

‘The impact of financial inclusion on Women's workforce participation in India’

Amreen, Assistant Professor, Zakir Hussain Delhi College, University of Delhi

E-mail - amreen199867@gmail.com

Vinita Yadav, Student, Department of commerce, University of Delhi

E-mail - vinitaydv18@gmail.com

ABSTRACT

This research looks into ‘influence of financial inclusion on women's’ workforce participation in India. Current study works at the grassroots level, investigating the function of labor force participation in promoting sustainability and growth. It investigates whether women's labor-force involvement leads to financial inclusion, and therefore to development. It also looks into how digitalization might help promote financial liberty. This review article synthesizes expert perspectives & emphasis relevance of ‘financial inclusion in achieving’ the objective of a developed nation by 2047. The study stated that digitization, women's labor engagement, & ‘financial inclusion’ are critical in moving India to developed nation status. Digitalization promotes economic growths by increasing efficiency and transparency. Increased labor engagement, particularly between women & underprivileged areas, guarantees that benefits of economic progress were dispersed fairly, resulting in a more inclusive and sustainable development model.

Keywords: *Women workforce participation, labour market, women empowerment, financial inclusion, etc.*

INTRODUCTION

‘Financial inclusion’ is viewed as a strategy of reducing poverty in Indian countries since it allows people to accumulate physical & financial assets, establish new businesses, & improve women’s financial education. Providing these services empowers more female while also strengthening Asian economies, societies, and cultures.[1] Furthermore, women economics engagement ‘through financial inclusion’ has become a component of international labor organization's agenda for promoting decent work, which is based on sustainable development goals.[2]

Scholars have demonstrated that economic growths, ICT, & country openness, between other factors, all have an impact on female economic involvement.[3,4,5] Morsy's recent study[6] demonstrates that women's economic engagement may be influenced by having access to bank accounts. Globally inclusive financial systems has a higher percentage of the population accessing & using ‘financial service’.[7]

Financial inclusion must be increased in many areas, and there is still opportunity to expand its coverage in order to secure overall economic progress. Simultaneously, gender gap in usage of ‘financial inclusion’ must be addressed, since many women in distant and disadvantaged areas participate in formal economic activity at considerably lower rates than males.[8]

Inclusive finance development opens up new funding channels for MSMEs businesses, as well as financial services throughout their life cycle. Smooth financing channels for firms and organizations, particularly small and micro enterprises for short periods of time, as well as availability of startup capital & microcredit, are critical for ensuring individual employment & increasing employment level. This, in turn, leads to an increase in labor force participation. Over 80 countries now offer digital financial services via mobile phones and other devices,

providing more humanized financial services to those who are most likely to be excluded: the poor, rural, female, or young people, as well as macroeconomic development by supporting small and micro enterprises, assisting agriculture, and stimulating investment, among other things. [9,10]

According to a Reserve Bank of India study, the Digital India program boosted India's share of worldwide real-time payment volumes to 48.5 percent in 2023. This accounted for over half of global digital payments. The current study addresses the critical challenge of determining whether more financial inclusion would lead to increased worker participation within the current digital environment. India's economy has expanded at a healthy rate since a significant shift occurred in the early years of this century. The amount of inclusive development accomplished will have a significant impact on India's income equitable distribution and the standard of living experienced by its people in the coming years. India is making progress towards its goal of becoming an economic powerhouse over the next decade.

In early 2000s, significant findings were made in India on link b/w 'financial exclusion' & poverty, driving a movement for 'greater financial inclusion'. Many other nations experience same situation. According to several studies, losing access to 'financial system' causes a 1% reduction in GDP. For a long time, RBI has implemented a number of programs to support govt. effort. This category includes programs such as RRBs, SHG-Bank Linkage Program, & Priority Sector lending Criteria for Bank. "The Atal Pension Yojana, Pradhan Mantri Jan Dhan Yojana", "Pradhan Mantri Jeevana Jyothi Beema Yojana, Pradhan Mantri Jeevana Jyothi Suraksha Beema Yojana", "MSME Development Bank of India, & Payment Bank".

Financial inclusion is an effective strategy for addressing financial inequalities and fostering sound governance. It expands the system's financial resource base by instilling a savings culture in a large proportion of rural households, while also contributing considerably to GDP growth by bringing low-income persons into the officially regulated banking sector. It safeguards their financial assets & other assets in adverse times.

RBI's FI-Index, which measures overall 'financial inclusion', increased to 64.2 in March 2024 from 60.1 in March 2023. This metric tracks progress in all important aspects of financial inclusion, Index returns a single number ranging from 0 to 100, with 0 indicating complete 'financial exclusion' & 100 indicating full 'financial inclusion'. "Value of index for March 2024 stands at 64.2 compared to 60.1 in March 2023, with growth observed across all sub indices," RBI said on Tuesday. It stated that the FI-Index's improvement is mostly due to 'consumption component', which reflects a better level of 'financial inclusion'.

WOMEN'S WORKFORCE PARTICIPATION

Employment of women rate is a measure of how many women of working age in a nation actively participate in labor market. Either by working or searching for job, It represents proportion of women worker available to produce products & services in comparison to working-age population. Breakdown of workforce (which used to be referred to as economically active people) by gender & age group gives insight into how workforce is spread across country. The workforce participation rate for women is calculated by multiplying the number of persons who work by working-age population. The staff is a combination of persons working and unemployed.

Working age population is defined as anyone above legal working age, which is often 15 years or older, but this varies by country based on national laws & norms. Malnutrition, disability, & chronic illness can all have an impact on one's ability to work, making them important determinants of labor participation, especially in low-income areas.

Demographers also pay special attention to the link between fertility & women's labor force involvement. This link is used to anticipate evolution of reproduction rates based on women's present economic engagement patterns.

RELATIONSHIP BETWEEN FINANCIAL INCLUSION & WOMEN WORKFORCE PARTICIPATION

Link b/w 'financial inclusion' & women's workforce participation is a complicated & diverse subject that has received a lot of attention in recent year. While there is a growing corpus of scholarship on this topic, extent to which 'financial inclusion' may promote women's WFP remains a source of contention. Several researches have found a link b/w 'financial inclusion' & WFP for women, particularly in underdeveloped nations. Access to loans, saving, & insurance may help female establish enterprises, invest in education, and overcome financial barriers to labours market participation. Some researchers conducted across world have found that women's access to basic financial services may have an influence on the well-being of their families, communities, and countries.

In a research conducted in Nepal to investigate long-term impact of access to account with no 'opening, maintenance, or withdrawal fees for female heads of household', it was discovered that it increased daughters' schooling levels as well as parents' educational aspirations.[11]

It also improved their response to medical situations. In a research conducted in Bangladesh, access to micro credit was linked to improved health & nutrition results for both girls & boys.[12]

In a related study that examined the use flow of programme credit, a greater impact regarding women's actions was discovered. This was particularly true with regard of household spending. [13]

Similar benefits were observed for a commitment saving product in Philippines, which resulted in higher decision making authority in home for women's, as well as increased purchases of female-oriented durable items. [14]

LITERATURE REVIEW

Cooke[15] identifies a pattern of woman's empowerment in Asian economies by analyzing the conditions in China, Japan, India, & South Korea. The study focuses on the many qualities present in political regimes, institutional aspects, and cultural values as they manifest in jobs and well-being throughout Asian countries. In summary, the study shows that all of these variables yield the same effects in each country.

Anyawu & Augstine [16] study characteristics of gender equality in Africa & empirically investigate the elements that influence gender equality in area. The study found that democracy, domestic investment, education, and urbanization improve gender equality in African countries. However, real GDP per capita, higher FDI, and sex population ratio lower gender equality in African oil exporting country.

Fofana etal. [1] study effect of micro credits on women's livelihoods & empowerment in rural Côté d'Ivoire. Using a cross-sectional survey, study found that micro credits greatly enhanced women empowerment.

Arourii & Nguyn[17] analyze influence of micro credit on men & women's labor supply in Egypt, with goal of determining whether micro credit helps to close employment gap. Their research shows that micro credit increases women's engagement in economics activities & minimizes the gender employment gap.

Coray et al. [18] use data from 48 Sub-Saharan African nations between 1985 and 2012 to investigate the influence of trade openness on labor force participation rates. They investigate the importance of democracy, political rights, & civil freedoms in shaping the link between trade openness & labor force participation in Africa. Findings show that all of these institutional variables contribute to a favorable association between labor force participation & trade openness. Democracy & political rights play critical roles in enhancing positive effects of trade openness in SSA.

Asongu & Odhimbo [19] studied 48 African nations between 2004 and 2014, utilizing data from ILO & World Bank (WDI, FDSI & WGI). Study's findings highlight the relevance of 'financial inclusion in encouraging' & increasing female involvement in the labor market & formal economic sectors. Most notably, there is a need for ICT to help women get access to 'financial service'.

Altuzarra et al. [20] undertook a study in 28 European Union nations to look into the link between women's labor force participation & economic development from 1990 to 2016. Statistics were sourced from World Bank & Eurostat. Both static (fixed effect) & dynamic models were utilized. Findings for all European nations supported the idea of an U-shaped link between 'female labor force participation and economic progress'.

Cabeza García et al. [21] analyzed data from Global Findex 2015 database & World Bank for 91 nations, including both developed & emerging countries. The investigation revealed a favorable association between women's financial inclusion and economic progress. Specifically, the study discovered that giving women more access to bank accounts & credit cards has a favorable impact on economic development. This implies that encouraging 'financial inclusion' for women may be a powerful tool for boosting economic growth and development.

Hendriks [22] argued that 'financial inclusion' is a critical component of promoting women's economic empowerment & gender equality. Encouraging women's access & use of 'digital financial services' is a beneficial method to enhance not just their living conditions, but also their families' ability to overcome poverty.

Samant et al. [23] study the influence of micro credit on markers of women's empowerment in Uttarakhand's Haridwar district. Using a structured questionnaire to collect data from 362 participants, they discovered no link between empowerment and microcredit.

Niaz and Iqbal [24] analyze and empirically assess the influence of microfinance on women's empowerment in Pakistan, using OLS and Propensity Score Matching on data from 670 respondents. They discovered that exposure to such financial instruments had a favorable influence on women's empowerment.

Li et al. [25] show evidence that trade openness has threshold impacts on FLFPR in Asian nations. They use panel threshold regression to show that there is an ideal value for the association between trade openness & female labor participation. Study also shows 'that below threshold, an increase in trade openness improves female labor participation'.

Khan et al. [26] examine how micro finance affects female entrepreneurs in Pakistan. They confirm that micro finance increases female participation in economic activity while also ensuring financial stability.

Yusnandar et al. [27] discovered that there are significant disparities in the influence of primary factors of economic involvement between men & women's in various age cohorts in Indonesia after conducting a study in 2018. Marital status has a favorable impact on males, but education is the most important factor for women. They also found a U-shaped association between the influence of numerous factors of female and male employment participation. Education and training promote a reasonable level of living.

Folorunsho M. Ajide [28] studies how ‘financial inclusion’ affects FLFP in Africa. Study found a non-linear link between ‘financial inclusion’ & FLFP. According to study, increasing ‘financial inclusion’ to between 33 and 57% would boost women's engagement in economics activities. Findings also reveal that ICT moderate relationship b/w ‘financial inclusion & female economic participation at a threshold of 38.17%’.

Pal M, et al. [29] investigate the influence of ‘social and economic’ elements on ‘women’s empowerment via financial inclusion in rural India’. The findings of this study reveal that one's earning status, involvement in household financial choices, and access to welfare programs all have a substantial influence on female empowerment via financial inclusion. However, the security of their funds was discovered to be a small influence, despite the present study's high odds value (2.437).

Elouardighi, Imane, and Kenza Oubejja. [30] examines the link b/w ‘digital financial inclusion’ and WLFP, as well as impediments to women’s ‘digital financial’ access. The findings show that ‘financial inclusion’ through digital channel has a stronger favorable association with WLFP than conventional channel. Formal financial services channel were shown to have a considerable and favorable influence on WLFP.

Vosuri Sandya Rani & Natarajan Sundaram [31] investigated how ‘financial inclusion’ influenced operation of women owned businesses in Vellore, Tamil Nadu, India. Data was collected using structured questionnaire and in-person interview. Multiple Regression & Pearson Product Moment Correlation Coefficient were used to analyze data. The findings suggested that ‘financial inclusion’ has a favorable & considerable influence on efficiency of women-owned businesses.

Dr. Srivastava S. et al. [32] investigated the impact of labor force involvement in promoting subsistence and development. It investigates whether LFP leads to ‘financial inclusion’, which then contributes to development. It also looks into how digitalization might help promote financial liberty.

OBJECTIVE

Goal of research is to examine influence of ‘financial inclusion’ on women's workforce participation, as well as to assess existing state of ‘financial inclusion’ & female workforce participation.

METHODOLOGY

Study goals to investigate influence of ‘financial inclusion’ & women's labor engagement on India's transformative journey through 75 years of independence. He boast of having one of world's fastest expanding economy and greatest population. With ambitious policy & tight compliances, it was critical to evaluate journey thus far from standpoint of the Digital India objective. Several academic articles, government reports, and blogs were evaluated & summarized. Study was exploratory & descriptive, relying primarily on secondary data.

RESULTS

- Several studies show a favorable association between FI and women's WFP, especially in underdeveloped country. Easy openings for credit, savings, and coverage may help females create their own businesses, invest in the education of their kids, and overcome financial hurdles that prohibit women from entering the labor force.

- Research indicates that nations with limited or no gender disparities in ‘financial inclusion’ have greater women’s WFP. For example, gender economic participation gap in Albania has shrunk by 4%, whereas in Bahrain it has shrunk by 6%. In Malta, the difference has shrunk from 32% to 26%.
- World Bank [33], reducing women’s WFP gap by 10% can result in a 6% increase in financial inclusion equality.
- Research suggests that women’s access to basic ‘financial services’ has a significant impact on family, community, and national well-being.
- According to Ajide [28], ‘finance improves investment’ prospects for households & women in business, resulting in higher living conditions for African women.
- Research suggests that education, societal norms, and childcare access may moderate the influence of FI on women's WFP.
- According to The Hindu, RBI’s executive director Shri Neeraj Nigam stated that increasing FLFP is crucial for ‘financial inclusion’, economic growths, and development. Official data shows that FLFP was 32.8% in FY 22, compared to over 77% for men.[34]
- The GOI prioritizes creating jobs and boosting employability.
- The 2023-24 budget proposes a 33% rise in capital investment to Rs 10 lakh crore, or 3.3% of GDP, for the third consecutive year. This significant rise in recent year is critical to govt. attempts to boost development potential & create jobs.
- GoI announced the ‘Aatm nirbhar Bharat’ package to boost business & mitigate effect of Covid19. Govt. is providing more than Rs. 27 lakh crores in fiscal stimulus through this package. This package contains a no. of long-term projects, programmes, & policy aimed at making country self-sufficient & creating job opportunities.
- Government implemented PMMY to promote self employment. This plan provide collateral-free loans of up to Rs 10 lakh to SMEs (micro/small business enterprises) & individuals to help them establish or develop their businesses.
- The Government of India promotes employment generation through schemes such as Prime Minister’s “PMEGP, MGNREGS, DDU-GKY, and DAY-NULM.
- MSDE is executing NAPS & PMKVY to improve employability of youngsters. Aside from these initiative, numerous key programs of Government, like as Initiatives such as ‘Make in India’, ‘Start-up India’, ‘Stand-up India’, ‘Digital India’, & Housing for All aim to create jobs and increase labor participation.

CONCLUSION

The findings concluded that digitization, women's employment engagement, & ‘financial inclusion’ are critical in moving India to developed nation status. Digitalization promotes economics growth by increasing efficiency and transparency. Increased labor engagement, particularly among women & underprivileged areas, guarantees that benefit of economics progress are dispersed fairly, resulting in a more inclusive & sustainable development model. ‘Financial inclusion’, on other hand, empowers people by giving them access to basic ‘financial services’ like credit, insurance, & savings. It also promotes risk management, poverty reduction, & entrepreneurial activity. Together, these characteristics

establish a solid basis for economic resilience, social equality, and long-term growth, putting India on track to accomplish its objective of Viksit Bharat.

REFERENCES

1. Fofana, N. B., Gerrit Antonides, G., Niehof, A., & Van Ophem, J. A. (2015). How microfinance empowers women in Côte d'Ivoire. *Rev Econ Household*, 13, 1023–1041 DOI 10.1007/s11150-015-9280-2
2. International Labour Organisation (ILO, 2019). Gender and financial inclusion. Access on February 2020 at https://www.ilo.org/empent/areas/social-finance/WCMS_737729/lang--en/index.html
3. Cooray, A., Dutta, N., & Mallick, S. (2017). Trade openness and labor force participation in Africa: The role of political institutions. *Industrial Relations*, 56(2), 319-350
4. Efobi, U. R., Tanaken, B. V., & Asongu, S. A., (2018). Female economic participation with information and communication technology advancement: Evidence from sub-Saharan Africa, *South African Journal of Economics*, 86(2), pp. 231-246.
5. Altuzarra, A., Gálvez-Gálvez, C., & González-Flores, A., (2019). Economic development and female labour force participation: The case of European Union countries. *Sustainability*, 11, 1962; doi:10.3390/su11071962
6. Morsy H., (2020). Access to finance – mind the gender gap, *Quarterly Review of Economics and Finance*, doi: <https://doi.org/10.1016/j.qref.2020.02.005>
7. Demircuc-Kunt, A., Klapper, L., Singer, D., & Ansar, S. (2018). *The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution*. World Bank Publications.
8. Kim, K. (2022). Assessing the impact of mobile money on improving the financial inclusion of Nairobi women. *Journal of Gender Studies*, 31(3), 306–322. <https://doi.org/10.1080/09589236.2021.1884536>
9. Allen, F., Demircuc-Kunt, A., Klapper, L., & Martinez Peria, M. S. (2016). The Foundations of Financial Inclusion: Understanding Ownership and Use of Formal Accounts. *Journal of Financial Intermediation*, 27, 1-30. <https://doi.org/10.1016/j.jfi.2015.12.003>
10. Fu, J. (2020). Ability or opportunity to act: What shapes financial well-being? *World Development*, 128, 101628. <https://doi.org/10.1016/j.chieco.2021.101628>
11. Chiapa, C., Prina, S., & Parker, A. (2015). The Effects of Financial Inclusion on Children's Schooling, and Parental Aspirations and Expectations. *Journal of International Development*, 28(5), 683–696.
12. Pitt, M. M., Khandker, S. R., Choudhury, N., & Millimet, D. (2003). Credit Programmes for the Poor and the Health Status of Children in Rural Bangladesh. *International Economic Review*, 44(1), 87–118.
13. Pitt, M. M., & Khandker, S. R. (1998). The impact of group-based credit programs on poor households in Bangladesh: Does the gender of participants matter?. *Journal of political economy*, 106(5), 958-996.
14. Ashraf, N., Karlan, D., & Yin, W. (2006). Female Empowerment: Impact of a Commitment Savings Product in the Philippines (December). Yale University

- Economic Growth Center Discussion Paper No. 949, Center for Global Development Working Paper No. 106. <https://ssrn.com/abstract=952784>
15. Cooke, L. F., (2010). Women's participation in employment in Asia: a comparative analysis of China, India, Japan and South Korea. *The International Journal of Human Resource Management*, 21(12), 2249-2270, DOI: 10.1080/09585192.2010.509627
 16. Anyanwu, J.C., & Augustine, D. (2013). Gender equality in employment in Africa: Empirical analysis and policy implications. *African Development Review*, 25(4), 400–420.
 17. Mohamed Arouri, M., & Nguyen, C. V., (2017). Does microcredit reduce gender gap in employment? An application of decomposition analysis To Egypt. Working paper 1017, Université d'Auvergne & EDHEC Business School, France
 18. Cooray, A., Dutta, N., & Mallick, S. (2017). Trade openness and labor force participation in Africa: The role of political institutions. *Industrial Relations*, 56(2), 319-350.
 19. Asongu, Simplice, and Nicholas M. Odhiambo. (2018). ICT, financial access and gender inclusion in the formal economic sector: Evidence from Africa. *African Finance Journal* 20: 46–66.
 20. Altuzarra, Amaia, Catalina Gálvez-Gálvez, and Ana González-Flores. (2019) Economic Development and Female Labour Force Participation: The Case of European Union Countries. *Sustainability* 11: 1962.
 21. Cabeza-García, Laura, Ester B. Del Brio, and Mery Luz Oscanoa-Victorio. (2019) Female financial inclusion and its impacts on inclusive economic development. *Women's Studies International Forum* 77: 102300.
 22. Hendriks, Sarah. (2019) The role of financial inclusion in driving women's economic empowerment. *Development in Practice* 29: 1029–38.
 23. Samant, P., Singh, A.B., Misra, R., & Dwivedi, R. (2019). Impact of microcredit on women empowerment indicators: An empirical reserach in the state of Uttarakhand. *International Journal of Recent Technology and Engineering (IJRTE)*, 8(3), 3702-3709.
 24. Niaz, M. U., & Iqbal, M. (2019). Effect of microfinance on women empowerment: A case study of Pakistan. *Paradigms*, 13(1), 53-60.
 25. Li, Z. Z., Su C., Tao, R., & Hao, L. N., (2019) Enhance or depress? The effect of trade on active females in the labour market. *Economic Research- Ekonomska Istraživanja*, 32(1), 2680-2698, DOI: 10.1080/1331677X.2019.1653785
 26. Khan, T. A., Khan, F. A., Violinda, Q., Aasir, I., & Jian, S. (2020). Microfinance facility for rural women entrepreneurs in Pakistan: An Empirical Analysis. *Agriculture*, 10, 54; doi:10.3390/agriculture10030054
 27. Yusnandar, Y., Nazamuddin, Masbar, R., & Jamal, A., (2020). Determinants of labor force participation and its impact on the standard of living of working age individuals in Indonesia, a gender perspective. *Economics Bulletin*, 40(2), 989-1001.
 28. Folorunsho M. Ajide (2021) Financial Inclusion And Labour Market Participation Of Women In Selected Countries In Africa, *Economics And Culture*, 18(1), 2021, DOI: 10.2478/jec-2021-0002
 29. Pal M, Gupta H, Joshi YC (2022), "Social and economic empowerment of women through financial inclusion: empirical evidence from India". *Equality, Diversity and*

- Inclusion: An International Journal, Vol. 41 No. 2 pp. 294–305, doi: <https://doi.org/10.1108/EDI-04-2021-0113>
30. Elouardighi, Imane, and Kenza Oubejja. (2023) Can Digital Financial Inclusion Promote Women’s Labor Force Participation? Microlevel Evidence from Africa. *International Journal of Financial Studies* 11: 87. <https://doi.org/10.3390/ijfs11030087>
 31. Vosuri Sandya Rani and Natarajan Sundaram (2023) Impact of Financial Inclusion on Women Entrepreneurs in India An Empirical Study, *International Journal of Professional Business Review: Int. J. Prof.Bus.*, Vol. 8, N-. 6, 2023
 32. Dr Srivastava S., Dr Dwivedi S., Dr Rajput P.S., Dr Thakur Y.S., and Saxena H. (2024) Financial Inclusion Through Labour Force Participation Catalysed by Digitalisation, *Journal of Computational Analysis and Applications*, VOL. 33, NO. 8, 2024, 1186-1201
 33. World Bank Group (2019). Financial Inclusion. Retrieved from: <https://documents1.worldbank.org/curated/ar/377571554411400279/pdf/Financial-Inclusion.pdf>
 34. The Hindu (2024, July 06). Only 7% of MSME credit to women; low female labour force participation drag on growth: RBI ED. Retrieved July 23, 2024,