Women's Financial Inclusion Case Study

Using Sex-Disaggregated Data to Promote Women's Financial Inclusion in India

The Commonwealth

CASE STUDY

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Introduction

The Commonwealth Plan of Action (PoA) for Gender Equality 2005–2015 provides the framework for advancing gender equality and women's empowerment. The PoA addresses four critical areas of action for achieving sustainable and gender inclusive development: democracy, peace and conflict; human rights and law; poverty eradication and economic empowerment; and HIV/AIDS.

Of these poverty eradication and economic empowerment is key for increasing women's access to resources and economic opportunities. Financial inclusion tops the list among the interventions necessary to make this happen as it is closely linked to social exclusion, which denies women equal access to mainstream financial institutions that would develop their potential as active economic agents.

This case study examines an initiative by the Reserve Bank of India (RBI) that has brought about a seismic shift in India's financial system. It began in 2000 with an RBI circular to all public sector banks instructing them to maintain sex-disaggregated data of their total lending portfolio. The case study analyses how this initiative led to innovative reforms and new mechanisms to measure women's share of the credit and savings market and to reverse the traditional perception that women are not creditworthy. It looks at the mechanisms adopted by the major financial institutions of India to increase women's financial inclusion and their impact in reversing negative perceptions and social attitudes about women as clients in the financial market. The initiative to disaggregate financial information on the basis of reporting on both male and female activity saw the development of a template for the reporting system of the banks and a 14-point action plan for increasing women's access to the formal financial sector (Reserve Bank of India, 2000).

Institutions mediate gender bias that relegates women to a subordinate position with limited access to productive resources. In this case it is particularly access to finance that is limited by formal financial institutions. To break the vicious circle of weak investment, low productivity and poor returns for women, the central bank of India integrated them in the mainstream financial system by providing more equal access for women to financial products and services. This is 'smart economics' since investment in women contributes to inclusive growth as articulated by Christine Lagarde (2013), Managing Director of the International Monetary Fund: 'The evidence is clear, as is the message: when women do better, economies do better.'

This case study illustrates the strategies adopted by RBI on 'how to more fully meet the credit needs of women by disaggregating and reporting the share of credit advanced to women within their total lending portfolio. This was a major challenge to the existing system, which saw no need to segregate reporting information on the basis of sex, as women were not considered to be potential bank clients. This position perpetuated the economic disempowerment of women trapping them in low entry barrier sectors with little scope to scale-up their productivity and income.

In the absence of a single accepted definition or indicator of financial inclusion, this case study uses the RBI definition: the process of ensuring appropriate access to financial products and services needed by vulnerable groups (low-income and weaker sections) at an affordable cost and in a fair and transparent manner by mainstream institutional players. However, the general consensus on women's financial inclusion is that it occurs when women have effective access to a range of financial products and services that cater to their multiple business and household needs, and that are responsive to the socioeconomic and cultural factors that cause financial exclusion in women and men to have different characteristics (UK Aid, GIZ, BMZ, 2013007A).

The case study highlights two unique results:

- The introduction of a gender-sensitive bank reporting system that informed policy-makers about the gender gaps of financial institutions and resulted in the introduction of a number of new products, partnerships and services in the sector that were specially tailored to the needs of women.
- The creation of an enabling environment by the government for improving women's financial inclusion and the response of public sector banks to take this initiative to a different level through economically empowering women which was a new and commendable achievement.

'You can tell the condition of a nation by looking at the status of women'

Jawaharlal Nehru

The case study provides an analysis of what works and why in the context of advancing gender equality and women's empowerment.

1. Context, Key Actors and Contributory Factors

Over the past decade, the emerging economy of India has been experiencing high levels of growth with an average GDP of around 6 per cent. However, the growth has been gender unequal and exclusionary. A large proportion of the population who are mostly women still do not have access to formal financial services. In 2011, according to the Global Financial Index (Findex) of the World Bank, only 35 per cent of the country's adults had accounts in formal banks with a large gender gap in the ownership of formal bank accounts in India. Around 44 per cent of men have formal accounts compared to 26 per cent of women (World Bank 2011).

According to a study by the International Finance Corporation (IFC, 2011), 92 per cent of women owned enterprises in India depend on self, family, friends or informal sources for finance, 55 per cent rely on informal financial sources and only 3 per cent rely on formal financial sources.
The study found that women own just 36 per cent (126,041) of micro enterprises, 31 per cent (65,510) of very small enterprises and 16 per cent (10,577.952) of informal sector enterprises.

Some of the challenges women experience in accessing financial resources are embedded in the deeply entrenched patriarchal bias of Indian society, especially in rural areas. As a result of the prevailing social and cultural bias against them women are subjected to asymmetrical power relations within the family from an early age. In later life, this spills over to the community and society and restricts their access to resources and opportunities. As a result, women feel less confident and competent in developing their potential. This is particularly so with respect to their low level of financial knowledge and skills (compared to men) that deny them access to finance and leave them at the periphery of the financial system, economically weak and trapped in the vicious circle of low investment, low income and low returns.

Though women have the capacity to manage finances better than men when they are able to overcome the barriers to access finance, they have a number of vulnerabilities in other aspects of the financial sphere. For instance, women are more likely to experience difficulties in making ends meet, in saving, and in choosing financial products appropriately. These characteristics are linked to their limited access to education, employment, entrepreneurship and formal financial markets. Moreover different social norms and legal treatment towards men and women reduce women's financial well being and limit the extent to which they can improve their knowledge, confidence and skills about economic and financial matters. Women's unequal access to finance is therefore a reflection of their subordinate status within the family and society at large.

Since India gained independence in 1947, constitutional and legal reforms, planned development initiatives and state support have been directed towards interventions that were meant to positively impact the status of women. The successive five-year development plans have targeted interventions for the empowerment of women and the Eleventh Five Year Plan (2007-2012) focused on inclusive development for women to develop their full potential and share the benefits of economic growth. In the twelfth plan (2012-2017), the Government's priority has been to consolidate the existing interventions relating to the promotion of gender equality and empowerment of women and proceed to address new gender-specific challenges. Other administrative initiatives included the launch of the National Empowerment Policy and elevating the status of the Department of Women and Child Development (under the Ministry of Human Resources Development) to a full-fledged Ministry.

At the international level, world leaders at the 2012 G-20 Summit in Seoul formally recognised financial inclusion as one of nine key pillars of development and committed to the launch of the Global Partnership for Financial Inclusion (International Finance Corporation, 2011).

National Policy for Empowerment of Women (2001)

With the declaration of 2001 as Women's Empowerment Year, this Policy was announced to promote the development of women in social-economic and political-cultural aspects. Two specific objectives of the Policy are:

- **Creating an environment through positive economic and social policies for full development of women to enable them to realise their full potential.**
- **Equal access to participation and decision-making of women in the social, political and economic life of the nation.**

These national and international initiatives, however, did not impact the financial sector. Despite a record performance combined with impressive profits, the Indian banking sector had not till the close of the last century, reached out to the underprivileged sections of society to include them within the fold of basic banking services. The inclusion of women to enable them to meet their needs was not on the agenda of the banks. The situation was aggravated by the absence of sex-disaggregated data within financial institutions, which meant that women's poor level of access to financial institutions and services was subsumed under the overall figures presented in bank reporting and left little room for policy-makers to be informed about the wide gender gap.

In 2000, the Reserve Bank of India (RBI) acknowledged the significant role of sex-disaggregated data in designing gender responsive policies and financial products. It issued its groundbreaking circular requiring all public sector banks to disaggregate and report the share of credit to women within their total lending portfolio at regular intervals. This measure achieved its objective to increase women's access to finance from 2.36 per cent in 2001 to 5 per cent in 2005, reaching an all-time high of 7.57 per cent in 2013.

Action Plan

Once a clear picture was established of the status of women's share of the credit market, based on the RBI's periodic assessments of bank progress reports, the 14 Point Action Plan became an effective tool to take women's inclusion to new heights. Actions included the allocation of a fixed percentage of net bank credit for women and setting up women's cells in banks (Reserve Bank of India, 2000). New measures were launched to promote financial inclusion for women in particular on the recommendations of the Khan Commission (2004). RBI established the Commission to assess the status of financial inclusion and recommend new measures for enhancing financial inclusion of women and other marginalised groups. These included the relaxation of norms for opening accounts (without any minimal bank balance), which helped women clients, and issuing General Credit Cards (GCC) to residents in rural and semi-urban areas after an assessment of their income as a rollover overdraft or loan facility, with no specific end use, that can be repaid within 12 months. Women have been given preferential treatment under the GCC scheme as they often use the GCC card to pay for schools, primary health centre costs and other family expenses.

However, the most significant measure was RBI's 2006 decision to permit commercial banks to use the services of non-governmental organisations (NGOs), self-help groups (SHGs) and other civil society associations to act as intermediaries in providing banking and financial services. A 100 per cent financial inclusion campaign was launched on a pilot basis. This was combined with enabling regulatory and institutional support to facilitate a planned approach towards financial inclusion. The banks introduced financial inclusion plans (FIPs) to assess women's performance and promoted financial literacy programmes through the financial literacy centres (FLCs), which helped women to improve their financial knowledge and skills (see Section 3 for further details).

The first phase of financial inclusion (2010–2013) was followed by a second (2013–2016). These proactive measures introduced by RBI marked a departure from past practices of conventional banking. Bank credit, which carried very high rates of interest with harsh terms and conditions, had been the primary source of credit for women engaged in the agricultural and informal sectors. It had given rise to a culture of inaccessibility and intimidation for women as they were considered bad risks with a low chance of repayment (although in reality bank records indicate that women have a better record of loan repayment than men). The banks replaced bank credit with gender-sensitive and needs based loans for women from different backgrounds. This decision grew out of the linkages the banks had established with NGOs and SHGs that fostered a friendly environment based on mutual trust and respect for women to access finance.

Reserve Bank of India Circular and Action Plan Highlights (2000)

- Meet the credit needs of women;
- Separate data on credit flow to women and submit quarterly reports to RBI to create a separate database;
- RBI should assess the extent of financial assistance given to women in the previous 2–3 years.

Theory of change

The theory of change for this intervention is based on an outcome-based approach with a close connection between the context and the challenges it addresses (Figure 1). In the absence of sex-disaggregated reporting on credit delivery by the banks the system failed to reflect women's limited access to credit and financial services and inform policy-makers so they could take appropriate action. RBI's directive requiring sex-disaggregation on lending by banks included an appropriate reporting system with specific code numbers and background details on each category of borrower and depositor, women and men. As the new reporting system presented sex-disaggregated data of the exact amount of credit advanced to each individual or group with additional information on the borrower and depositor, the comparative status of banks' credit delivery to men and women was clear to the RBI to take necessary actions.

In addition, the RBI fixed an initial target of 2 per cent followed by 5 per cent for public sector banks' Adjusted Net Bank Credit (ANBC) for lending to women. This brought about a significant change in women's access to credit.

To enable women to overcome the prevailing social norms restricting their access to credit RBI also directed the public sector banks to establish appropriate training for women. The banks were required to set up financial literacy centres and organise financial literacy camps at least once a month to equip marginalised groups with little or no access to financial services with basic numeracy and other skills to enhance their ability to undertake bank transactions independently.

Women's access to credit received a further boost when the National Bank for Agriculture and Rural Development (NABARD) supported Self-Help Group (SHG) - linkage programme introduced initiatives to address women's difficulties in accessing credit. Collateral free loans replaced rigid requirements for collateral that was out of reach of most women. Where lending and repayment terms and conditions had been strict they were now flexible, smaller loans were available and services were within easy reach.

The concerned bank and RBI monitored the initiatives mentioned above and a robust reporting system was built in to ensure compliance with the lending guidelines set up for the purpose. For the SHG-bank linkage scheme, monitoring and evaluation mechanisms were instituted within NABARD for tracing the performance of the partnerships between SHGs and banks. The non-financial partners applied qualitative indicators to assess the improvements in women's access to resources and participation in decision-making.

The result of selected inputs and sequence of events led to a qualitative change in engendering the financial sector thereby leading to improved access to finance for women (Davies, 2012).

Figure 1. Stages of theory of change

Context:	Intervention:	Strategy	Outcome
Poor access of women to formal financial services due to absence of sex-disaggregated information on credit delivery in banks	Sex- disaggregation of access to financial services by women and target setting by RBI for banks to advance credit to women	Separate reporting on women's share of credit in bank lending with details on employment, organisation, etc. Meet RBI's target of 2% (increased to 5%) of net bank credit to women Extend outreach to women through innovative financial services and products	Increased financial inclusion for women leading to gender equality/women's empowerment

Challenges

Women in India remain inadequately covered by the banking system as they own only 27 per cent of the total deposit accounts in scheduled commercial banks and 14.3 per cent of the total value of deposits. Although the financing needs of women and women-owned enterprises are not radically different from the needs of men and men-owned enterprises, women's financial exclusion is higher due to a combination of factors. Women's status is entrenched in the patriarchal bias of society, which confines them to a marginalised position at the bottom of the economic, social and political hierarchy. This leads financial institutions to exclude women from accessing finance as they are considered high-risk clients with limited resources to pay back the loans. Women's low level of financial literacy combined with their time constraints prevent them from understanding the intricate process of applying for loans and having savings accounts. Consequently, they are trapped in the vicious circle of low income, low savings, poor access to credit and low returns on income.

Thus a key social institution that the sex-disaggregation of financial services data changed was the gender discrimination prevalent in the formal financial sector. This was achieved by informing policy-makers about the gender gap in credit delivery by banks and complementing this initiative with regular directives and target-setting, aimed at breaking down gender-insensitive banking barriers to enable women to have easy access to credit from formal institutions. This included allocating specific percentages for supporting women in the government's priority sector lending programmes and developing need-based credit packages that met women's credit requirement.

The change of gears at the institutional level challenged the gender bias in the financial sector wherein lack of awareness of the background and needs of women borrowers lead the banks to view women as weak investment opportunities. This view was replaced by the financial sector's formal recognition that women are bankable and have the potential to repay loans. One of the key gender discriminatory rules of the financial sector that has been addressed is that women's small loans are difficult to supervise, and resulting high transaction costs, which are not cost effective for banks. The RBI set targets for banks to lend a specific percentage to women, which had to be separately reflected in their reporting system. Other factors that assisted in the development of customised financial products for women included the government's directive to allocate specific percentages in priority sector lending programmes for women; the establishment of a special credit fund for women; and other initiatives combined with mobilising women into self-help groups and establishing partnerships between formal institutions and NGOs/civil society organisations.[1]

1 In 1994 the Kalia Working Group had recommended that the linking of banks with SHGs was a cost-effective, transparent and flexible approach to improve accessibility to the formal banking system by the unbanked rural poor, especially women.

Social norms that constrain women's access to finance

- Women have lower incomes than men, often because of the kind of work they do.
- Low levels of education means women are often less literate than men, affecting their financial capability.
- Constraints on mobility.
- Lack of access to a mobile phone.
- Lack of decision-making power and self-esteem.
- Poor access to information, poor social networks and risk aversion.
- Loyalty to informal products due to their social dimension may prevent women from exploring formal sector alternatives.
- Statutory formal laws, which may explicitly inhibit women´s access to commercial credit.
- Customary laws that undermine incentives to invest.

As a result financial providers addressed women's immediate consumption needs and mobilised savings among the self-help group members, which enabled them to apply for small loans to invest in economic opportunities. The easy access to credit and the availability of collateral free loans within easy reach encouraged the women to meet the practical needs of their households. This had a qualitative impact on their standard of living and contributed to an overall alleviation of poverty. Moreover, the improvement in the financial status of women empowered them to participate in decision-making within their households, which was not possible earlier due to discriminatory norms. The focus on improving the financial literacy of women to enable them to conduct basic financial transactions independently changed the scenario for women to access opportunities hitherto unavailable to them due to the constraints imposed by social institutions.

Social norms driven supply side constraints of women to access to finance

- Collateral requirements that exclude women who often lack land/ property rights;
- Limited physical outreach and typical bank opening hours affect women more than men because they are less mobile than men;
- Documentation requirements: women often do not have the necessary paperwork;
- Product features may not meet women´s requirements (e.g. eligibility criteria, loan term etc.);
- Marketing messages are not targeted at women;
- Service delivery can be patronising towards women;
- Physical infrastructure can intimidate women and is not suited to their needs;
- Few women are in senior management positions, and;
- Women are not prioritised as a business segment.

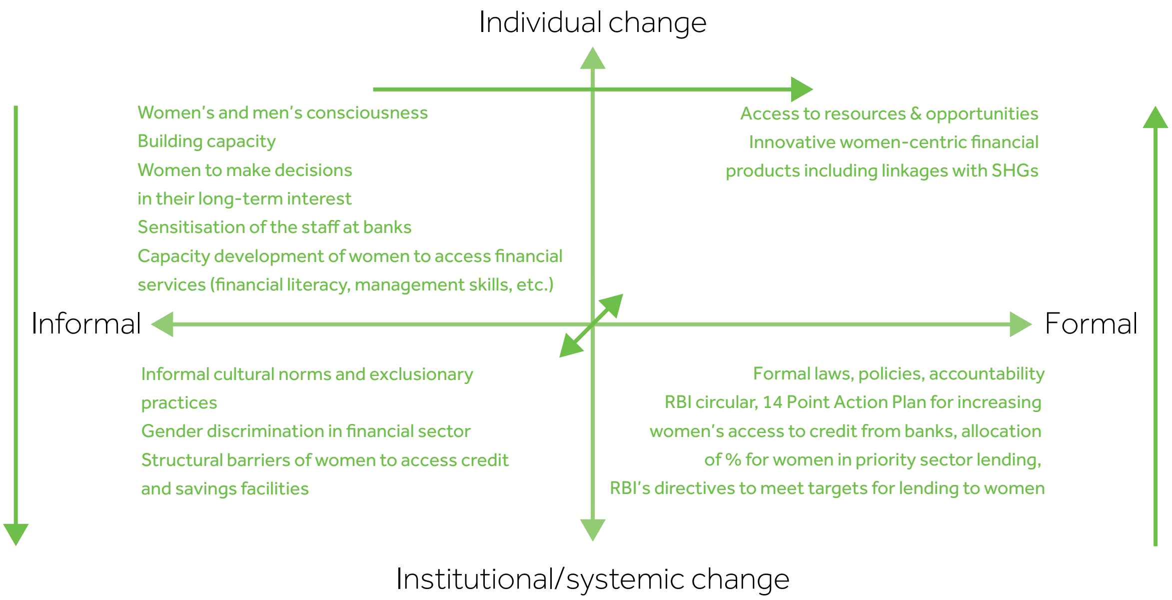
The introduction of sex-disaggregated data to financial services increased women's access to finance. This contributed to social institutions becoming more positive about women's capacity for empowerment and to act decisively in taking economic decisions.

These interventions brought about individual and institutional changes as indicated in the four quadrants of the Gender at Work framework:(Figure 2)[2]

- Women's improved access to resources and opportunities.
- Introduction of formal financial laws and policies (issue of RBI circular and 14 Point Action Plan, other RBI directives) on the financial

2 Framework adapted from Gender at Work, www.genderatwork.org

Figure 2. Framework to show institutional and individual changes at the formal or informal levels to improve Women's Financial Inclusion (adapted from the Gender at Work Framework)



inclusion of women to be implemented by banks and the approval of RBI for banks to partner with non-financial institutions to make credit easily available to women.

- Changes in perception about women and men's consciousness.
- Addressing informal cultural norms and exclusionary practices to empower women.

Figure 2 illustrates the specific changes within the Gender at Work Framework:

Organisational context

The gender gap in credit delivery to women revealed by the sex-disaggregation of access to financial services introduced some key changes within the organisational structures of banks. These included reforms for improved systems and processes to better assess women's credit history, gender advocacy and awareness training, and review of existing loan systems including payments options and linkages between traditional and alternative solutions, costs and accessibility. The driving motive was to increase women's access to financial services through a broader range of activities that are a subset of a wider gender equality and women's empowerment agenda as shown in Figure 3.

Figure 3: Gender equality and women's empowerment agenda

As a result of this initiative the banks put in place a twofold organisational strategy:

1. **Greater emphasis on women's credit requirements and earmarking of specific funds with flexible terms and conditions**; simplifying banking formalities and procedures; setting up women's cells and special women's branches; organisation of gender sensitisation training programmes for bank staff to address traditional male bias for financing; women's entrepreneurship development programmes to enhance capacity of female clients and use of media channels to disseminate information to women in rural areas.

2. These organisational changes led to an **increase in the efforts of public sector banks to provide innovative financing products for women**. The common features of these special women centric programmes included: flexibility of terms and conditions for eligibility of loans based on track record and financial viability of proposal; relaxation of requirements for collateral as security; consideration of loan proposals at a concessional rate of interest that meet women's practical needs (e.g. borrowing of funds to facilitate the setting up a crèche) and reaching out to illiterate women with special financial support package. A few of these schemes are as follows:

   – **State Bank of India Stree Shakti Package** for Women Entrepreneurs offered concessional rate of interest;

   – **Small Industries Development Bank of India Marketing Fund for Women (MFW)** gave financial support for marketing products manufactured by women entrepreneurs;

   – **Punjab National Bank Schemes for Women** introduced a wide range of credit schemes from the Scheme for Rehabilitation of Sick Industrial Units owned by women, to a special card scheme to assist literate and illiterate women from semi-urban and rural areas to invest in agriculture and non-farm activities;

   – **Bank of Baroda** *Akshaya Mahila Arthik Sahay Yojna* provided financial assistance to professional, self-employed women and those in retail trade and agriculture;

   – **Central Bank** *Cent Kalyani* supported women entrepreneurs to start new ventures or expand and modernise existing units.

Two other developments strengthened the efforts of the public sector banks in increasing women's financial inclusion. One significant development was the establishment in 2013 of a women only bank, Bhartiya Mahila Bank (BMB), with 24 branches across the country offering financial products to meet women's financial requirements.

The National Bank for Agriculture and rural development self-help group bank linkage programme

The National Bank for Agriculture and Rural Development (NABARD launched an innovative self-help group bank linkage programme in 1992 to increase access of marginalised groups through the extensive network of self-help groups (Kusaga and Nagaraja, 2014). The promotion and financing of the Women Self Help Groups scheme provides a comprehensive package of services for women. It links banks with Self Help Promoting Institutes (SHPIs) that serve as banking and business facilitators, tracking and monitoring the groups and taking responsibility for loan repayments. The self-help groupbank linkage scheme has grown from a pilot of 500 self-help groups in 1992 to 8 million in 2013. In 2014, there were 7.4 million savings-linked self-help groups with a total savings of Rs98.97 billion. NABARD has extended the linkage initiative to self-help groups in districts affected by extremism and used it as a model for the Priyadarshini Programme for the empowerment of 120,000 rural women and girls in Bihar and Uttar Pradesh assisted by the International Fund for Agricultural Development (IFAD).

2. Results, Change Strategies and Related Issues

Lack of sex-disaggregated data is a major constraint in designing policies to address the gender-specific limitations of women in accessing finance. Since women's restricted access to financial services and products are subsumed by the aggregate macro-level gender neutral data, this information fails to reveal the gender gaps for informing policy-makers to address the asymmetrical balance in the delivery of credit between women and men. RBI recognised this widening gap and understood the value of sex-disaggregated financial data in addressing it. This is the basis on which RBI issued its 2000 directive requiring all public sector banks to disaggregate data on the share of credit to women within their total lending portfolio, and to report the findings at regular intervals. Until then separate records on credit flow to women were not available. Once the information was consolidated it was then submitted to the RBI for review. RBI set up a database for women that contained information on credit advanced to women through micro schemes, small-scale industries and medium and large-scale industries.

As noted previously, the RBI's directive was strengthened by the Government of India's 14 Point Action Plan for Credit Delivery to Women. The Action Plan required all public sector banks to earmark first 2 per cent and then 5 per cent of their Adjusted Net Bank Credit (ANBC) for lending to women. This resulted in an increase in the delivery of women's credit from 2.36 per cent in 2001 to 7.57 per cent in 2011.

These interventions were possible because the banks had sex-disaggregated data on financial issues readily available and the crucial component of the strategy was integrating this component within the existing Basic Statistical Returns (BSR) system that has been the main source of data collection for the banks since 1972. The strategies adopted to ensure sex-disaggregated access to financial services data was institutionalised for enhancing women's access to credit and other financial services by overcoming social institutions are as follows:

1. **Changes in the reporting system of banks regarding credit** – the core Basic Statistical Returns (BSR) of banks such as BSR 1A and 1B provided information on borrowers that was not sex-disaggregated. It was revised to include separate codes for women and men, (911 and 912 respectively), to inform RBI about the comparative status of loans for men and women. Separate codes were also applied for unsecured loans (men 921 and women 922), interest rates (women 931 and men 939) and for floating and fixed rates of interest (women 941 and men 942). Separate codification of loans and interest for women and men meant RBI was well informed by banks about the exact status of women's credit delivery and therefore in a position to put in place the necessary actions to increase women's financial inclusion.

2. **Changes in the reporting system of banks regarding deposits** – under the new system of reporting, in BSR 2, deposits have been classified according to gender with additional information on women owners of deposit accounts such as whether they are individual account holders or owners of businesses, the scale of operations and whether the women's demands have been met by the banks. This information was consolidated in BSR 4, which disaggregated the ownership pattern of deposit holders and submitted the trend to the RBI. Similarly BSR 7, which provides quarterly survey on aggregate deposits and credits, started separating the information on the basis of gender.

3. **Changes in the reporting system of banks at the institutional level** – information on the number of female employees at each bank, the level at which they are employed, and the ratio of female to male employees in the organisation. This reflected the level of gender balance achieved by each bank, especially at the decision-making level.

4. **Steps taken to improve financial inclusion and literacy of women** – based on the information received from the banks in sex-disaggregated reports on credit delivery the RBI asked them to launch a pilot financial inclusion campaign and adopt a structured approach towards financial inclusion, especially for women. This included the preparation of financial inclusion plans (FIPs) on a sex-disaggregated basis and approval by the banks' boards for immediate implementation. It also involved the launch of financial literacy centres (FLCs) that organised monthly financial awareness camps to equip marginalised sections of society with the necessary skills to understand basic banking practices. The RBI's strategy on financial inclusion was undertaken in three phases: (1) awareness-raising, (2) opening accounts and (3) monitoring usage of accounts.

5. **Programmes to meet the credit needs of women including partnerships with non-bank service providers** – a number of initiatives were introduced to meet women's credit needs. These included removing the minimal balance requirement to open bank accounts, special incentives to apply for General Credit Cards and the allocation of shares in government sponsored priority sector lending schemes. The most significant initiative was establishing partnerships between banks and non-bank financial service providers to extend the outreach and provide quality service to marginalised clientele. This led to the development of collateral free financial products and small-loan packages with flexible terms and conditions. The financial service providers and the women borrowers also developed a familiarity that was absent in formal financial institutions.

The different strategies to emerge from the sex-disaggregation of financial services data resulted in the design and implementation of a number of innovative financial measures in the formal financial sector that challenged the prevailing social institutions and discriminatory norms to enable women access to credit without any constraint.

RBI financial inclusion initiatives sensitive to women's needs

- **Advised all banks to open Basic Saving Bank Deposit (BSBD) accounts with minimum common facilities;**
- **Compulsory requirement to open branches in un-banked villages;**
- **Required banks to disaggregate their financial implementation plans (FIPs) and to distribute them at branch level to ensure the involvement of all stakeholders in the financial inclusion efforts.**

3. Impacts at Different Levels

Financial inclusion of women, if managed properly, can increase their empowerment in a number of ways. Firstly, having access to resources and tools that help women to earn a living can increase their bargaining power within households and their influence over how money and other resources are used. Secondly, financial inclusion can help increase women's opportunities to earn an income or control assets outside the household. This has benefits for women's agency and wider benefits for their children as women tend to spend more of their income on food, health and education. for their families (World Bank, 2012) Thirdly, it can reduce women's vulnerability by allowing them to insure against risk or borrow to meet unexpected expenses, such as medical treatments for themselves and their family. These are all key factors for economic empowerment which can also promote gender equality.

With the introduction of the sex-disaggregation of access to finance data initiative, the basic statistical returns (BSRs) of the public sector banks began to reflect a distinct shift in women's access to financial institutions. This seismic shift in the financial reporting system opened the gates for women who were previously marginalised and considered 'unbankable' to enable them to access tailor made financial products as potential clients. [3]

Some of the key changes introduced as a result of integrating sex-disaggregated information in the reporting system of banks to the RBI are as follows:

- Policy-makers were informed about the main barriers and gender bias in access to finance and necessary tools developed to assess the progress achieved.
- Information to the private sector provided market opportunities.
- Usage of the impact analysis data on growth and poverty reduction for designing gender-sensitive financial sector policies and programmes.

3 A range of banks from SEWA to NABARD to Rashtriya Mahila Kosh and others have proved that artificial barriers erected by financial institutions resulted in lost opportunities and prevented potential clients from meeting their needs and up-scaling their economic ventures

Some of the issues that influenced the sequence of events and need to be remembered for future replication are:

- The challenge of building synergies across and within sectors.
- Integrating gender equality into financial products and services is not a simple intervention and could have unintentional effects that are not so positive and that cannot be foreseen. These include increases in domestic violence cases as husbands feel threatened by the economic empowerment of their wives (which has been documented in some countries) and increases in women's workload as they try to balance between reproductive and increased productive responsibilities (due to improved access to financial services).
- Efforts to address gender discriminatory social norms sometimes resulted in a backlash against women, which had to be carefully addressed. For instance, attempts to reform the entrenched social norms which impose restrictions on women's mobility and access to financial opportunities is opposed in some societies as an attack on the prevailing customs and often, women are subjected to stricter restrictions as a result. Hence, the strategy to reform prevalent social and cultural norms that influence women's financial inclusion needs to be carefully planned to avoid any counterproductive impact.

The total credit to women has constantly increased over the years in terms of numbers of accounts, from Rs10.6 million in 2009 to Rs17.4 million in 2013 (Figure 4).

Figure 4.

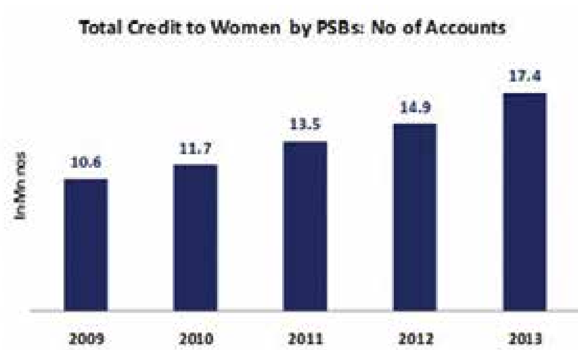
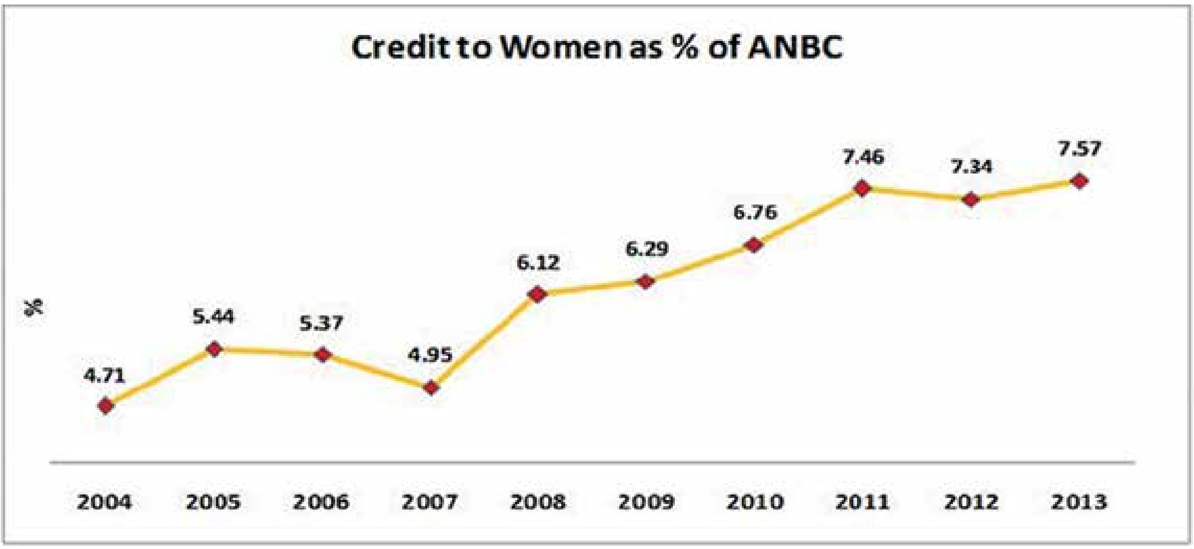


Figure 5



Secondly, all 26 public sector banks experienced an increase in the share of credit to women as a percentage of the net bank credit and the percentage of Adjusted Net Bank Credit increased from 2.4 per cent in 2001 to 7.57 per cent in 2013 (Figure 5).

Table I. Women's deposits and credit per capita (2001-2007)

Year	Credit per capita		Deposit per capita	
	Women	Men	Women	Men
2001	625	4290	3219	10669
	(15)		(30)	
2007	1139	5652	5310	17721
	(20)		(30)	

Notes:
1. Figures in brackets indicate percentage share of amount of women to that of men.
2. Credit amount for women for 2007 includes indivdiual credit to women and credit of SHGs.

Source: Basic Statistical Returns, various issues.

Table I shows women's deposits per capita and credit per capita have doubled in the period 2001–2007 (Manta, 2014).

Thirdly, cumulatively, for all the public sector banks, women's non-performing loans (NPA) as a percentage of total credit to women has reduced from 4.04 per cent in 2007 to 3.81 per cent in 2013. This proved women clients are not bad risks contrary to prevailing social perceptions.

Fourthly, the banks have made significant strides to promote a gender-fair approach towards credit delivery and opening of savings accounts. They have strengthened women's ability to access finance by simplifying procedures, sensitising bank staff to address gender bias and building strategic alliances with non-banking partners for extended outreach to women among other initiatives. The efforts by the banks to increase the financial literacy skills of women and other marginalised sections of the population led to the establishment of 718 financial literacy centres (FLCs) up to the end of March 2013. A total of 2.2 million women and men were educated through awareness campaigns, short courses, seminars and lectures between April 2012 and March 2013.[4]

4 Various RBI monitoring reports accessible at: https://rbi.org.in/Scripts/BS_ViewPublicationReport.aspx.

Finally, the banks have institutionalised a monitoring system for reviewing reports on the credit flow to women that are regularly submitted to the Board of Directors of each bank with RBI monitoring the process for issuing necessary directions to the concerned banks. This will ensure the sustainability of the gender-disaggregated reporting system put in place within the banks.

The results of a field study (Devi et al., 2012) demonstrate that as a result of the bank/SHG linkage women expanded their businesses and were empowered on all fronts, economic, social and political (see Table II).

The overall impact of the sex-disaggregated data initiative was to make it possible for women to access financial services according to their needs. It did so by providing policy-makers with the necessary information to create an enabling environment comprising the following actions:

- Introduction of a gender dimension in all financial inclusion initiatives;
- Development of appropriate entrepreneurial education and training opportunities to strengthen the human capital of women entrepreneurs;
- Building the capacity of financial institutions to better serve the interests of women,
- Leading efforts to gather gender-disaggregated financial data to replicate successful models for expanding financial services to women.

Table II. Social, economic, political impacts of bank/self-help group linkages on women

Factors	Score	Rank	Factors	Score	Rank
Economic impact			**Social impact**		
Expansion of business	58.03	1	Social security	57.65	1
Possibility of savings	57.41	2	Participation in social activities	54	2
Self employment	57.13	3	Social awareness	47.3	3
Financial awareness	56.8	4	Access to financial services	45.83	4
Increased living standard	54.2	5	Increased social relation	44.6	6
Economic empowerment	53.88	6	**Political impact**		
Skills for income generation	52.18	7	Active participation in local bodies	51.3	1
Increased income	51.51	8	Increased political awareness	48.7	2

4. Tracking Change, Future Plans

The first target set by the RBI for public sector banks to disaggregate and report on the share of credit to women within their total lending portfolio was achieved by all public sector banks. The second target the RBI set was for the banks to allocate 5 per cent of their Adjusted Net Bank Credit for women. Although this target was not mandatory the banks also achieved it, with women's share in credit rising from 2.36 per cent in 2001 to 5 per cent just five years later in 2006 standing at 7.57 per cent in 2013.

These RBI targets set the stage for the introduction of a number of gender sensitive reforms and actions to sustain the momentum of increasing women's financial inclusion. The range of reforms and activities from relaxation of collateral requirements, to concessional interest rates, to economic empowerment programmes, to support packages for vulnerable women to women-only banks and more are outlined in previous sections.

However, many women particularly rural women are not yet fully aware of the significant shifts that have taken place in public banks in both approach and new financial products.

In a Focus Group Discussion organised jointly by the Confederation of Indian Industry (CII) and Indian Women Network (IWN) in New Delhi in 2014, Ms Manpreet Brar Walia, Vice-Chairperson of IWN observed that women's poor access to institutional finance includes limited financial awareness and understanding of financial products and services as the main causes.

Sustaining the initiative

The banks will have to ensure the impacts of the sex-disaggregated initiative filters down to the grassroots level. There is a need for them to organise awareness-raising workshops and advocacy campaigns for widespread dissemination of information. The different women-specific financial products that have been developed by banks are being regularly updated to meet the needs of evolving circumstances. Above all, to sustain these initiatives, the banks are focused on strengthening their monitoring and evaluation mechanisms to ensure strict supervision of the interventions, internally and also for co-ordinating with partner organisations.

5. Conclusion

The innovative financial products and services designed by the public sector banks in response to the sex-disaggregated data on access to financial services has opened up financial services according to the needs of women clients. In doing so they have challenged the discriminatory norms that have traditionally restricted women's access to finance.

Bank credit to women increased from Rs10.6 million in 2009 to Rs17.4 million in 2013. Nearly 90 per cent of the beneficiaries of the self-help groups are women who have experienced improvements in their living standard and participation in decision-making. Moreover, women's increased access to finance contributed to their economic empowerment and was instrumental in achieving other valued goals since lack of women's access to opportunities has an economic cost. Finally, women's improved access to credit opened up an untapped and growing market for banks, which helped their business returns. This was a win-win situation where both the banks and their clientele (women) benefitted.

The gender-sensitive financial products designed by the banks addressed the gender discriminations of the formal financial market by assessing the context of different categories of women borrowers and selecting those financial products that could meet their specific needs. To do so, banks had to adopt an unconventional strategy: relax conventional rules regarding interest rates, collateral requirements and loan amounts with repayment schedule. Once a scheme was identified and developed in alignment with the needs of women borrowers, the credit delivered was closely monitored to prevent any lapses. With the significant achievements from 2002 until 2013, if the present momentum is maintained, more innovative financial products will enter the financial market for catering to the needs of more women who have never accessed finance from banks before.

Acronyms

ANBC	Adjusted Net Bank Credit
BMB	Bharatiya Mahila Bank
BSR	Base Statistical Returns
BSBD	Basic Saving Bank Deposit
CII	Confederation of Indian Industry
DFID	(UK Government) Department for International Development
GCC	General Credit Cards
GDP	Gross Domestic Product
FIPs	Financial Inclusion Plans
FLC	Financial literacy centres
IFAD	International Fund for Agricultural Development
IFC	(World Bank Group) International Finance Corporation
IWN	Indian Women Network
MFW	Marketing Fund for Women
NABARD	National Agriculture and Rural Development
NGOs	Non-Governmental Organisation
NPA	Non-Performing Loans
POA	Plan of Action
PSBs	Public Sector Banks
RBI	Reserve Bank of India
SEWA	Self-Employed Women's Association of India
SHGs	Self-Help Groups
SHPIs	Self-Help Promoting Institutes
SMEs	Small and medium enterprises
WEPs	Women's Empowerment Principles

Glossary

Culture: distinctive patterns of ideas, beliefs and norms that characterise the way of life and relations of a society or group within a society.

Financial sector: the financial sector groups the institutions, instruments and regulatory framework that permit transactions to be made by incurring and settling debts; that is, by extending credit. Gender relations are relevant to this sector with the penetration of markets into non-market activities. Non-market activities comprise both productive and reproductive work. Such activities are carried out through a division of labour that is gendered and in the course of financial sector development is modified, in its amount, and value, and in the bargaining patterns that shape the division.

Gender analysis: the systematic gathering and examination of information on gender differences and social relations in order to identify, understand and redress inequities based on gender.

Gender bias/discrimination: the systematic unfavourable treatment of individuals on the basis of their gender, that denies them rights, opportunities or resources.

Gender equality: women and men have equal conditions for realising their full human rights and for contributing to, and benefiting from, economic, social, cultural and political development. Gender equality is therefore the equal valuing by society of the similarities and the differences of men and women, and the roles they play. It is based on women and men being full partners in their home, their community and their society.

Gender gap: the differences between women and men especially as reflected in social, political, intellectual, cultural or economic attainments or attitudes; the discrepancy in opportunities, status, attitudes, etc., between men and women.

Gender blind: policies, language and other social institutions avoid for distinguishing roles according to people's sex or gender; the general idea is this done to prevent discrimination arising from the impression that there are social roles for which one gender is more suited than the other.

Gender sensitivity: understanding and consideration of socio-cultural factors underlying gender-based discrimination.

Gender relations: hierarchical relations of power between women and men that tend to disadvantage women.

Gender responsive: creating an environment that reflects an understanding of the realities of women's lives and addresses their issues.

Sex- disaggregated data: Data that is collected and presented separately on men and women.

Women-centric: programmes/interventions designed and implemented by focusing on the specific needs of women.

Women's empowerment: A 'bottom-up' process of transforming gender power relations through individuals or groups developing awareness of women's subordination and building their capacity to challenge it.

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