Financial Inclusion and Women Empowerment: The Way Forward

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***Abstract*—Financial inclusion is a critical driver of inclusive and sustainable development, particularly in empowering women economically and socially. The paper examines the interlinkages between financial inclusion and women empowerment in India, highlighting policy initiatives, institutional mechanisms, and regional experiences with special reference to Kerala. Drawing upon the National Strategy for Financial Inclusion (NSFI) and the Financial Inclusion Index of RBI, the study analyses recent progress in access, usage, and quality dimensions of financial services. The Kerala model, especially through Kudumbashree and Self-Help Groups (SHGs), demonstrates how community-based interventions can enhance financial literacy, micro-enterprise development, and credit empowerment among women. However, structural barriers such as digital divide, socio-cultural constraints, and inadequate financial awareness continue to impede inclusive growth.**

***Index Terms*—Financial Inclusion, Women Empowerment, Financial Literacy, Inclusive Growth**

I. INTRODUCTION

Financial Inclusion being a key ingredient of Inclusive Growth Development Strategy can play a pivotal role in steering economies on a sustainable growth trajectory by equipping people to utilize a wider basket of economic opportunities (Corrado et al.,2017). Human Development and Financial Inclusion are closely related to each other (Sarma et al., 2011). Financial Inclusion is "the process of ensuring access to financial services, timely and adequate credit for vulnerable groups such as weaker sections and low-income groups at an affordable cost" (Rangarajan, 2008). Formal Financial sector has to play a proactive role in Financial Inclusion. According to the Vulnerable Group Theory of Financial Inclusion, it is the vulnerable groups of society such as poor, women, elderly who are mostly affected by financial crises and economic downturn, so financial inclusion strategies should exclusively target these groups to bring them in to the ambit of formal financial sector (Ozili,2020).

In India Financial Inclusion measures started as early as 1956 with the Nationalisation of Life Insurance Companies. Banks were nationalized in 1969 and 1980 to expand formal financial system and curb informal financial sector. Financial Inclusion on a Mission mode, that is, the National Mission on Financial Inclusion resulted in the setting up of Pradhan Manthri Jan Dan Yojana (PMJDY) in 2014.Recognizing the crucial role of Financial Inclusion for stable and equitable growth, National Strategy for Financial Inclusion (NSFI 2019-24) has been formulated in India. Figure 1 provides a conceptual framework of the vision of National Strategy for Financial Inclusion.

Figure 1: National Strategy for Financial Inclusion

Source: NSFI, RBI

From figure 1, it is evident that a multipronged approach is envisaged in the National Strategy for Financial Inclusion for making a Basic Bouquet of Financial Services universally available, accessible and affordable to all citizens in a safe and transparent manner for promoting inclusive, resilient and equitable growth. Financial Literacy and Education, Customer Protection and Grievance Redressal, Access to Livelihood and Skill Development are encompassed in the vision of NSFI.

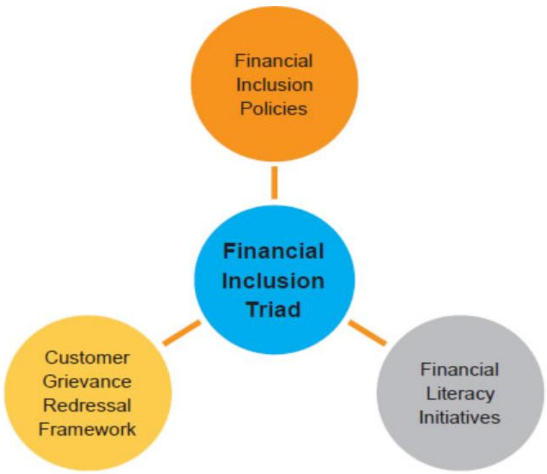

Figure 2: Pillars of Financial Inclusion

Source: NSFI, RBI

From figure 2, it can be seen that the three pillars of Financial Inclusion include financial inclusion policies, financial literacy and a framework for customer grievance redressal. In an era where Financial Globalization is the mantra, Financial Literacy is the key for making Informed Financial Decisions and Choices. Financial education is the key to Financial Literacy. Individuals are considered financially literate if they are competent and can demonstrate they have used knowledge they have learned. Literacy is obtained through practical experience and active integration of knowledge. As people become more literate, they become increasingly more financially sophisticated and this makes an individual more competent" (Moore 2003).

II. FINANCIAL INCLUSION AND WOMEN EMPOWERMENT

"Empowerment is the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Women's empowerment is about expanding their ability to make strategic life choices, particularly in contexts where this ability has been limited"(World Bank ,2016). Economic Empowerment is the key to Women Empowerment. Economic Empowerment can increase women's decision making power and financial well-being. Women Empowerment is the path to Sustainable Development and a crucial pillar for achieving Millennium Development Goals. Financial Inclusion has significant influence on social and economic empowerment of women (Bhatia, et al., 2019) Financial Empowerment is impossible without Financial Inclusion of Women, Weaker, Deprived and Marginalized sections of society. For reducing Gender Disparity and for achieving Economic Empowerment of Women Financial inclusion is indispensable. Financial Literacy is the catalyst in the process. Financial Literacy enables Inclusion whereby people use financial services responsibly. Financial Inclusion and Financial Literacy complements each other. It is a two-way process; Inclusion promotes Literacy and Access leads to learning and empowerment.

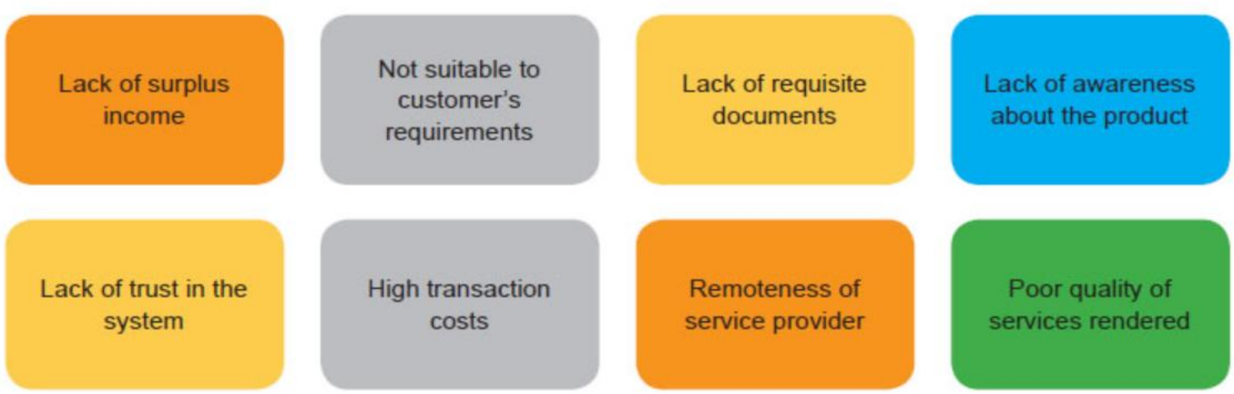

Figure 3: Causes of Financial Exclusion

Source: NSFI, RBI

From figure 3, a multitude of factors contributing to Financial Exclusion are identified which push women in to a vicious circle of exclusion and deprivation. They are low income, financial products not suitable for customer's requirements, lack of awareness, requisite documents and trust in the system, high transaction costs, remoteness of service provider and poor quality of services provided.

III.FINANCIAL INCLUSION CURRENT STATUS IN INDIA

The concept of Financial Inclusion is not new in India. The financial inclusion initiatives include the Nationalization of Banks, Expansion of Banks branch network, Establishment & Expansion of Cooperative and RRBs, Introduction of Priority Sector lending, Lead Bank Scheme, Formation of SHGs and State specific approach for Govt. sponsored schemes to be evolved by SLBC etc.

It was in the year 2005 RBI mooted the concept of financial inclusion. In 2006, Branchless Banking through Banking Agents called Bank Mitr (Business Correspondent) was started. In the year 2011, the Government of India gave a serious push to the programme by undertaking the "Swabhimaan" campaign to cover over 74,000 villages, with population more than 2,000 (as per 2001 census), with banking facilities (Ministry of Finance, GOI, 2014).

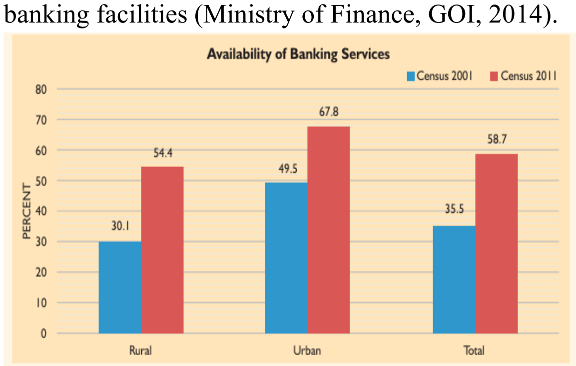

Fig 4: Availability of Banking Services in India

Source: Ministry of Finance, GOI

The progress of availability of Banking Services in India is provided in fig 4. In rural areas the availability of banking services increased from 30.1 in 2001 to 54.4 in 2011.In urban areas it increased from 49.5 in 2001 to 67.8 in 2011. For India the availability of banking services increased from 35.5 in 2001 to 58.7 in 2011.The above figure indicates that there is progress in Financial Inclusion in India and both in urban and rural areas.

IV. FINANCIAL INCLUSION INDEX BY RBI

The RBI created the Financial Inclusion Index as a composite metric in coordination with sector regulators and the government. It monitors financial inclusion in the areas of pensions, insurance, banking, investments and postal services. It represents cumulative progress over time and has no set base year. If the value of the index is 0, it indicates complete exclusion and a value of 100 indicates full financial inclusion.

Three sub-indices with distinct weights make up the index. They are a) Access to Financial Services has 35% weight (infrastructure availability like bank branches, BCs, etc.). b) Usage of financial services, that is, active utilization of financial services has 45% weight. c) Quality which includes (financial literacy, consumer protection, and equity) has 20% weight.

Table 1: Financial Inclusion Index for India

Financial Year	FI-Index Value (out of 100)	Highlights
2021 (Baseline year)	53.9	Reflects moderate inclusion levels
2022	56.4	Growth in banking access and usage
2023	60.1	Rise driven by mobile banking, UPI, PMJDY
2024	64.2	Continued digital adoption, rural outreach
2025	67.0	Strong improvement in Usage and Quality components of inclusion

Source: RBI ,2025

From table 1, it can be seen that there is a significant improvement in Financial Inclusion Index value for India from 53.9 in 2021 to 67.0 in 2025 which indicates that there is growth in banking access and usage, rural outreach and overall improvement in quality components of inclusion.

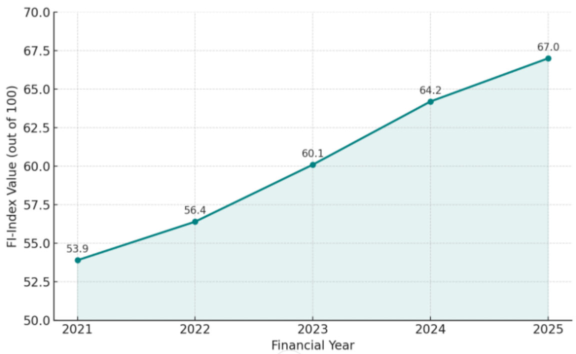

Figure 5: Graphical representation of Improvement in Financial Inclusion Index

Source: RBI,2025

Table 2: Component-wise FI-Index Values for India (2021–2024)

Year	Access	Usage	Quality	Overall, FI-Index
2021	59.0	47.0	55.0	53.9
2022	61.2	49.8	57.1	56.4
2023	63.7	54.1	60.5	60.1
2024	66.4	59.3	64.1	64.2

Source: RBI,2025

As is evident from Table 2, there is an improvement in the sub components of Financial Inclusion Index from 2021 to 2024, the index value for financial access increased from 59 in 2021 to 66.4 in 2024. The usage of financial services increased from 47.0 in 2021 to 59.3 in 2024 and the index value for quality of financial services increased from 55.0 in 2021 to 64.1 in 2024.

V. WOMEN EMPOWERMENT AND FINANCIAL INCLUSION INITIATIVES

The Government of India and Reserve Bank of India take concerted effort in ensuring access to financial services to deprived and marginalised sections of society especially women. An analysis of the progress of the various schemes and measures and their role in women financial empowerment are provided in subsequent sections.

Pradhan Mantri Jan Dhan Yojana (PMJDY)

A Flagship programme of Government of India for Financial Inclusion and to ensure access to a variety of financial services like Basic Savings and Deposit Accounts, PMJDY accelerated the process of Financial Literacy and Inclusion of women in India. PMJDY is the National Mission for Financial Inclusion. The objectives of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" also include access to need based credit, remittances facility, insurance and pension to the excluded sections i.e., weaker sections & low-income groups.

The Progress of PMJDY is provided in the table 1

Table 3: Beneficiaries of PMJDY

Bank Type	Rural/Semi-Urban Beneficiaries	Urban/Metro Beneficiaries	Female Beneficiaries	Total Beneficiaries	Deposits (₹ Crore)	RuPay Debit Cards Issued
Public Sector Banks	27.35	16.07	23.95	43.42	2,04,015.65	33.24
Regional Rural Banks	9.05	1.49	6.13	10.53	50,337.31	3.83
Private Sector Banks	0.78	1.06	1.03	1.83	7,629.20	1.49
Rural Cooperative Banks	0.19	0.00	0.10	0.19	0.01	0.00
Grand Total	37.36	18.62	31.21	55.98	2,61,982.17	38.56

Source: Ministry of Finance, GOI 2025

From table 3, it can be seen that the Total PMJDY Accounts stands at 55.98 crore as on 23/7/2025 out of which Total Deposits are ₹2.62 lakh crore. The total number of Female Account Holders are 31.21 crore. The most remarkable aspect is that majority of

accounts are held in Public Sector Banks (43.42 crore) and it is noteworthy than out of the total beneficiaries of the scheme, more than 50% of beneficiaries are women in all banks.
Other Programmes such National Strategy for Financial Education & RBI's Digital Sakhi Programme, Pradhan Mantri Mudra Yojana (PMMY) via MUDRA Bank Stand Up India Scheme reinforce the Financial Inclusion Initiatives for women.

The Financial inclusion linked schemes such as Atal Pension Yojana (APY) Pradhan Mantri Suraksha Bima Yojana (PMSBY) Pradhan Mantri Vaya Vandana Yojana (PMVVY) PM SVANidhi also promote Financial Inclusion and Financial Empowerment of women.

Table 4: Financial Inclusion and Women - Global Comparison

Indicator	India	Global / LMIC Comparison
Adult Bank Account Ownership (15+)	78% of adults	Not specified globally
Inactive Bank Accounts	16% of accounts inactive	4% in low/middle-income countries
Women with Bank Accounts	78% (parity with men)	Gender parity achieved
Women using Digital Payments	Significantly lower than men	17% gender gap in digital payments (developing)
Formal Credit Usage in Rural India	Low	Poor debt literacy affects borrowing decisions
Financial Literacy Rate	27%	Global average is 33%

Source: World Bank, 2022

From table 4, it can be seen that 78% of adults in India own Bank Account and Gender Equality is achieved in terms of ownership of Bank Accounts. Gender Disparity exists in digital payments. Formal Credit Usage is low in Rural India as poor debt literacy affects borrowing decisions.
Compared to global average financial literacy rate is low in India that is 27%.

VI. FINANCIAL EMPOWERMENT AND WOMEN IN KERALA

Kerala carries forward the Inclusion and Financial Empowerment of Women successfully by adopting active societal intervention strategies. Out of the 27 million Self – monitoring women, Kerala is part of the 6% top contributors to total borrowers. In Kerala the share of women in credit monitoring base is above the national average in semi urban and rural areas. The share of women borrowers nationally has tripled between 2019 and 2024 and Kerala ranks 6th in the number of women borrowers. There is 44% improvement in credit score and Kerala women contributed significantly to this trend. Majority of the empowered women borrowers hail from semi urban and rural areas. Women in Kerala participate through Kudumbashree and SHGs.

Table 5: Women Performance in Key Indicators

Indicator	National Data (India)	Kerala-Specific Data
Self-monitoring women (credit awareness)	27 million, ↑42% from 2023	Kerala part of the 6% top contributors to total borrowers
Share of women in credit monitoring base	19.43% (2024), up from 17.89% (2023)	Above national average in semi-urban and rural areas
Growth in non-metro credit monitoring	48%	High growth in semi-urban regions
Growth in metro credit monitoring	30%	Urban women also active in credit tracking
Share of women borrowers nationally	Tripled from 2019 to 2024	Kerala ranks 6th in number of women borrowers
Share of women in business loan origination	↑14% since 2019	Included in state-level growth data
Women's share in business borrower base	35%	Many women participate through SHGs and Kudumbashree
Credit score improvement from self-monitoring	44% improved score within 6 months	Kerala women contributed to this trend
Preferred locations of empowered women borrowers	60% from semi-urban & rural areas	Majority in Kerala from semi-urban and rural areas

Source: NITI Aayog Report ,2025

There is an increase in women's participation in economic decision making and financial inclusion, especially in rural areas. However, there exist untapped potential among younger women and dependance on traditional credit forms which necessitate the need for greater empowerment which will transform women in to leaders, entrepreneurs and innovators. This process will unlock their potential leading to inclusive and sustainable growth, which will transform goals into achievements.

VII. KUDUMBASHREE: FINANCIAL EMPOWERMENT OF WOMEN IN KERALA

Kudumbashree in Kerala and Financial empowerment of Women Kudumbashree SHGs is a main agent of Financial Inclusion in Kerala. Financial Inclusion remains the core of Kudumbashree Mission.

Category	Official Data (As of 2025)
Total Neighborhood Groups (NHGs)	Over 3.17 lakh NHGs
Total Women Members	More than 48 lakhs
Thrift Savings by NHG Members	₹8,770 crore
Internal Loans Issued	₹27,505 crore
Micro-enterprise Units	1,63,458 enterprises (production, service, trade)
Women Employed via Enterprises	3.23 lakh women (323000)
Total Micro-Enterprise Units	1,63,458
Production Sector Enterprises	69,484
Service Sector Enterprises	49,381
Trade Sector Enterprises	35,646
Food Processing Enterprises	2,685
NHGs with Bank Accounts	Nearly 100% (all NHGs linked to formal banks)
Digital Literacy Initiatives	NHG-level training for online banking & UPI
Access to Govt Schemes via Kudumbashree	Insurance (PMJJBY, PMSBY), Pensions, Subsidies
Emergency Financial Aid (e.g., COVID)	Credit support & subsidies through NHGs

Source:Kudumbashree Mission ,GoK

Kudumbashree Mission in Kerala drives Financial Empowerment and Inclusion in Kerala. Financial Literacy initiatives enable Financial Inclusion whereby responsible use of financial services are enabled. Financial Inclusion and Financial Literacy complement each other. Financial Inclusion also promotes Financial Literacy as access to Financial Services leads to learning and women empowerment. Together, they promote economic empowerment, poverty reduction, and women's independence. Among the Digital Literacy Initiatives Neighbourhood Group level training is provided for online banking and UPI. All the NHGs are linked to formal banks and Insurance, and access to Pensions and Subsidies are provided through Kudumbashree NHGs (Kudumbashree Mission, GoK, 2025). Kudumbashree Mission heralded a Micro Finance and Micro Enterprises revolution which helps in Financial Empowerment. Women as Agents of Change and Women Oriented Poverty Alleviation Schemes through SHGs reduced gender disparity in credit disbursement and helped in Financial Inclusion (Devika et. al.,2007)

VIII. CHALLENGES

Financial Inclusion and Women Empowerment are ongoing processes which face challenges such as illiteracy, livelihood insecurity, poverty, inequality, lack of collateral, unorganized and large informal sector, inadequate infrastructure, poor internet connectivity hindering access to financial services and widening digital divide , socio cultural barriers ,complex procedures and complicated financial products that do not meet the requirement of customers .There is need to infuse innovation and competition in financial system by encouraging more market players and competition.

IX. THE WAY FORWARD

Women Empowerment is incomplete without Financial Inclusion and the way forward to Financial Inclusion Process is to adopt a multi-pronged approach to provide a basic basket of customized financial products along with livelihood security. There should be Universal Access to robust and efficient digital network to enhance the process. Financial literacy and education should be decentralized and promoted at grass root level with the involvement of Panchayati Raj Institutions. For enhancing trust in formal financial system there should be a robust grievance redressal mechanism. Audit and Ombudsman should be made part of the system. Skill development, livelihood creation and digitizing government transfers also form part of the multi-dimensional approach. A coordinated effort of policy makers and stakeholders is needed to ensure that growth and women empowerment with inclusion is achieved.

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