

# **Women's Financial Inclusion and Economic Development: Evidence from India**

## **Abstract:**

Access to formal financial services (including formal financial institutions) is essential to women's economic and social empowerment. Past studies have shown that financial services positively impact women's control over resources (economic) by expanding access to such services. Yet, women globally face barriers to accessing financial services, including lack of identity proof, mobile phone, and distance to nearest bank branch. Nearly 20 percent of the women in India still lack access to a bank account (World Bank -Global Financial Inclusion Database 2021).

Women face many issues at home as well as in the workplace. This trend has been continuing in the 21st century in a variety of forms. Working women face more. Access to credit, that is, a formal bank account, will have a more significant impact on economic development. Economic development in terms of economic growth, reducing poverty and inequality, increasing business and entrepreneurship, rising educational outcomes and health-related outcomes, and, more importantly, access to formal credit or bank accounts (financial inclusion) will improve women's autonomy and power in the family. It also has a more significant impact on the decision-making and bargaining power in the household.

Recent studies have mainly focused on the macro levels of evidence, such as cross-countries and states. In contrast, a few studies focus on the micro level, such as individual and household levels. Some studies used micro-credit programs to see the impact on women's economic outcomes. In this study, we use data from the NFHS, where we have access to individual and household-level data. Further, we will add macroeconomic variables such as state-level Gross Domestic Product (GDP), etc., to see how access to formal credit will impact women's economic development.

The study uses India's most recent National Family Health Survey (NFHS-4 and 5). Further, we also use the data from the FINDEX (Financial Inclusion Database – World Bank) to explore the impact of access to credit on women's economic development. Since 2011, the Global Findex Database has been the definitive source of data on global access to financial services, from payments to savings and borrowing. The 2021 edition is based on nationally representative surveys of about 128,000 adults in 123 economies. Meanwhile, The National Family Health Survey (NFHS) is a large-scale, multi-round survey conducted in a representative sample of households throughout India. Three rounds of the study have been undertaken since the first survey in 1992- 93. Using exogenous variation in our instrument, we show a statistically significant and higher chance of working women having bank accounts. The results indicate a greater likelihood of bank accounts for those working. Our results are robust to various sample restrictions, alternative methods of estimation, and the inclusion of additional controls.

Our findings highlight the significance of emphasizing women's employment status (whether employed?) and enhancing financial literacy and access to digital and mobile financial inclusion, which will have a more significant policy impact. Hence, the government and other

stakeholders should improve women's access to formal banking services, especially in low-income and rural areas. Here, traditional banks and other formal financial institutions, such as insurance, pension, legal institutions, and financial markets.

Keywords: Women, financial inclusion, empowerment, Economic Development, India