1995). Within a nationalized context, the studies address the conduct of female-headed family units concentrating basically on financial access alone (Fletschner, 2008; Hazarika & Guha-Khasnobis, 2008; Rawlings & Rubio, 2005). Another set of studies implies presence of gender gap due to lower financial literacy (Fernandes, Lynch, & Netemeyer, 2014), behaviour biases (Frisancho, 2016) and institutional segregation (Corsi & De Angelis, 2017). Estimation of women empowerment is another glitch as it cannot be straightforwardly observed and has numerous features (Beteta, 2006; Mason, 2005; Swain & Wallentin, 2009).

In the Indian context, most of the studies (Datta & Singh, 2018; Ghosh & Vinod, 2017; Swamy, 2014) have used publicly available data to determine the extent of FI. Studies using primary data are limited in number. For women, the phenomena of urbanization and the growth of city ghettos have unique causes and unique consequences, and yet these issues are largely ignored by prior studies in this area (COHRE, 2008). Only a handful of studies specifically focussed upon links between south Asian slums and women empowerment (Fisher, 2008; Hazarika, 2010; Kaur, Singh, Gupta, Bahuguna, & Rani, 2015; Nasrin, 2012). These studies relied solely on reviews of existing literature and evaluations based on secondary data. On the other side, the current study utilizes primary data from urban ghettos. The convincing motivations to examine women empowerment in this study are multifold. First, women represent two-fifth of work power, yet access to formal financial channels is very low. Second, government and RBI, both, have attempted strides to improve the number of financially included women, and its effect is yet to be assessed.

FINANCIAL INCLUSION IN INDIA

Scheme	Details and Benefits	Eligibility
PMJDY launched in 2014	- Accidental Insurance cover of 0.2 million - Life cover of 30,000 - Overdraft facility up to 10,000 to preferably lady of the house hold - RuPay ATM Cum Debit card	- All citizens of India with valid proofs - Preference is given to female of Household
PMJJBY Launched in 2015	- Pay premium is 330 per annum - Risk coverage under this scheme is for 0.2 million in case of death	- People in the age group of 18-50 years - Having bank account under PMJDY
PMSBY Launched in 2015	- Pay premium of 12 per annum - The risk coverage under the scheme is 0.2 million for accidental death and full disability and 0.1 million for partial	- People in the age group 18-70 years - Having bank account under PMJDY

	disability	
APY Launched in 2015	Fixed pension for the subscribers ranging between 1000 to 5000	- Minimum age of joining APY is 18 years and maximum age is 40 years - Having bank account under PMJDY

ACCOUNTS UNDER PMJJY (ALL FIGURES IN MILLIONS)

BANK TYPE	Beneficiaries Rural/Semi-Urban Centre Bank Branches	Beneficiaries at Urban Metro Centre Bank Branches	Rural Urban Female Beneficiaries	Total Beneficiaries	Deposits in Accounts	Ru Pay Debit Cards Issued to Beneficiaries
PSB	153.4	129.7	149	283.1	781,556.7	223.7
RRB	51.2	9.8	34	61	172,782.7	38.5
PRB	6.9	5.5	6.7	12.4	2806.1	11.6
Total	211.5	145.1	189.7	356.5	984,145.5	2774

Source: PMJDY Progress Report, GOI, May 2019. Retrieved from <https://www.pmjdy.gov.in/account>

Notes: PSB—Public Sector Banks; RRB—Regional Rural Banks; PRB—Private Sector Banks.

CURRENT STATE OF RESEARCH ON FINANCIAL INCLUSION

Majority of the literature has focussed on the theoretical and conceptual development of financial inclusion in contexts of micro-finance institutes and self-help groups. An immense assemblage of literature can be found on financial inclusion in India for instance, self-help groups (Basu & Srivastava, 2005; Shah, Rao, & Shankar, 2007; Sinha, 2006; Swain & Varghese, 2009), and loans without collateral by the Grameen banks (Dev, 2006; Yunus, 2004), and current conditions of financial inclusion schemes that propelled after 2014 (Pillai, 2016; Singh & Naik, 2018; Tulasi, Golait, Sethi, & Goel, 2017; Verma & Garg, 2016).

A significant number of studies have measured financial inclusion with secondary data sets to identify the levels of financial inclusion in different regions using multidimensional index of banking services (Ambarkhane, Singh, & Venkataramani, 2014; Kim, 2016; Laha, 2015; Laha & Kuri, 2014; Park & Mercado, 2016; Raichoudhury, 2016). The basis of index construction is ‘distance-based approach’ used by UNDP. Chakravarty and Pal (2013) constructed financial inclusion index through axiomatic method covering data of Indian States from 1972 to 2009. Certain financial inclusion indexes were created using principal component analysis method (Bagil & Dutta, 2012; Lenka & Bairwa, 2016; Lenka & Sharma, 2017). Some of the studies (Arora, 2010; Bihari, 2011; Kumar & Mishra, 2009) created financial inclusion index based on financial access, availability, usage of formal financial services, demand side, and supply side indicators.

EMPOWERMENT DIMENSIONS

Empowerment is defined as ‘Multi-dimensional social process that helps people gain control over their own lives. It is a process that fosters power in people, for use in their own lives, their communities, and in their society, by acting on issues that they define as important’ (Page & Czuba, 1999). Of the 17 objectives of United Nation Sustainable Development Goals (SDG) which are considered imperative for worldwide congruity and harmony, objective # 5 for gender balance and women empowerment is viewed as significant for transforming the world through giving equal chance to both of the genders. There are significant empirical evidences recommending that gender imbalance, to a great extent, harm economic advancement

(Klasen, 2002), and gender difference in employment and education prompts negative effect on nation's long stint development (Klasen & Lamanna, 2009).

Kabeer (1999) has defined women empowerment as 'the ability to make strategic life choice in context where this ability was previously denied to them'. Women empowerment has received increased scholarly attention in last several decades as an avenue of enhancing mobility, health, economic condition, and participation in decision-making by women (Afrin, 2008). 'Empowerment' is a multidimensional concept and illustrates proliferation of end results. Owning bank account improves financial well-being of women (Ashraf, Karlan, & Yin, 2010; Swamy, 2014).

Political Empowerment

Gender equality is the core to human rights and a bedrock for achieving sustainable development. Increasing women participation in political leadership and decision-making is essential for economic and social development of economy (United Nations, 2018). Thus, political factors such as political quotas, awareness, and voting rights are important interventions in this regard (Armendáriz & Morduch, 2010; Deininger & Liu, 2013; Kabeer, 1999; Sundström, Paxton, Wang, & Lindberg, 2017). Administrative framework, social standards, independence in basic leadership, social versatility and systems additionally significantly affect women empowerment procedures (Bandiera et al)

Economic Empowerment

Economic empowerment is the capacity to contribute towards the growth processes in a way that recognizes the value of their contributions and makes a fair distribution of their wealth to enhance the access of economic resources (OECD, 2011). Swain and Wallentin (2009) found that economic factor contributes significantly to women empowerment. In another study, Al-Mamun, Wahab, Mazumder, and Su (2014) investigated the change in women empowerment through qualitative survey that quantified economic empowerment utilizing following criteria: decision-making at household level, financial/economic security, resource control, and say/control in familial decisions, legal awareness, and mobility. Based on the sample data of 242 low-income urban women in Malaysia taking interest in micro-credit programme, the study quantified the effects of household basic leadership. In an extensive study, Chiapa, Prina, and Parker (2016), through field investigations of female heads of households reviewing 1,236 families in urban ghettos, found that access to savings bank accounts help poor families to handle their assets better, to prioritize education and consumption expenditure, and to feel more responsible for their financial/economic circumstances.

Statement of the Problem

It is about empowering women to increase their financial autonomy, bargaining-power and self-esteem, while reducing their exposure to risks. ... Financial inclusion is one of the key enablers of women's economic empowerment, which is also known to reduce women's exposure to violence. Financial inclusion is important for women to access loans, credit and to make transactions, but it is also essential to save money and build assets in a safe place, which can in turn take them out of poverty. Savings interventions increase women's business earnings. Invest in and be inclusive of women's organizations and cooperatives to strengthen their visibility and representation; prioritize asset development, including capital, securing land and inheritance rights, and skill building programs, including financial literacy and management skills. The current study explores positive effect of financial inclusion on lives of women living in urban slums of Bangalore.

Table—1 Exhibiting Research Design

Research Type	Analytical
Research Context	Urban Slums located in the city of Bangalore
Research Approach	Quantitative
Data type	Continuous variables

Data collection tools	Questionnaire based
Data Analysis Software	SPSS Version 18.0, MS Excel, MS Word, MS Power Point
Sampling Technique	Systematic Sampling
Sample Size	100 slums
Sample Period	1 st April 2022 to 31 st March 2026
Scope	Restricted to Urban and Rural Slums of Hassan District
Statistical Techniques	Descriptive Statistics, Factor Analysis

Data and Methodology

This study has actualized a qualitative plan to study reach and access of women in slums. The study was conducted between 1st April 2022 and 31st July 2026. There are, in total, 533 slums in Karnataka.

As per 2011 census survey, the population of slum dwellers is 18.21 per cent of total population of the city. About three-fourths of total slums were established between the years 1991 and 2010.

Analysis and Interpretation

The sample consisted of women living in urban slums and the profile of respondent is provided in Table below. Respondents for the survey were randomly selected and the eligible respondents for the survey were women owning PMJDY bank accounts. This ensured the eligibility of respondents to enrol into financial inclusion schemes. In total 500 respondents were approached, of which 422 substantial responses were gathered (67% response rate). In order to identify and validate the constructs, the exploratory and confirmatory factor analyses were applied on the data.

Distribution of slums by their population size

Sl. No.	Population size of slum	Number of slums
1	<500	08
2	501–1,000	22
3	1,001–2,000	21
4	2,001–3,000	19
5	3,001–5,000	22
6	5,001–10,000	08

Profile of Respondents as per Employment, Education and Number of Members in Family

EMPLOYMENT DETAILS	FREQUENCY
Government Sector	1%
Private Sector	99%
Full Time Employment	32%
Part time Employment	40%
Unemployed	22%

Type of Labor	FREQUENCY
Regular Labor	30%
Wage Earner	32%
Self Employed	18%
Casual labor	20%
EDUCATION PROFILE	FREQUENCY
No formal Education	82%
Education below Matriculation	8%

Matriculation	9%
Other technical courses	1%
Graduation and above	NIL

The sampling unit, that is, women in slums, was chosen using simple random sampling for this study. To test the hypothesized relationships, a questionnaire-based survey approach was used with 12 items for the constructs in this study. The questionnaire was partitioned in two sections. The first section analysed socio-economic status and access to different financial inclusion schemes of the Indian government. Second part collected the information for social, economic, and political women empowerment. The items of political empowerment were adapted from Niemi, Craig, and Mattei (1991) and Boley, Ayscue, Maruyama, and Woosnam (2016); the items of social empowerment were adapted from Basu (2006) and Boley et al. (2016); and the items of economic empowerment were adapted from Raj et al. (2018), Postmus et al. (2013) and Basu (2006). All estimations in the investigation were subjective assessments of the respondents utilizing five-point Likert scale (where 1 represents strongly disagree and 5 represents strongly agree).

Exploratory factor analysis was applied using principal component analysis and Varimax rotation. The factor analysis was suitable for this data as the Kaiser–Meyer–Olkin (KMO) value was 0.861 (more than 0.7) and the Bartlett's test of Sphericity was found significant at $p\text{-value} < 0.05$. The items having factor loadings of more than 0.4 are reported in Table 5 and three items with factor loading less than 0.4 were removed from further analysis. As reported the factors Eigen value of 1.0 or more were retained for further analysis.

Conclusions

The outcomes reveal that distinctive components of empowerment are statistically significant by joining formal financial services. Women empowerment is related to each one of the measures of empowerment which reverberate the hypotheses in this study and past investigations. The study also reveals that women with higher access and usage of financial services, such as opening bank account and availing insurance, have higher social, political, and economic empowerment. This has implications for increasing women's bargaining power in society, that is, greater negotiations, freedom for political choices, taking financial decisions at work, and decision-making within family, leading to higher women empowerment.

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