

# Digital Banking and Financial Inclusion for Financial Empowerment of Women

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## Abstract

**DIGITAL BANKING and FINANCIAL INCLUSION** are important tools that play a key role in empowering women financially. By offering access to digital banking services, women can conveniently, securely, and efficiently manage their finances. Financial inclusion through digital banking also enables women to utilize various financial services like savings accounts, loans, insurance, and investment opportunities. This allows women to engage in the formal economy, accumulate assets, and enhance their overall financial well-being. These efforts aid women in strengthening their financial stability and enhancing their participation in the economy. Measures such as mobile banking, digital payment platforms, and financial literacy programs can help close the divide and empower rural women to steer their financial destinies.

**Keywords:** Digital Banking, Financial Inclusion, Women Empowerment, Financial Literacy,

## Introduction:

Achieving financial inclusion, ensuring access to cost-effective financial services for marginalized groups, has posed a persistent issue for the financial sector. Conventional banking approaches, characterized by physical branches and cumbersome paperwork, have frequently marginalized significant portions of the world's population from engaging with the established financial framework. Nonetheless, the advent of digital banking holds the potential to transform this scenario, turning financial inclusion from an aspiration into an achievable outcome. Digital banking leverages technology to streamline and enhance banking transactions (Varda Sardana & Shubham Singhania, 2020).

In today's interconnected world, where mobile devices have become universal and internet accessibility is on the rise, digital banking has emerged as a potent tool for narrowing the financial gap. Recognizing the benefits of the digital revolution, commercial banks have shifted away from the traditional branch model. Digital banking is seen as a crucial driver for enhancing financial inclusion. Since 2010, the G-20 and the World Bank have been leading efforts to promote greater financial inclusion in developing nations, aiming to alleviate poverty in these regions. Through various initiatives, digital banking is revolutionizing financial inclusion and expanding financial prospects for millions of individuals.

## Expanding access to financial services

Increasing access to financial services has long been hindered by the physical distance separating underserved communities from mainstream banks. However, digital banking, which can be accessed via smartphones and computers, overcomes this geographical barrier. Whether in rural regions, isolated

villages, or urban areas, people can now easily access banking services by using their devices. This enhanced convenience enables individuals who were previously marginalized from the financial system to actively participate in it.

### **Reducing transaction costs**

Traditional banking transactions often incur higher transaction costs, rendering basic financial services unaffordable for individuals with low incomes. However, the advent of digital banking has revolutionized the banking industry by significantly reducing costs compared to traditional banking methods. This has not only made financial services more affordable but has also expanded accessibility beyond the limitations of physical branch locations. As a result, customers and financial institutions can now engage in a wider range of transactions that are economically viable. Digital banking has brought about transformative changes in the banking sector, offering cost savings and enhanced accessibility to its customers.

### **Lowering transaction expenses:**

Conventional banking transactions frequently come with elevated transaction costs, making essential financial services too expensive for those with limited incomes. Yet, the emergence of digital banking has transformed the banking sector by substantially cutting costs in comparison to traditional banking approaches. This development has not just made financial services more economical but has also broadened access beyond the constraints of physical branch sites. Consequently, clients and financial institutions can now partake in a more extensive array of financially feasible transactions. Digital banking has triggered significant shifts in the banking industry, providing cost efficiencies and improved access to its clientele.

### **Financial inclusion:**

Financial inclusion aims to provide access to a variety of financial services and products at affordable rates to all individuals through established financial institutions. The goal is to integrate unbanked individuals into the financial system, granting them access to financial services for economic advancement and empowerment opportunities. Efforts are directed towards ensuring that every household can access necessary financial services without consideration of their income level. This inclusive approach not only grants access to banking products but also enhances the purchasing power and living standards of low-income segments, contributing to a country's economic growth and sustainability.

### **Financial inclusion in India:**

In 2015, the Reserve Bank of India (RBI) defined financial inclusion as "the process of ensuring access to appropriate financial products and services required by vulnerable groups such as weaker sections and low-income groups at affordable cost and in a fair and transparent manner through established institutional players

According to a global survey (Dec 2016) by Standard & Poor's Financial Services LLC Worldwide, there is a five-point gender gap, with 65% of men lacking financial literacy compared to 70% of women. In India, the gender gap is even wider, with 73% of men and 80% of women lacking financial literacy. If financial inclusion is to become a reality in rural India, it must be preceded by training in financial literacy, because while the former deals with the supply side of products, the latter addresses the demand side. For

people to make informed choices about the financial services available to them (loans, insurance, pensions, remittances), they need to be equipped with financial skills, knowledge and attitudes that will enable them to make informed decisions for their financial wellbeing

### **Financial literacy and education: Empowerment through knowledge**

Financial literacy and education play a crucial role in empowering individuals with the necessary skills and knowledge to make informed financial decisions. Unfortunately, many marginalized communities around the world continue to face a significant lack of access to financial education, which perpetuates the cycle of poverty and limits economic mobility. This lack of financial knowledge also hinders their ability to access essential financial services. However, the emergence of digital banking has presented a promising solution to this pressing issue. Unlike traditional financial education methods, digital banking has the potential to reach underserved populations and bridge the gap in financial literacy.

By leveraging technology, digital banking platforms can provide accessible and user-friendly financial education resources to individuals who may not have had previous exposure to formal financial education. Through digital banking, individuals can learn about various financial concepts, such as budgeting, saving, and investing, at their own pace and convenience. These platforms often offer interactive tools and resources that simplify complex financial topics, making them more understandable and relatable to users. By empowering individuals with financial knowledge, digital banking is reshaping the landscape of financial education and promoting greater financial literacy among underserved communities.

**Accessible learning resources:** Digital banking platforms offer convenient learning materials for financial education, including articles, videos, webinars, and interactive tools. These resources cover a wide range of topics, from fundamental budgeting and saving techniques to advanced financial concepts like investment strategies and retirement planning. Utilizing these resources can help you enhance your financial literacy and embark on a journey to broaden your understanding of finance.

**Tailored financial guidance:** Numerous digital banking applications offer financial wellness functionalities that offer customized suggestions and advice depending on the financial habits of users. For instance, if an individual tends to overspend in a specific category, the application can propose techniques for more effective budget management. These personalized recommendations enable users to identify their financial capabilities and areas for improvement, empowering them to enhance their financial well-being.

**Simulated financial experiences:** Digital banking platforms offer simulated financial experiences using financial simulators or "what if" scenarios. This allows users to experiment with different financial choices and assess potential outcomes without risk. Through this interactive learning approach, users can study the impacts of savings rates, investment decisions, and debt repayment strategies, leading to a better grasp of financial concepts and promoting informed decision-making.

**Tracking progress:** Users of digital banking apps can monitor their financial advancement by tracking changes in credit scores, net worth, or debt reduction. This functionality boosts users' confidence in managing their finances efficiently.

**Community and support from similar-minded individuals** are common features of digital banking platforms. Users can engage in forums or communities to connect with others, share financial experiences, seek guidance, and provide advice. This peer support system is instrumental in improving financial education by allowing individuals to learn from each other's successes and challenges.

**Linguistic and cultural awareness:** Many digital banking apps offer content in different languages and tailor their financial education materials to specific cultural backgrounds. This ensures that financial education efforts are inclusive and resonate well with diverse audiences.

**Digital banking's 24/7** availability allows for easy access to financial education resources from any location at any time, eliminating time and location constraints.

Alternative credit scoring offers a solution for people with restricted access to formal financial services and no credit history. This absence of credit history can make it difficult to obtain a loan. Nevertheless, digital banking platforms can help by gathering extensive transaction data. By examining a person's digital financial activities, lenders can assess their creditworthiness and extend credit to individuals who might have been deemed uncreditworthy using conventional credit scoring methods.

**Empowerment** is defined as a 'multidimensional social process that helps people gain control over their own lives. It is a process that promotes the power people can use in their own lives, in their communities and in their society by advocating for issues they consider important' (Page & Czuba, 1999). Of the 17 United Nations Sustainable Development Goals (SDGs) considered essential for global congruence and harmony, Goal #5, Gender Balance and Women's Empowerment, is considered important for transforming the world by providing equal opportunities for both genders.

Digital banking can transform the financial inclusion of rural women by offering them affordable financial services, enhancing their financial knowledge, and empowering them to engage in the formal financial system.

One of the key ways digital banking can help rural women become financially self-sufficient is by giving them access to affordable financial services. Traditional banking services are often scarce in rural areas, making it difficult for women to open bank accounts, take out loans or save money safely. Digital banking, with its mobile and internet-based platforms, eliminates the need for physical bank branches and allows women to make financial transactions from the comfort of their homes or workplaces. This accessibility not only saves time and money, but also allows women to manage their finances more efficiently and securely.

In addition, digital banking promotes financial literacy among rural women by providing educational resources, personalized advice and community support. Many digital banking platforms offer financial literacy tools and resources that help users better understand basic financial concepts such as budgeting, saving, and investing. These resources empower women to make informed decisions about their money and plan for their financial future. Personalized advice and community support further enhance financial literacy by offering tailored advice and connecting women with like-minded peers who can share their experiences and knowledge.

In addition to providing access to basic banking services and promoting financial literacy, digital banking offers rural women alternative credit scoring models, microfinance opportunities and microloans to help them build their financial independence. Alternative credit scoring models utilise non-traditional data sources, such as cell phone usage and social media activity, to assess creditworthiness. In this way, women without traditional credit histories can gain access to credit and build a financial track record. Microfinance opportunities and microloans offered through digital banking platforms provide small, short-term loans for women who may not qualify for traditional bank loans. These financial products can help women start or expand small businesses, cover unexpected expenses, or invest in education and training.

Research has shown that digital banking and financial inclusion are key factors in empowering women by improving their economic status and overall well-being. Access to digital banking services provides

convenience and security, enabling women to save, invest and manage their finances effectively. Financial inclusion is critical to promoting gender equality and empowering women to make informed decisions and participate more actively in economic activities. Digital banking has the potential to bridge the gender gap in financial inclusion and lead to greater financial empowerment and economic opportunities for women. Further research is needed to explore the specific challenges and opportunities in this area and to develop targeted interventions to support women's financial inclusion and empowerment through digital banking. By addressing infrastructure challenges, promoting digital literacy and challenging cultural norms, we can ensure that rural women are empowered through digital banking to take control of their finances and improve their economic wellbeing.

### **The challenges:**

Despite the many benefits of digital banking in the financial empowerment of rural women, there are challenges that need to be addressed to ensure success. The challenges in digital banking and financial inclusion for rural women's financial empowerment include:

1. The literacy rate for women in India is 70.6%, but only 50.6% in rural areas.
2. Limited access to technology and internet connectivity in remote areas
3. Lack of financial literacy and awareness of digital banking services
4. Cultural barriers that can limit women's participation in financial decision-making
5. Inadequate infrastructure for digital banking services in rural areas.
6. There are also issues such as affordability of digital devices and services, data security and privacy concerns,
7. And the need for tailored financial products and services to meet the specific needs of rural women can also pose a challenge to financial inclusion through digital banking.
8. In addition, cultural norms and gender biases can prevent women from taking full advantage of digital banking and reaping its benefits.

### **Suggestions:**

To address the challenges of digital banking and financial inclusion for rural women's financial empowerment, here are some suggestions:

1. Improve access to technology and internet connectivity in remote areas by investing in infrastructure development and expanding network coverage.
2. Offer financial education programs and awareness campaigns tailored to the specific needs of rural women to improve their understanding of digital banking services.
3. Work with local leaders and organizations to break down cultural barriers and encourage women's participation in financial decision-making.
4. Offer affordable digital devices and services, such as mobile banking options, to help rural women access digital banking.
5. Introduce robust data security measures and privacy policies to increase confidence in using digital banking services.
6. Develop customized financial products and services that cater to the specific financial needs and preferences of rural women.
7. Establish mobile banking agents or community banking centers in rural areas to provide one-on-one support to women who encounter difficulties in using digital banking on their own.

8. Partner with government agencies, non-governmental organizations and financial institutions to develop targeted policies and programs specifically focused on promoting financial inclusion and empowerment of rural women through digital banking.

### Conclusion:

In summary, digital banking has the potential to transform the financial landscape for rural women by providing them with access to affordable financial services, promoting their financial literacy and empowering them to build their financial independence.

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