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Women's Economic Empowerment Through Financial Inclusion: A Pathway to Poverty Alleviation

Mr. Devaraju N[1], Varshitha A[2]

[1] Assistant Professor & Research Scholar, Dept. of MBA & Research Centre, East West Institute of Technology, Bangalore

[2] Dept. of MBA & Research Centre, East West Institute of Technology, Bangalore - 560091.

talk2devraju@gmail.com varshitha.ani2001@gmail.com

Abstract

The raise in financial inclusion programs can aid in lessening poverty among urban poor women in Bangalore, India. Financial inclusion means providing key financial services—such as banking, credit, and insurance to underserved communities. These services can empower women, boost economic growth, and reduce poverty, especially when tailored to meet women's specific needs. However, challenges like low awareness, cultural barriers, and economic inequality prevent women from fully benefiting from these programs. The research suggests actions to address these issues, including awareness campaigns, financial literacy programs, custom financial products, and increased access to small loans for women entrepreneurs. Financial inclusion can reduce poverty by giving women access to financial services, helping them achieve greater economic stability. The research acknowledges the need for fair and inclusive financial programs, calling for more financial education, support for women-led businesses, and shifts in cultural attitudes toward financial independence for women.

KEY WORDS: Financial Inclusion, Poverty Alleviation, Empowerment of Women.

1. INTRODUCTION

Financial inclusion initiatives are concentrated efforts led by governments, financial institutions, and international organizations to broaden financial service access for underserved and marginalized groups. These initiatives focus on reducing financial access disparities, promoting economic stability, and supporting overall growth. By offering banking, credit, insurance, loans, and other financial services, financial inclusion initiatives aim to empower communities, encourage entrepreneurship, and alleviate poverty. Through innovative strategies, policy adjustments, and technology-based solutions, these initiatives work to build an inclusive financial ecosystem, enabling individuals, especially in rural and low-income areas, to engage more fully in the formal economy.

Major Financial inclusion programmes provided by Government of India

- Pradhan Mantri Mudra Yojana (PMMY)
- Pradhan Mantri Suraksha Bima Yojana (PMSBY)
- Sukanya Samriddhi Yojana
- Jeevan Suraksha Bandhan Yojana
- Pradhan Mantri Jan Dhan Yojana

1.1 Key Components of Financial Inclusion and Its Effectiveness

Financial inclusion ensures that communities and individuals have the resources to actively participate in the economy by providing access to financial tools for saving, covering expenses, starting businesses, and managing emergencies. Increased access to financial services drives economic growth, job creation, and poverty reduction. Key aspects of financial inclusion programs include promoting digital financial services, e-banking, and expanding access to traditional financial institutions, especially for underserved groups like low-income individuals, rural populations, women, and youth.

1.2 Impact of Poverty on Vulnerable Groups and Women

Poverty impacts women and vulnerable groups in numerous ways. Low-income families often struggle to afford education for women and marginalized individuals, limiting their ability to gain essential skills and knowledge for a better future. This lack of education reduces their chances of success. Financial challenges also hinder access to proper healthcare, putting these groups at higher risk for illnesses and malnutrition. Employment opportunities are scarce due to discrimination and limited resources, especially for women from minority backgrounds, who face additional layers of discrimination. Living in poverty can lead to chronic stress, anxiety, and depression, as individuals fight to make ends meet while feeling excluded from society.

1.3 Factors influencing Poverty

1. Economic Growth: Expands job opportunities, increases household incomes, and allows investment in essentials like education and healthcare, breaking the poverty cycle.
2. Education: Provides skills for better-paying jobs and upward mobility, fostering informed decision-making and long-term improvements in quality of life.
3. Healthcare: Affordable healthcare improves health, reduces costs, and increases productivity, supporting economic growth and poverty reduction.
4. Social Protection Programs: Welfare initiatives like cash transfers and food aid offer immediate support, safeguarding vulnerable populations during crises.
5. Infrastructure Development: Improved infrastructure enhances access to jobs, markets, and services, fostering productivity and economic growth in underserved areas.
6. Gender Equality: Equal access to resources empowers women to contribute economically and socially, leading to better health, education, and well-being for communities.

1.4 Role of Financial Inclusion on Poverty Alleviation

1. Financial inclusion is vital for reducing poverty by providing marginalized and low-income communities access to essential financial tools like savings accounts, loans, and insurance.
2. Access to these services helps individuals manage daily needs, handle economic challenges, and plan for the future.
3. Microfinance is especially impactful, empowering women entrepreneurs and improving their economic position.
4. Financial inclusion promotes entrepreneurship, enabling business creation and growth, which drives job creation and economic progress.
5. It also enhances financial literacy, teaching budgeting and saving skills that encourage healthy financial habits.

1.5 Challenges faced by urban poor women in utilizing and driving gains from financial inclusion programmes

Urban poor Women have numerous challenges while it comes to using and benefiting from financial inclusion programs:

1. Accessibility Challenges: Many people, especially those residing in rural and distant regions, encounter difficulties in accessing formal financial services like banks, ATMs, and insurance providers. This is often due to inadequate physical infrastructure and insufficient banking networks.
2. Financial Literacy: A considerable portion of the population, particularly in low-income and marginalized communities, lacks fundamental financial literacy skills, which limits their ability to comprehend financial products, make informed choices.
3. Affordability Issues: Financial services are rendered unusable by high fees, minimum balance requirements, and interest rates. additionally, products inaccessible to individuals with low incomes. The cost barrier prevents many from availing essential banking services and credit opportunities.
4. Documentation Hurdles: Stringent Know Your Customer (KYC) and identification document requisites pose challenges, especially for individuals without formal identification papers. This exclusionary practice prevents them from opening bank accounts and accessing financial services.
5. Digital Disparity: Although digital banking offers avenues for financial inclusion, inequalities in internet access, digital literacy, and smartphone ownership contribute to a digital divide. Many underserved populations lack the requisite technology and skills to utilize digital financial services.
6. Gender Disparity: Women encounter distinctive barriers to financial inclusion, including limited educational opportunities, cultural norms, and legal restrictions that curtail their financial autonomy. Addressing gender inequalities is imperative for achieving comprehensive financial access.
7. Regulatory Limitations: Excessively stringent regulations, bureaucratic procedures, and compliance demands can impede the expansion of financial services to underserved populations. Streamlining regulations and establishing a supportive A strong regulatory environment is essential to promote financial inclusion.
8. Trust Deficiency: Certain individuals, particularly those in rural areas, may harbor distrust toward formal financial institutions due to prior experiences, cultural beliefs, or perceptions of exploitation. Cultivating trust and credibility in financial institutions is vital for encouraging the adoption and utilization of financial services.

1.6 Impact of FI on Empowerment of Women

Financial inclusion for women goes beyond opening bank accounts; it aims to provide women with easy access to saving, borrowing, payments, insurance, and retirement options. It encourages women to take an active role in managing household finances, challenging cultural norms that often limit their involvement. In India, deep-rooted beliefs sometimes hold women back from financial decision-making, but government and non-government programs work to empower them toward financial independence. These programs teach money management skills, helping women save, borrow responsibly, start businesses, and increase their income.

1.7 Literature Review

1.7.1 M Bhagyashree, V Chaithra, V Sandhya, P Swetha, G.V. Jayashree (Feb 2024)

This research paper examines various government initiatives and reforms aimed at expanding financial inclusion for underserved communities. It emphasizes the significance of programs such as microfinance, credit facilities for small-scale industries, and educational interventions in reducing poverty. The paper also identifies key challenges, including bureaucratic hurdles, a lack of awareness among the poor about government schemes, technological barriers, and corruption, which limit the full potential of poverty alleviation efforts.

1.7.2 Dr. Pritesh Rana, Dr. Namita Tiwari (Oct 2023)

This study investigates the critical role of financial inclusion in India's diverse socio-economic landscape, focusing on its impact on economic progress. It explores how access to financial services promotes economic stability, particularly for underserved and marginalized groups, using both theoretical frameworks and real-world data. The research also evaluates the effectiveness of government and banking policies in fostering inclusivity and assesses the current state of financial inclusion in India. Ultimately, the study underscores the importance of financial inclusion for India's future economic stability and equality, positioning it as a key element in the country's development strategy.

1.7.3 Tanu Singh, Sarveshwar Pande (Oct 2023)

Women in lower-middle-class and poor income backgrounds often dedicate significant time to household chores without receiving recognition. This study in Ludhiana, Punjab, highlights the significance of financial inclusion, showing that empowerment positively influences inclusion. Despite advancements, gender inequalities exist in accessing bank accounts, with men having larger access rates. Financial inclusion is critical for women's empowerment, contributing to societal, governmental, and economic progress, especially through initiatives like PMJDY. However, more extensive research is essential to generalize findings for the Indias diverse population and improve financial systems for sustained impact.

1.7.4 Vosuri Sandya Rani, Natarajan Sundaram (Sept 2023)

Financial inclusion, which is important for economic growth, has gained political back worldwide. However, women in India come across many challenges in this regard. The government has launched programs such as the PMJDY and SHG-Bank Linkage to expand financial access. Empowering women economically is treated as crucial for the country's inclusive development. Studies shows There is a straight link between FI and women's 31 success in entrepreneurship. Financial reach significantly influences the performance activity of businesses owned by women, emphasizing the need to provide them with equal opportunities. It is critical to implement policies that promote both financial literacy and gender parity to empower women economically. Going forward, future strategies should be directed towards expanding banking services and promoting women’s leadership roles.

1.7.5 Amar Prem Shukla and Dr. Shantanu Srivastav (Aug 2023)

This study emphasis on the positive impact of financial inclusion on society, highlights its role in promoting economic growth. Specifically, focusing on women empowerment, showcasing the capacity of financial inclusion to uplift women in rural localities. Despite government schemes like the ‘Pradhan Mantri Jan Dhan Yojna’, challenges such as low awareness and limited access of financial services persist, signalling the need for further education and outreach efforts. The study also traces the history of financial inclusion in India, from the nationalization of banks in the 1960s to recent initiatives like the PMJDY. While growth has been made, obstacles such as lack of nationalized bank branches in rural areas and financial illiteracy remain, hindering the full realization of financial inclusion's benefits. Collaborative actions involving fintech companies, has improved financial literacy, and better utilization of financial infrastructure are deemed as key determinants to drive India towards greater financial inclusion.

1.8 Research Gap

The above literature review indicates that, the majority of the researches have done on various financial inclusion programs offered by the government to alleviate poverty, few studies focused on the performance and effectiveness of government programs towards poverty alleviation. The research reveals a gap in understanding the intersection of gender and poverty within financial inclusion efforts. While acknowledging the importance of gender equality in improving financial inclusion, more detailed analysis is needed on how gender-related obstacles affect women's access to and use of financial services, especially among marginalized groups in countries like India. Moreover, there is an absence of empirical data on the specific hurdles faced by women, particularly those in urban rural sectors, and how policy interventions and targeted programs can effectively address these challenges. This learning is an effort to identify the need of financial inclusion programs to alleviation of poverty which influence on the women's living standard and their economic empowerment.

Factors influencing the financial inclusion on poverty alleviation

- Dependent variable
  - Poverty Alleviation
- Independent variables
  - Access to financial services
  - Financial literacy
  - Entrepreneur opportunities
  - Socio economic status
  - Cultural and social norms

1.9 Statement of the Problem

This study aims to fill the gap in understanding how gender and poverty intersect in the context of financial inclusion efforts, particularly in countries like India. Despite recognizing the significant importance of gender equality in enhancing financial inclusion, there is an absence of detailed analysis on how gender-specific barriers impact women's access to and use of financial services, especially among marginalized groups. This gap in empirical data impedes the development of effective policies and programs to address these challenges. Therefore, further research necessitates to explore the specific hurdles faced by women, specifically those in rural or informal sectors, and to identify effective strategies to promote more inclusive and sustainable poverty reduction efforts.

1.10 Need for the Study

The study is crucial as it delves into the essential connection b/w financial inclusion & poverty alleviation, particularly concerning women. Understanding how access to financial services impacts poverty levels among women is vital for crafting effective policies and programs aimed at gender equality and economic empowerment.

The study also aims to uncover key insights into how banking services, including microfinance tailored to women's needs, can empower them and spur economic growth. Focusing on India's diverse socioeconomic landscape, the study aims to identify specific barriers that hinder FI for women, shedding light on challenges faced by those kept out from formal banking systems due to cultural, social, or economic factors. By addressing these barriers, the study aims to promote more equitable access to monetary resources for women, ultimately leading to improved livelihoods and reduced poverty rates within this demographic.

Details		No. of Respondents	Percentage
How accessible are financial services to urban poor women in their community?	Not accessible at all	7	5.83%
	Slightly accessible	19	15.8%
	Moderately accessible	58	48.33%
	Very accessible	36	30%
	Extremely accessible	0	0
To what extent does improve financial literacy contribute to poverty reduction?	No contribution	1	0.83%
	Minimal contribution	22	18.3%
	Moderate contribution	45	37.5%
	Significant contribution	44	36.7%
	Major contribution	8	6.67%
Do financial inclusion initiatives contribute to the success of women entrepreneurs?	No impact	3	2.5%
	Minimal impact	16	13.33%
	Neutral impact	61	50.83%
	Impactful	34	28.33%
	Very Impactful	6	5%
Have you noticed any changes in your socio-economic status after benefiting from financial inclusion initiatives?	Significant decline	8	6.67%
	Sight decline	24	20%
	No change	30	25%
	Sight improvement	54	45%
	Significant improvement	4	3.33%
How do cultural or societal norms influence your financial decision-making?	Strongly Negative Influence	3	2.5%
	Negative Influence	20	16.67%
	Neutral	53	44.2%
	Positive Influence	38	31.67%
	Strongly Positive Influence	6	5%

1.11 OBJECTIVES OF THE STUDY

1. To understand the part of financial inclusion in poverty alleviation.
2. To identify the factors influencing poverty.
3. To examine the challenges faced by urban poor women's in utilizing and driving gains from financial inclusion programmes.
4. To suggest the measures to reach financial inclusion initiatives programs to women

1.12 SCOPE OF THE STUDY

The scope of this study focuses on examining the influence of financial inclusion initiatives on poverty improvement among urban poor women in Bangalore, India. It aims to understand how access to financial services, such as bank accounts, credit, savings, and insurance, influences economic empowerment and poverty reduction for this demographic. The research will explore the specific challenges urban poor women face in accessing and utilizing these financial services and identify obstacles that prevent them from maximizing the benefits of financial inclusion programs. By analysing both quantitative data (such as income levels, employment 38 opportunities, and poverty indicators) and qualitative data (personal experiences, challenges, and success stories), the study will evaluate the effectiveness of current financial inclusion programs and policies.

1.13 Research Methodology

Research Methodology: Type of research: Descriptive research

Type of sampling: Convenient sampling

Type of Data: Primary and Secondary data

Primary source- Surveys, Questionnaires.

Secondary source - Relevant literatures, Case study, Text books.

Statistical tool: Chi-square

Sample size:120 respondents

Sampling frame: Urban Poor Women's in Bengaluru

1.14 Data Analysis and Interpretation

1.15 Hypothesis Testing

Statistical tool used: CHI-SQUARE

Financial inclusion can contribute to economic growth and poverty alleviation:

Particulars	No of respondents	Percentage
Not at all	3	2.5%
Somewhat	20	16.7%
Neutral	26	21.7%
Considerably	57	47.5%
Significantly	14	11.6%

Hypothesis:

H0 - Financial inclusion initiatives for women do not have significant association with Poverty Alleviation.

H1 – Financial inclusion initiatives for women have significant association with Poverty Alleviation.

Parameters	O	E (120/5)	(O-E)	(O-E)^2	(O-E)^2/E
Not at all	3	24	-21	441	18.38
Somewhat	20	24	-4	16	0.67
Neutral	26	24	2	4	0.17
Considerably	57	24	33	1089	45.37
Significantly	14	24	-10	100	4.17
Total (responses)	**120**				**68.76**

Degree of freedom: n-1= 5-1=4

Level of Significance = 0.05

Table value at 5% Level of Significance and 4 DF = 9.488

Calculated value = 68.76

Interpretation
Here the calculated value is greater than the Table value i.e. 68.76 > 9.488

Hence, Null Hypothesis (HO) is rejected, hence, it is concluded that financial inclusion initiatives for women have significant association with poverty alleviation.

1.16 FINDINGS

- The study was conducted using structured questionnaires and gathered responses from the respondents.
- The responses were collected by urban poor womens's as the study is focused on effectiveness of FI for women can reduce poverty.
- The responses are gathered digitally and manually, as it is concerned with urban poor women's
- Many respondents find financial services accessible to a moderate or high degree.
- Most believe that financial literacy plays a key role in reducing poverty and feels that financial inclusion initiatives have improved their socio-economic status.
- There is a strong belief that financial inclusion positively impacts economic growth and poverty alleviation.
- The majority of the women have been benefited and take initiative in accessing the Financial Inclusion Programs.
- The findings revealed that financial inclusion positively impacts poverty reduction by enhancing women's access to financial services, thereby improving their economic stability.

1.17 Suggestions

- It can be beneficial for the government to consider launching targeted information campaigns to raise awareness about financial initiatives, particularly focusing on women.

- Designing financial services and products that address the specific challenges faced by urban poor women in accessing finance could be highly advantageous.
- Developing and implementing policies aimed at improving the socio-economic status of marginalized communities would support sustainable development and poverty alleviation efforts.
- Focusing on sustainable development through targeted policy measures could help in addressing long-term socio-economic challenges.
- Conducting research to understand cultural and societal norms that may negatively impact financial decision-making can provide valuable insights.
- Implementing mobile banking solutions to reach remote and underserved populations could improve access to financial services in those areas.
- Regularly monitoring and evaluating the impact of financial inclusion initiatives would ensure their effectiveness and help in making necessary adjustments.

1.18 Conclusion

Financial inclusion initiatives play a vital role in reducing poverty and improving socio-economic conditions, particularly for women. Critical factors driving these initiatives include access to affordable financial services, financial literacy, entrepreneurship support, socio-economic status, and cultural influences. Making financial services both accessible and affordable is crucial for marginalized communities, who often face barriers to entry. Meanwhile, enhancing financial literacy empowers individuals to manage their finances more effectively, helping them overcome economic challenges and improve their overall quality of life.

Another key aspect of financial inclusion is supporting women entrepreneurs. By offering access to capital, mentorship, and business opportunities, these programs encourage economic independence for women and enable them to contribute actively to community development. This support helps women establish and expand businesses, which fosters job creation and stimulates local economies, benefitting the wider community and reducing poverty.

Addressing socio-economic disparities through targeted policies is essential to removing structural obstacles that perpetuate poverty. Policies that promote equitable access to opportunities can improve the socio-economic status of marginalized groups, supporting inclusive growth. Additionally, tackling cultural norms through community engagement and educational efforts can help shift perceptions around gender roles and financial decision-making. This comprehensive approach maximizes the impact of financial inclusion initiatives, creating a more equitable financial landscape and driving sustainable socio-economic progress.

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