INDICUS FOUNDATION

INDICUS CENTRE FOR FINANCIAL INCLUSION

POLICY BRIEF June 2016

Closing the Gender Gap in Financial Inclusion

There is sufficient evidence globally to show that when women participate as equal stakeholders in the financial system, there are significant benefits to economic growth and societal well-being. Yet, gender parity is a challenge that confronts all economies, with the divide being more significant in developing countries. Financial inclusion is the key to opening opportunities for women to participate in the economy as greater control over personal finances leads to greater empowerment. However, there are social and systemic barriers restrict the use of financial services. These include low literacy levels, social and cultural sanctions that limit the free movement of women outside the home/neighbourhood and lower technology adoption levels for digital channels. This policy brief examines the progress made so far in gender parity in financial inclusion in India, sets out the challenges and finally, a suggested road map ahead.

Key asks

- India's financial inclusion mission needs a sharper gender focus. The PMJDY and RBI should build in explicit policy objectives and quantitative targets that can lead to transparent and inclusive policies for women.
- The Reserve Bank of India should lead to bring together gender-based data in financial inclusion – this includes data on the agent network as well as usage of accounts and financial services. An annual national survey of progress in financial inclusion should be conducted by the National Sample Survey Office, this will help bring out specific challenges in gender parity at a very granular level.
- Financial service regulators should work to support greater financial inclusion for women. The Pradhan Mantri Mudra Yojana, offering collateral free loans has had good response from women, who lack the typical collateral that banks need to extend credit.
- All financial service providers must sensitise their work force and their processes to the needs of women. This includes training branch staff and agents, tapping existing networks of women e.g. Self Help Group members as agents, encouraging door-step service delivery, along with awareness of digital channels, conducting market research to ensure suitable products and service delivery.

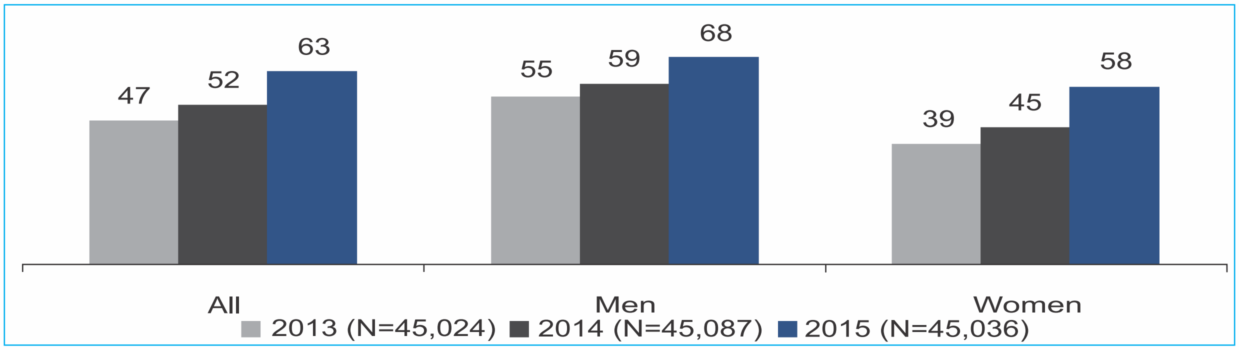
Status of Gender Gap in Financial Inclusion

Over the past two years, India has made some significant progress towards universal financial inclusion. The Pradhan Mantri Jan Dhan Yojana, launched in August 2014, reached its target of covering 100% households within six months. While the foundation for financial inclusion has become much stronger than it was in the past (Business Standard, May 3, 2016), it is focused on household coverage. As yet, there is no data at the individual level, particularly in respect of bridging the gender divide. Latest survey data is used here to evaluate the impact of PMJDY on inclusion of women. Results from the India Financial Inclusion Insights Survey (Intermedia, March 2016) conducted over the period June-October 2015 showed that 65 percent of Indian adults are now financially included (i.e. have accounts at financial institutions offering at least one of the following services: savings, insurance, investments or money transfers). What is most significant is the progress made on reducing the gender divide.

Ownership of accounts: Intermedia results show 61 percent women as financially included in 2015 compared to 48 percent in 2014. Compared to the 13 percentage point rise for women, the share of financially included men rose from 60 percent to 69 percent over the year. MicroSave's assessment of PMJDY (March 2016) notes that for every three PMJDY customers who opened a bank account for the first time, one was a female customer.

When it comes to registered bank accounts, at 58 percent in 2015 compared to 45 percent in 2014, women see a 13 percentage point rise in ownership. While the gender divide has narrowed from 14 points to 10 points, there is still a long way to go.

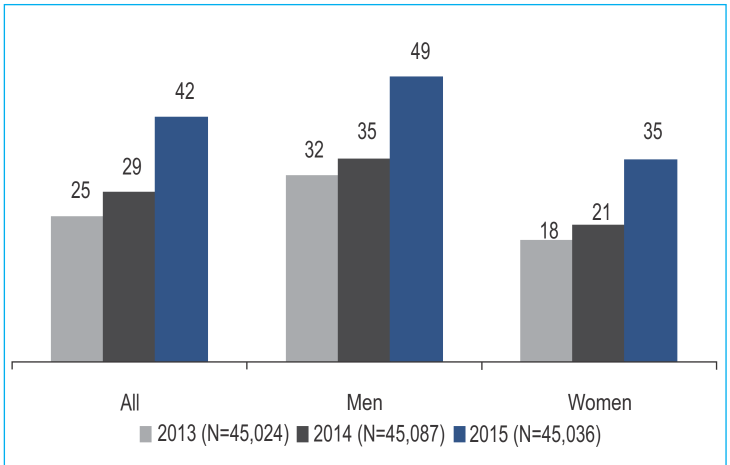
Figure - 1: Share of Adults with Registered Bank Account



Source: InterMedia India FII Tracker surveys Wave 1 (N=45,024, 15+), October 2013-January 2014; Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015.

Usage of accounts: The challenges ahead come out starker with data on usage of accounts. While men and women show more active usage of bank accounts over the year, the proportion of women actively using bank accounts is still 35%, compared to 49% of men.

Figure - 2: Share of adults registering active bank use (past 90 days)



Source: InterMedia India FII Tracker surveys Wave 1 (N=45,024, 15+), October 2013-January 2014; Wave 2 (N=45,087, 15+), September-December 2014; Wave 3 (N=45,036, 15+), June-October 2015.

Unmet financial needs: Women stand at a disadvantage in the traditional Indian society and this shows in the results of the survey in financial behaviour – just 9% of women are insured, compared to 18% of men. While savings rate is similar to men at 87%, typically even bank account holders save more cash at home, and not in the bank. As regards credit, 55% of women have borrowings, compared to 61% of men. Even though just 22% of all women are gainfully employed, compared to 76% of men, as housewives they are the ones responsible for household budgets. The survey noted that 27% of women regularly experience economic vulnerability (inability to afford food, medical expenses etc.) compared to 26% of men, yet just 15% of women have a financial plan to counter unexpected events, compared to 18% of men.

Supply-side Barriers

The Intermedia survey results show that 91% of adult Indian women are ready for inclusion – that is, they have basic literacy and numeracy skills, and have identification documents with them. While this is reassuring, as noted earlier, only 58% have a bank account, and just 35% use the account actively. The challenges faced by women in accessing financial services are well known in our country – high commitments to family duties, constrained mobility outside the home/neighbourhood, restrictions on interacting with males, low levels of education, lack of decision making powers within the house etc. In fact, the lack of sensitivity to the needs of women pervade our social and economic life.

The first step to correcting the problem is to put in place a process that will bring in gender-disaggregated data. In the absence of a clear picture of the issues, financial service providers do not have a understanding of the market, especially of low income women customers. Given India's high heterogeneity, it is crucial that the data is granular, and financial service providers match their approach to the needs of specific regions. One of the greatest challenges in increasing access to and usage of financial services is the time and cost expended on reaching a service point.

The challenge is of course compounded for women, especially in states like Uttar Pradesh, Bihar, Rajasthan etc., and a woman agent, who visits the home or within the village, would make a significant difference in raising the comfort level, and therefore usage of bank accounts.

Unfortunately, the RBI data and the detailed PMJDY database do not provide any information on the gender of agents. However, as noted in an April 2016 blog post by MicroSave, a 2012 CGAP report had estimated the share of women at only 15% of DFS agents; this share declined to 13% by 2013, and to 9% by 2015, according to the Agent Network Accelerator Survey: India Country Report 2015.Once the government databases begin to register the participation of women in the agent network, there will be instant visibility to the low levels, allowing banks to be more sensitised to the specific geographies where the challenges are graver.

Gender analysis conducted by MicroSave (Where are Women Agents in Indian DFS, April 2016) brought out the following issues that inhibit women from becoming agents.

- A female's decision to become a banking agent is largely dependent on approval of her family, particularly her husband.
- The social acceptance of a female working as a banking agent is a key factor in determining her success in the agency business
- Familial responsibilities and societal norms limit the operational capabilities of women agents
- Women agents have lower levels of engagement with banks compared to their male counterparts

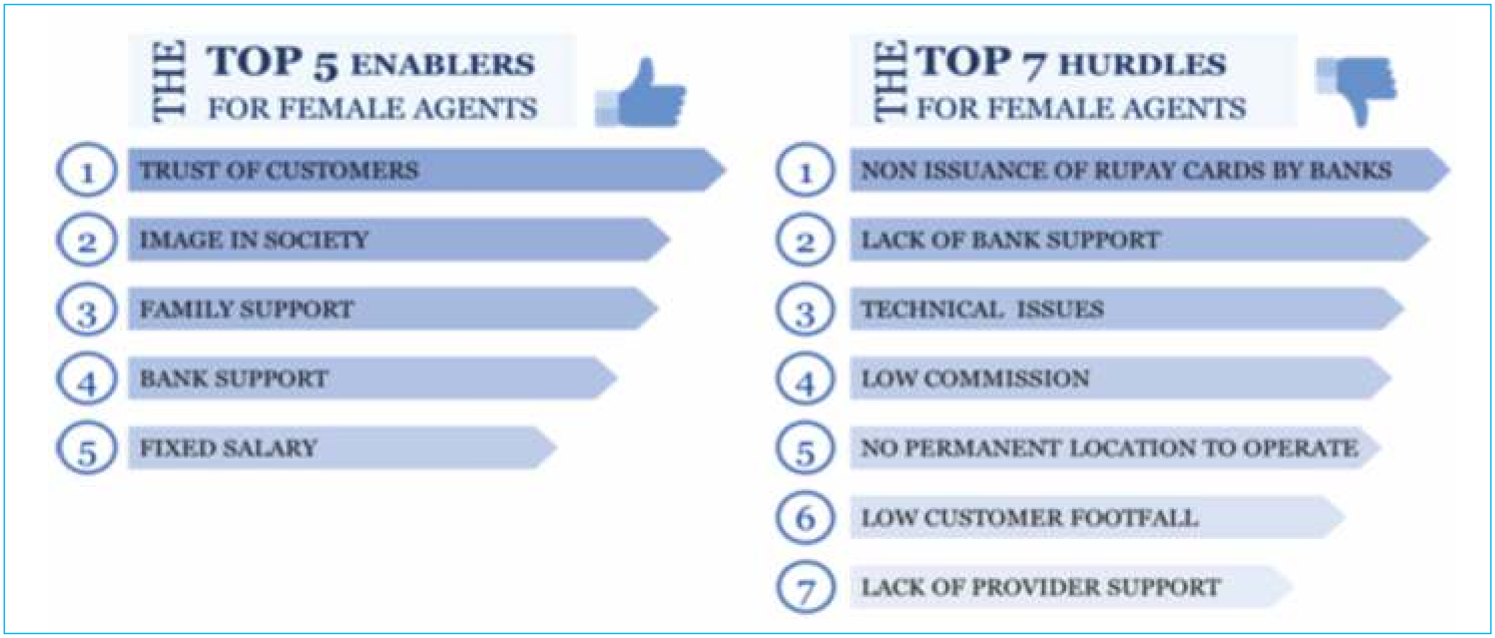
While these issues are inextricably linked to social and cultural values, service providers can put in place measures that will encourage more women to participate as agents. This could be through flexible operational hours, targeted customer base, sensitising bank officials to deal with women agents on priority at branches etc.

Apart from attracting new recruits, there is a vast network of women who are already working in the field, who can be co-opted as business correspondent agents. For instance, a pilot project by GIZ-NABARD in Uttar Pradesh and Madhya Pradesh merged the Financial Inclusion Programme with the Self Help Group-Bank Linkage Programme and successfully trained Self Help Group members. The report on Bank Sakhis (SHG Members As Bank Agents – The Bank Sakhi Model, GIZ-NABARD, November 2015) notes that with regular training, handholding and monitoring of Bank Sakhis, upgradation of technology to allow group transactions, regular financial awareness initiatives in the community, and choice of demand driven products offered to the customers brought good results.

Can Digital Financial Inclusion Bring the Change?

With the increasing emphasis on the potential of the mobile phone as an instrument to access banking and financial services, it must be noted that women are at a significant disadvantage here – the Intermedia survey reveals that less than half own a mobile phone, just 29% have sent/received messages. The fact that 87% have access

Figure - 3: Increasing Share of Women Agents (MicroSave, April 2016)



to a mobile phone may seem encouraging at first glance, however given the social pressures on women, especially in rural north India, it is not clear whether access to a mobile phone will immediately and automatically translate into control over their finances. While there are reports of some villages imposing restrictions on women owning mobile phones (See Reuters Report, February 26, 2016), the ground reality is that many rural households own a single device and control is usually in the hands of men. While there are strong social pressures, policy makers should keep in mind the fact that digital financial services are the best solution that can offer women greater privacy, confidentiality, and control over their finances. Here, agent support can be crucial to motivate women to use financial services despite the restrictive social norms.

Clearly, digital literacy is key here and banks should work towards enhancing women's conversancy with phone based transactions. Other measures like using voice-based services and women agents from the local community would also be solutions. The country will be looking to the new incoming payments banks for innovations here that will address the gender gap effectively.

The Road Ahead

Bridging the gender divide in financial inclusion calls for a multi-dimensional response as it rests on many pillars. There are several policy measures that can be taken up to ensure greater women's financial inclusion

First, a greater focus on the value proposition of women's financial inclusion, with explicit policy objectives and quantitative targets, can lead to transparent and inclusive policies for women (Policy Frameworks to support Women's Financial Inclusion, AFI, March 2016). For instance, Indonesia's national financial inclusion strategy points to women across target income groups, addresses the differences in access, needs and preferences for financial services, including their greater motivation to save. Gender based targets can therefore be part of the PMJDY as well as in the Financial Inclusion Plans. RBI's Report of the Committee on Medium-term Path on Financial Inclusion had recommended that banks should not focus solely on the credit-deposit ratios to measure their success – development goals like gender inclusion can also be adopted for deliberations. It is important to steer the discussions in the board rooms towards solutions to bridge the gender gap in inclusion.

Second, the AFI report highlighted the need to collecting financial data disaggregated by gender and conducting policy related research. The Reserve Bank of India is already putting in place an

Table 1 Readiness for Digital Financial Inclusion (Intermedia, March 2016)

	Share of Adult Women	Share of Adult Men
Own a bank account	58	68
Own a mobile phone	44	75
Have access to a mobile phone	87	93
Have basic numeracy	93	98
Have sent/received messages	29	46
Have ID	98	99

online registry of business correspondent agents, this should have details of gender built in. Account ownership and usage of accounts and other financial services should be measured on a regular basis. This is applicable to the PMJDY database as well. However, success stories are more likely to be found outside the regular Scheduled Commercial Bank (SCB) framework through which India has been measuring financial inclusion. Rural regional banks, women cooperative banks, Self Help Groups, local banks etc. have made significant changes in the regions that they operate in, there is no single data source to measure their progress. An annual national survey, by the National Sample Survey Office or any other credible institution, would be able to give a better picture at a granular level.

Third, financial service regulators should work to support greater financial inclusion for women. For instance, women find it difficult to raise collateral for loans as typically they have no assets in their name. Here, the Pradhan Mantri Mudra Yojana has highlighted good progress in collateral free loans –over the year 2015-16, 2.76 crore loan accounts were disbursed to women, making up 79% of the total loan accounts.

Fourth, all banks and financial service providers must sensitise their work force and their processes to the needs of women. Apart from training bank officials and agents, existing networks of women e.g. Self Help Groups, Asha and anganwadi workers can be tapped for more extensive and appropriate outreach towards women. Banks can also make a difference by examining their systems and rules to remove cumbersome paperwork targeted at women. . For instance a recent example reported was where a woman was asked for her marriage certificate when she applied for a change in address, her husband's application for the same was processed without such a requirement (The Wire, 13th July 2016). Door-step banking should be encouraged, along with awareness of digital channels. Systematic market research will help bring out the challenges faced by women and appropriate products and services can then be adopted.

Last but not the least, customer service should move from the generic to more targeted approach for women. While this may seem like asking for a social revolution, change can surely be brought through one step at a time from policy makers and financial institutions.

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