# **Role of FinTech Services in Women’s Economic Empowerment-An Exploratory Study**

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**“There are two powers in the world; one is the sword and the other is the pen. There is a third power stronger than both, that of women.”***-*Malala Yousafzai

**Introduction**

Women hold a tremendous amount of financial power and play an active part in the workforce and economy as a whole. While there are many different theories of change for women’s economic empowerment, most of them involve three broad elements: access to income and assets, control of and benefit from economic gains, and the power to make decisions. the evidence base is quite clear that[if a woman has no control over resources, she really has very little control over her life and choices](https://www.povertyactionlab.org/policy-insight/designing-financial-services-and-social-protection-programs-enhance-womens-economic) — a core aspect of women’s economic empowerment. That is why everyone in the financial inclusion community needs to pay attention to gender, no matter their area of expertise or focus. Women are underrepresented at all levels of the global financial system, from depositors and borrowers to bank board members and regulators. A study conducted by IMF found that greater inclusion of women as users, providers, and regulators of financial services would have benefits beyond addressing gender inequality. Narrowing the gender gap would foster greater stability in the banking system and enhance economic growth. It could also contribute to more effective monetary and fiscal policy.

**Role of Fintech in financial empowerment of women**

The use of digital technology in the financial sector and the rapid expansion of Digital financial services bring new opportunities to help build an inclusive economic infrastructure that offers new opportunities to marginalized communities, especially women. There is no denying the fact that New digital technologies are revolutionizing the financial services industry around the world. India has been an innovation hub in this area, due to its rapid adoption of mobile communication networks. With one of the world's fastest-growing economies, India has undoubtedly emerged as one of the fastest-growing FinTech hotspots in recent years. The explosion of fintech platforms and applications can be tapped to foster greater financial inclusion, especially for women, who are underserved by traditional banking. This paper explores available evidence on the uptake of fintech and women, and how it is changing the financial landscape. It will also highlight examples that illustrate the potential benefits of fintech for women while pinpointing ways in which these emerging technologies need to be better tailored to the specific barriers that Indian women face if they are to be truly empowered.

* The nature of banking and other financial services in India is rapidly shifting, with mobile networks and other new players disrupting traditional financial modes and platforms, while creating new service innovations.
* A growing number of fintech innovations are opening new pathways for previously excluded groups to access banking, insurance, and other financial services, but there are yet few examples of fintech applications tailored to women’s specific needs.
* More innovations are needed in priority areas such as health, education, and social transfers that directly affect a majority of women, with applications tailored to the specific contexts of women entrepreneurs.
* Given the short timeframe of fintech’s incubation to date, there is little systematic evidence on their impacts on women; more monitoring and evaluation of specific innovations are needed to assess their potential benefits.
* Financial inclusion through Fintech
* The fintech industry in India is undoubtedly booming. Globally, the [Fintech adoption rate in India stands at a mighty](https://www.business-standard.com/article/finance/india-has-the-highest-fintech-adoption-rate-of-87-says-fm-sitharaman-121092900710_1.html) 87 percent, second only to China. The factors working behind the promising numbers are increased smartphone usage and improved internet penetration which make Fintech more accessible.

Over the years, as the traditional banking sector has remained partially successful in extending its services to low-income and vulnerable groups, fintech has emerged as an industry disruptor. According to a report published by GSMA, 2021. There has been an increase in Mobile internet awareness among Indian women from 17% in 2017 to 53% in 2021. Fintech companies could provide a safety net (such as credit, savings, or insurance) to alleviate risks that marginalised sections of society particularly women face on day-to-day basis. It has also been accelerated by the schemes and campaigns promoted by the government.

About 357 million individuals who never had a bank account, now have bank accounts in their name. Of these, 53 percent are women account holders. The PMJDY and Direct Benefit Transfer scheme has eased the process for fintech platforms. The United Payments Interface (UPI) has catalysed this process further. UPI was used by 92 banks and recorded over 1.15 billion transactions worth INR 1.91 trillion in October 2019. Additionally, the increased spread of the internet along with the recognition of peer-to-peer lenders as non-banking financial companies by having encouraged fintech start-ups.

**Financial Inclusion of Women through fintech applications**

***Drivers***

1. Time savings and convenience: Women shoulder most of the responsibility of unpaid work with family and at home working seven days a week. They usually prefer keeping cash for transactions and/or depend on any male member of the family to withdraw money from them from ATMs to avoid queues and save travel time. Between work and family obligations, women have very little free time. Some refer to this phenomenon as “time poverty,” and it is a real problem for women in India. Mobile financial services could reduce the challenge of time poverty by giving women the freedom to conduct financial transactions when and where it is convenient for them.
2. Mobility: In India, women face mobility constraints because of their gender. Often men accompany women to go to a bank. Women members have concerns about safety during their travels and lack of permission from the male heads of their households to travel. This hinders access to banking and mobile financial services can solve the mobility barrier by allowing women to conduct transactions from their homes.
3. High rates of access to a mobile phone: Perhaps one of the most significant factors to support women’s use of mobile financial services is the fact that nearly all Indian adults have access to a mobile phone, because they own one or because they borrow one from family and friends. The price differential between basic phones and smartphones has reduced dramatically in the last few years.

***Barriers***

* Despite these drivers, there are barriers to women’s use of mobile financial services, including gender norms, low levels of digital literacy, lack of awareness of these products and their benefits, and distrust of mobile financial services. Legal and societal restrictions on women’s ability to inherit property, and restrictions that limit their ability to engage in economic activity have a direct impact on the ability of women to access finance because they prevent them from acquiring assets that can be used as collateral to obtain loans from financial institutions.
* Another key barrier to women’s financial inclusion is their lack of involvement in household financial decision-making due to societal norms within patriarchal communities. Because proportionately fewer women are involved in household financial decisions, they have a lower level of demand for financial services.
* Major obstacle is the limitations of some mobile financial products on various devices, e.g., some products do not offer an interface for basic or feature phones, and some apps are unavailable in local languages. Finally, the small number of merchants that accept digital payments limits the incentives for women members to adopt these technologies, especially in rural and semi-rural regions.

**Potential role of fintech in addressing women’s barriers**

* Design customized products and services for women: Service providers should use a gender lens when designing new products. Financial service providers must engage with women directly to understand their needs, behaviours, and preferences and try to create value through products that will solve their pain points.
* Invest in training, education, and awareness building: To increase usage among low-income adults, particularly women, the government should engage in a Public-Private Partnership (PPP) with service providers to invest further in education and awareness-building. Education efforts can also help women become more active smartphone users, opening greater market opportunities for mobile money providers. For effective learning, female salesforce and agents should be hired who can educate and support women in their use of mobile products. Mass and social media should address norms of individual financial participation to deliver broad, low-cost financial education.
* Ensure privacy and security: To encourage women to use mobile financial services, the government and providers should ensure the availability of more female banking agent networks for better convenience and security.
* Invest in the customer experience: Build focus on developing women’s trust by offering products that are safe and reliable by avoiding service downtime, inadequate data protection, insufficient agent liquidity, and by ensuring terms and conditions are transparent. The key is excellent customer support because a negative experience can set mobile financial services providers back years in terms of customer acquisition.
* Invest in research on women’s use of mobile financial services and the associated gender gap: Government, development agencies, and experts can invest in research on the gender and social norms preventing Indian women from participating in the formal financial system fully. More information about how social norms affect attitudes and behaviors of women will help the financial inclusion community develop effective strategies, products, and services that account for these limitations.
* Coordinate efforts across all stakeholders to drive a holistic approach to the financial inclusion of women: There should be coordinated efforts to align interests and approaches by buyers, suppliers, service providers, policymakers, and regulators. Doing so will help the financial inclusion community collaborate to ensure systems are established so more women use digital products and services actively. Coordination among all stakeholders could help governments deliver more benefits via digital transfers and could encourage more merchants to accept digital payments.

**Recent Central Financial Institutional and Governmental Efforts**

**National Strategy for Financial Education (NSFE) 2020-25-** The NSFE has been developed by the National Centre for Financial Education (NCFE) in collaboration with key financial regulators in India i.e., Reserve Bank of India, Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India and Pension Fund Regulatory and Development Authority and other stakeholders to strengthen financial inclusion in India. Under this, they plan to create financial awareness amongst people who are newly inducted into the financial system, adults, farmers, school children, senior citizens, SHGs and entrepreneurs via the Financial Literacy Awareness Programmes (FLAPs). The programme will use Mobile Demo Vans fitted with audio-video equipment, ATMs, micro-ATMs to enable people to conduct digital transactions.

* Universal Access to Mobile Connectivity, Digital India: The initiative focuses on network penetration and filling the gaps in connectivity in India. It aims to expand mobile coverage to generate demand for mobile services in rural areas and attract [private-sector telecoms](https://www.investindia.gov.in/sector/telecom) and internet service providers.
* e-RUPI: The Government of India launched the digital payment solution e-RUPI, a cashless and contactless instrument for digital payment. It is expected to play a huge role in making Direct Benefit Transfer (DBT) more effective in digital transactions and give a new dimension to digital governance. One of its advantages is that it is operable on basic phones also, and hence, it can be used by persons who do not own smartphones or in places that lack an internet connection.

While digital financial services are available in many forms—including ATMs, point-of-sale terminals, and debit cards, mobile financial services, the financial services offered through a mobile phone, deliver several benefits that could make adoption more widespread among women. Fintech solutions can potentially contribute to closing the gender gap in financial inclusion by tackling some of the barriers that women face. For example, fintech solutions are often more flexible than traditional banking services (i.e., providing closer proximity, lower transaction fees, and simpler loan application processes) and are therefore better able to account for and meet women’s individual needs. Throughout India, many women organize themselves in savings groups to informally gain access to financial services such as loans. Fintech presents an opportunity to build on these existing practices and enhance them with technologies that will allow access to credit, savings accounts, and other financial products. It can be demonstrated that women have certainly benefited from some of the key innovations that have had an economy-wide impact.

**Impact of fintech solutions on Women**

[UNCDF’s Inclusive Digital Economies and Gender Equality Playbook](https://www.uncdf.org/article/6875/ide-and-gender-equality-playbook) regards digital and financial inclusion as one of the key drivers for women’s economic empowerment and agency and it enhances access to income and assets, grants control over economic gains, and the power to make financial decisions. The pandemic has obviously exacerbated the existing financial inequalities by cutting out safety nets or fall-back measures. With the sudden shift of chief commercial activities and commerce online, the digital economy seems to be the way ahead to manoeuvre in a virtual space. The need for closing the gender digital divide has never been more pressing, and FinTech’s seem to be already taking a lead in areas of financial inclusion. Equitably assimilating women’s requirements into the Fintech industry by tackling the unique socio-economic and systemic challenges faced by them is an economic imperative.

**Challenges for fintech**

While the massive advancements in Fintech are an urban reality, it is still a hassle for significant rural populations to seamlessly access Fintech. [Twenty-three percent of Indian women remain financially excluded and a vast 42 percent of the financially included are dormant account holders](https://www.womensworldbanking.org/wp-content/uploads/2021/08/WWB-The-Power-of-Jan-Dhan-Report-Web.pdf). Though India has been making strides in leading gender-responsive financial inclusion initiatives with schemes like Pradhan Mantri Jan Dhan Yojana 2014, which managed to bring down the gender gap in financial services from[20 percent in 2011 to 6 percent in 2017](https://www.womensworldbanking.org/wp-content/uploads/2021/08/WWB-The-Power-of-Jan-Dhan-Report-Web.pdf), it still needs to deal with the gaping divide in digital access that limits women’s ease of access at a policy level, especially so during a pandemic when physical realities are highly altered. A brief exploration of the structural challenges faced by women would very easily lead us to repeat patterns that aren’t yet redressed by the policy-level financial inclusion schemes that are in place. Some of these challenges are social, such as the [lack/control of mobility and the gender roles](https://www.womensworldbanking.org/wp-content/uploads/2021/08/12_07_2021_UNCDF_Inclusive_Digital_Economies_Gender_Equality_Playbook.pdf) imposed on women to limit their economic participation and restrict earning and saving opportunities, while others are [market constraints](https://www.womensworldbanking.org/wp-content/uploads/2021/08/12_07_2021_UNCDF_Inclusive_Digital_Economies_Gender_Equality_Playbook.pdf), such as low digital literacy, low entrepreneurial skills or market information, lack of personal collaterals or credit history. Factors like restrictions on in-person mobility and loss of employment have increased limitations of already underbanked groups such as women, making them more vulnerable. Other [structural gaps](https://www.microsave.net/wp-content/uploads/2020/01/191125_The-real-story-of-womens-financial-inclusion-in-India_Gender-research-report.pdf) lie in the ownership of ID documents, levels of mobile handset, and internet access. These challenges should be redressed through thorough accounting of the nature of gaps using gender aggregated data and the development of befitting schemes to troubleshooting biases and blind spots.

The COVID-19 predicament provides an opportunistic window to leverage the benefits of technology and to stall a replication of the biases of the physical world in the digital one. Despite the increasing economic agency and access of women, they still appear to be an underserved lot in financial terms. [Approaches that may appear to be gender-neutral in fact default toward men’s needs and preferences](https://www.womensworldbanking.org/), Therefore, FinTech needs to invest more in Research and Development (R&D) to unearth distinctive challenges faced by women. They need to forge newer gender-sensitive approaches to redress structural challenges faced by women and cater specifically to them through tailor-made financial services that understand their needs and savings strategies.

**Moving towards a solution**

A [Harvard Business Review](https://hbr.org/2013/09/global-rise-of-female-entrepreneurs) study revealed women spend 90 percent of every dollar earned on building human resources like education as compared to only about 40 percent done by men.  At this juncture, when digitisation has certainly been accelerated by three to four years due to the pandemic, fintech armed with digital innovation can intervene in the arena of microfinance institutions that cater specifically to women through Self Help Groups (SHG).

The ‘Power of Jan Dhan: Making Finance Work for Women in India’ report states that by serving 100 million low-income women, public sector banks in India can attract approximately INR 25,000 crore in deposits while financially empowering 40 crores low-income Indians.

The huge number of start-ups in the Fintech industry can mutate their models and get innovative in their reach, impact, and problem-solving efficiency. In a recent example, the internet giant Google, through its Women Will platform, pledged to help 100,000 rural women entrepreneurs in financial and digital literacy. “When women have equal access to opportunity, we all benefit from their perspectives, creativity, and their expertise, and this is true all over the world. Yet, when it comes to accessing opportunity, deep inequalities persist. The [‘Power of Jan Dhan: Making Finance Work for Women in India’](https://www.womensworldbanking.org/wp-content/uploads/2021/08/WWB-The-Power-of-Jan-Dhan-Report-Web.pdf) report states that by serving 100 million low-income women, public sector banks in India can attract approximately INR 25,000 crore in deposits while financially empowering 40 crores low-income Indians. This will not only improve financial inclusion but also provide a stable platform for Fintech companies to operate.

**Conclusion**

Though the pandemic has disproportionately affected women and led them to face extreme financial distress along with gigantic job losses given their over-representation in the informal sector, they can start to re-envision a smoother road from isolation to inclusion with the help of financial technology. Technology can definitely work as a great leveler of the playing field and a game-changer in the financial landscape of India. It has erased barriers of the physical world and with the help of gender-focused policies, it can paint a more sustainable picture for financially-empowered women. It is definitely a long road to closing these gender gaps but FinTechs can tread these choppy waters with ease.

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