

Women Driving Financial Inclusion in India: Economic Empowerment and the Central Bank's Developmental Role



Abstract

Financial inclusion of women has emerged as one of the most significant pillars of inclusive growth in India's development journey. While the moral and social case for gender inclusion is well established, the economic and regulatory dimensions require deeper articulation. This paper examines women's financial inclusion from a macroeconomic and central banking perspective. It analyses the evolution of policy interventions, the institutional ecosystem including Self-Help Groups (SHGs), digital public infrastructure, and women-centric financial initiatives, and situates these within the broader developmental mandate of the Reserve Bank of India (RBI). The paper argues that women's inclusion is not merely a welfare objective but a macro-prudential and systemic stability imperative. Through policy analysis and a grassroots case study from Jharkhand, the paper demonstrates how financial inclusion strengthens household resilience, deepens the deposit base, enhances credit discipline, and supports sustainable long-term growth.



Uma Shankar

Former Executive Director
Reserve Bank of India
Bengaluru
usmeena@gmail.com

Introduction

The financial inclusion of women is increasingly recognized as central to economic development and systemic stability. The National Strategy for Financial Inclusion issued under the guidance of the Reserve Bank of India (RBI) underscores that women's financial inclusion is critical for gender equality, poverty reduction, and sustainable growth. Greater financial access enhances women's control over resources, strengthens household decision-making, and improves intergenerational outcomes

in education and health.

India's financial inclusion journey has gained momentum over the past decade. As per official government data, nearly 56 percent of accounts opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY) are held by women. Further, the Self-Help Group (SHG) movement today covers over 90 lakh groups involving more than 10 crore women households, with repayment rates reported around 96 percent. These statistics signal both outreach and discipline within the women-led microfinance ecosystem.

Yet, global indices such as the World Economic Forum's Global Gender Gap Report (2024) indicate that financial exclusion among Indian women remains significant. This duality—rapid progress alongside persistent gaps—calls for a deeper evaluation of structural drivers and regulatory intent.

Conceptual Framework: Financial Inclusion as Economic Infrastructure

Financial inclusion is often interpreted narrowly as access to bank accounts. However, from a policy standpoint, inclusion comprises access, usage, quality, and impact. For women, inclusion encompasses savings accounts, credit access, insurance, pension products, digital payments, and financial literacy.

The economic rationale for women's financial inclusion rests on four interlinked pillars:

First, poverty reduction. Empirical evidence suggests that women's income and savings are more likely to be directed toward nutrition, education, and health expenditures. Access to formal credit reduces reliance on informal moneylenders charging exorbitant rates.

Second, formalization of the economy. Women disproportionately participate in informal labor markets. Financial inclusion integrates informal earnings into formal systems, improving transparency and productivity.

Third, macroeconomic multiplier effects.

Expanding women's access to finance increases aggregate savings, enhances capital formation, and supports higher GDP potential.

Fourth, social capital and credit culture. SHGs demonstrate strong peer monitoring and repayment discipline, reinforcing responsible borrowing behavior.

Thus, financial inclusion constitutes economic infrastructure—analogueous to physical infrastructure—supporting sustained growth.

The Central Bank's Developmental Mandate

The Reserve Bank of India operates with a dual role: ensuring monetary stability and promoting financial system development. Financial inclusion falls squarely within its developmental mandate.

From a central banking perspective, women's financial inclusion contributes to:

1. Financial Stability

A diversified and granular deposit base enhances systemic liquidity and reduces concentration risk. Women-led savings accounts contribute to stable retail deposits, which are less volatile than bulk institutional deposits.

2. Credit Risk Mitigation

SHG-bank linkage programs have consistently demonstrated high repayment rates. For regulators, this supports priority sector lending objectives while mitigating non-performing asset (NPA) risks.

3. Payment System Deepening

The digital payments ecosystem, particularly the Unified Payments Interface (UPI), has transformed access and transaction efficiency. Increased participation of women in digital payments reduces cash dependency and improves traceability, supporting anti-money laundering and financial integrity objectives.

4. Inclusive Growth as a Stability Anchor

Exclusion generates systemic fragility.

Informal borrowing, income volatility, and lack of insurance amplify vulnerability. Inclusion, by contrast, strengthens resilience at the base of the economic pyramid, which ultimately reinforces macroeconomic stability.

Therefore, women's inclusion aligns not only with social justice but also with macro-prudential regulation.

Institutional Ecosystem: SHGs and Women-Centric Initiatives

The SHG movement in India has been one of the most successful grassroots financial inclusion models globally. Bank-linked SHGs enable collective savings and access to formal credit without traditional collateral requirements.

The repayment rate of approximately 96 percent demonstrates strong internal governance and peer accountability. SHGs have evolved beyond credit mechanisms to become platforms for entrepreneurship, skill development, and social empowerment.

Early institutional efforts laid the foundation for this ecosystem. The Self Employed Women's Association (SEWA), founded in 1972 by Ela Bhatt, pioneered collective organization of women workers in the informal sector. Similarly, the Mann Deshi Foundation and the Mann Deshi Mahila Bank in Maharashtra created financial access models tailored for rural women, integrating financial literacy with enterprise development.

These institutions demonstrated that women are bankable, entrepreneurial, and disciplined borrowers—countering traditional risk perceptions within formal banking.

Digital Public Infrastructure and Gender Inclusion

India's digital public infrastructure—comprising Aadhaar, Jan Dhan accounts, and mobile connectivity—has accelerated women's financial inclusion.

Direct Benefit Transfers (DBT) into women's

bank accounts enhance autonomy and transparency. Digital payment platforms such as UPI reduce transaction costs and enable micro-entrepreneurs to operate efficiently.

However, access does not automatically translate into usage. Gender gaps persist in smartphone ownership, digital literacy, and mobility constraints. Therefore, central bank policy increasingly emphasizes financial literacy campaigns, simplified KYC norms, and customer protection frameworks. Leveraging fintech space to strengthen outreach through virtual modes, on-boarding customers via a digital and consent-based architecture too have played a significant role in the marked improvement in the financial inclusion index.

Digital inclusion must be accompanied by safeguards addressing cybersecurity, fraud awareness, and grievance redressal mechanisms. Financial literacy, the second pillar of financial inclusion needs to take centre stage.

Case Study: Rural Development of Child Education and Women Empowerment Trust (RDCWE), Jharkhand

Lamjhari, a tribal village in West Singhbhum district of Jharkhand, illustrates the transformative potential of women-led empowerment initiatives.

The Rural Development of Child Education and Women Empowerment Trust (RDCWE) established Children's Park Public School in 2016 to address educational deficits in the region. As of the academic year 2024–25, the school enrolled 327 students, with approximately one-third being girls. Attendance rates in higher classes approach 90 percent. Nutritious breakfast is provided to all students, addressing malnutrition challenges.

Women from local communities are engaged as cooks, helpers, and facilitators, ensuring that empowerment is community-embedded. The founder, Basmati Gagrai, transitioned from being a Self-Help Group member facing economic hardship to becoming an educator and community leader.

This case underscores the interlinkages between

financial inclusion, income stability, education, and long-term human capital formation. From a regulatory standpoint, such bottom-up empowerment contributes to sustainable economic development.

Policy Challenges and Future Directions

Despite progress, several challenges remain:

1. From Access to Active Usage

Dormant accounts not only dilute inclusion metrics but combined with poor financial literacy and lack of awareness of the misuse of banking accounts and channels contribute significantly to their fraudulent use. Policy must incentivize active transactions, micro-savings products, and credit linkages. That said, it is a no-brainer that usage and active transactions are a product of disposable income. Hence, creating an eco system for sustainable livelihood and incomes needs to precede access to financial services.

2. Credit Beyond Microfinance

Women entrepreneurs often face a “missing middle” financing gap between microcredit and formal SME loans. Alternative credit scoring using transaction data may bridge this gap.

3. Insurance and Pension Penetration

Risk mitigation through micro-insurance and pension schemes remains underdeveloped among women. Expanding these products enhances long-term security.

4. Climate and Rural Finance

Women are central stakeholders in agriculture and climate resilience. Green microfinance initiatives and climate-adaptive lending frameworks can align environmental sustainability with gender inclusion.

5. Data-Driven Regulation

Gender-disaggregated financial data enables evidence-based policymaking. Regulators must strengthen reporting standards and analytics for

targeted interventions.

Conclusion

Women driving financial inclusion represents a structural transformation in India’s economic landscape. What began as localized empowerment movements has evolved into a technology-enabled national strategy supported by regulatory vision.

For the Reserve Bank of India, inclusion strengthens deposit mobilization, enhances credit culture, deepens payment systems, and anchors long-term financial stability. Financial inclusion of women is therefore not peripheral to central banking—it is integral to it.

As India advances toward a digitally integrated and sustainable economy, women’s financial participation will remain a decisive determinant of resilience, equity, and growth. The convergence of policy intent, institutional innovation, and community leadership provides a blueprint for inclusive development that balances stability with empowerment. **MA**

References

1. *Government of India. Pradhan Mantri Jan Dhan Yojana (PMJDY) Dashboard. Latest available statistics.*
2. *Reserve Bank of India. National Strategy for Financial Inclusion (NSFI). RBI Publications.*
3. *World Economic Forum. Global Gender Gap Report 2024.*
4. *NABARD. SHG-Bank Linkage Programme Reports.*
5. *Self Employed Women’s Association (SEWA). Institutional Publications.*
6. *Mann Deshi Foundation. Institutional Reports and Public Disclosures.*
7. *Rural Development of Child Education and Women Empowerment Trust (RDCWE). Annual Report (Extracts cited with permission).*