

# Gendered Financial Inclusion in India: An Analysis of Inter-State Disparities in Women's Participation

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DOI: <https://doi.org/10.36347/sjebm.2026.v13i05.002> | Received: 02.04.2026 | Accepted: 14.05.2026 | Published: 16.05.2026

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## Abstract

## Original Research Article

As women constitute half of India's total population, the financial inclusion of women should not be treated solely as a social goal but also as an instrument for tapping the nation's untapped development potential. Greater financial inclusion of women can help to generate ripple effects across households, businesses and sectors of the economy. Greater participation of women in financial services is required to break the traditional patriarchal system that suppresses women in all quarters of life, thereby ensuring them greater access to education, employment, health & nutrition and increased political participation. The Government of India has introduced several financial schemes, including Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Vaya Vandana Yojana (PMVVY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY), among others. However, women's participation in these schemes remains relatively low and unsatisfactory, requiring a special policy thrust to ensure they reach the intended population. Using descriptive statistics and Pearson's correlation coefficients, the present study examines the extent of inter-state disparities in female participation in the formal financial system, including bank deposits, loans, insurance and government financial schemes and attempts to identify the patterns that influence women's financial inclusion in India. The study confirms the presence of sizeable inter-state disparities in female participation in the formal financial sector and government financial schemes. Loans to Women Self Help Groups per lakh of female population registered the highest degree of inter-state disparities (CV=0.327), followed by Percentage of female employees to the total employees in Scheduled Commercial Banks (CV=0.255). The findings suggest that women-centric financial schemes launched by the government, with fewer documentation requirements and greater financial support for women-only SHGs from banks and other institutional sources of finance, can help improve women's financial inclusion in the country.

**Keywords:** Financial inclusion, gender inequalities, Scheduled Commercial Banks, PMVVY, PMJDY, PMSBY.

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## 1. INTRODUCTION

India is a country with a large amount of population living below the poverty line, having very limited access to basic facilities and witnessing inequality in almost all dimensions of socio-economic life. From an economic viewpoint, only fair and just socio-economic institutions can address poverty and inequality. Every rise in national or per capita income may not manifest real development unless accompanied by a reduction in poverty, hunger and inequality. Along with regional, sectoral and personal inequalities in India, the problem of gender inequality is a long-standing problem, which needs to be uprooted by effectively targeting the traditional and orthodox socio-economic structures and institutional arrangements. For centuries, females have been denied equal opportunities and therefore, lag behind males in all spheres of socio-economic life. Despite reasonable growth in gender-

sensitive laws, increased participation of women in the political sphere and their appreciable educational pursuits, there is a need to make socio-economic institutions and arrangements more inclusive so that gender empowerment does not remain merely a slogan or a long distant dream but becomes a reality for the nation. Greater participation of women in financial services is required to break the traditional patriarchal system that suppresses women in all quarters of life, thereby ensuring them greater access to education, employment, health & nutrition and increased political participation.

As women constitute half of India's population, the financial inclusion of women should be treated not only as a social goal but also as an instrument of economic growth. Greater financial inclusion of women is expected to generate ripple effects across households,

generations, businesses and sectors of the economy. Women's greater access to financial services, i.e., banking, insurance, credit and government financial schemes can help the nation tap the untapped potential of this population segment. As women have a greater tendency to invest in their families' education, health and nutrition than their male counterparts, their inclusion in the financial system will raise the nation's overall productivity and economic efficiency. It can help to address the issue of low female workforce participation, thereby reducing the overall dependency rate, poverty and hunger in the country. It is also an essential measure to reap the benefits of India's young demography, which otherwise can become a catastrophe if not managed carefully. Women's greater access to financial services can also help the nation address the issue of violence and discrimination against women in the country.

Financial inclusion means ensuring that all individuals, sections, ethnic groups and businesses have equal access to affordable financial products and services such as bank deposits & credit accounts, insurance, loans, digital wallets and payments etc. Financial inclusion also includes equal access to awareness and knowledge of financial means and instruments. In the absence of financial literacy, people cannot be expected to participate in the formal financial system.

The Government of India has introduced several financial schemes over the years to empower the masses, especially women and ensure their equal access to affordable financial services, such as Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Vaya Vandana Yojana (PMVVY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) and financial support to all women self-help groups (SHGs). However, women's participation in these schemes remains relatively low and unsatisfactory, requiring a special policy thrust to ensure they reach the intended population. The Pradhan Mantri Vaya Vandana Yojana (PMVVY) is a pension scheme launched by the government of India to provide a regular income in the form of a guaranteed pension to senior citizens, ensuring the financial security of people aged 60 and above. PMVVY offers a steady income stream to senior citizens through flexible pension payouts.

The Pradhan Mantri Suraksha Bima Yojana (PMSBY) is an accidental insurance scheme offered by the government of India to provide a simple, cost-effective insurance solution for accidental death and disability to eligible individuals at a very low premium of Rs 12 per year, with accidental death coverage of Rs 2 lakh. Pradhan Mantri Jan-Dhan Yojana (PMJDY) was launched by the government to ensure affordable access to meaningful financial products and services, including opening basic savings & deposit accounts with no minimum balance requirement, along with debit card provision, remittance, credit, insurance and pension facilities for the masses.

The present study examines the extent of inter-state disparities in female participation in the formal financial system in India, including bank deposits, loans, insurance and government financial schemes and attempts to identify the patterns that influence women's financial inclusion in the country.

## 2. REVIEW OF LITERATURE

Mashoene and Schaling (2026), using panel data and the generalised method of moments, analysed the effect of digital financial inclusion on poverty and inclusive growth in emerging developing countries worldwide. The findings showed a significant positive effect of digital financial inclusion on inclusive growth, whereas inclusive growth shared a significant negative relationship with poverty. The authors proposed focusing on digital financial inclusion to address poverty in emerging developing economies.

Dar and Ahmed (2020) examined the factors affecting financial inclusion in India and found that gender, age, education and income significantly affected the level of financial inclusion over the period. The authors recommended a greater focus on women-specific financial schemes and policies to make financial inclusion more gender inclusive. Asuming and Mohammed (2019), using the Global Findex database, studied trends in financial inclusion across 31 Sub-Saharan African countries and found a significant rise in financial inclusion in those nations during 2011-2014, though improvement rates varied across countries. The study found that GDP growth, the number of financial institutions, age, level of education, gender and wealth significantly affected the level of financial inclusion across nations.

Barik and Sharma (2019) examined the progress and future prospects of financial inclusion in India. The study found appreciable improvement in financial inclusion in India, particularly after the introduction of the Pradhan Mantri Jan Dhan Yojana. Similarly, digital transactions and payments have witnessed tremendous growth in India post-demonetisation. However, the study found that uneducated, rural, and elderly women have much less access to digital transactions and payments than other groups. The study recommended that improved provision of digital infrastructure in remote and rural areas, a greater number of financial literacy centres and adequate provision of credit to disadvantaged sections of society can help mitigate the gap.

Cabeza-García *et al.*, (2019) conducted instrumental variable analysis across 91 developed and emerging countries, using the Global Findex (2015) and the World Bank database. The authors investigated the effects of female financial inclusion on inclusive economic development in these nations. The study showed that greater financial inclusion of women, through improved access to bank accounts and credit card facilities, positively affects a nation's overall

economic development, whereas greater access to bank loans did not show a significant relationship with economic development.

Using cross-sectional analysis, Arasu, B.S. *et al.*, (2018) analysed the relationship between the use of basic financial services and women's land ownership across 35 developing countries worldwide. The study found a significant relationship between land ownership status and women's demand for basic financial services, such as opening a bank deposit or savings account. However, the relationship between land ownership status and formal and informal credit was found to be weak and insignificant.

Anzoategui, D. *et al.*, (2014), using household-level data from El Salvador, investigated how remittances affected households' use of savings and credit instruments. The authors found that, despite a positive impact on financial inclusion through an increase in the number of deposit accounts, remittances did not significantly affect the demand for or use of credit from formal institutions.

All the studies clearly point out the importance of financial inclusion in addressing poverty and promoting fair economic growth. Gender and level of education have been found to significantly affect the goal of financial inclusion in nations. Therefore, it is fundamentally important to ensure that more women participate in the formal financial system, which can help them build their lives through improved education, higher workforce participation, greater socio-economic opportunities and increased social status.

### 3. Objectives and Methodology

The study has been conducted to achieve the following objectives;

1. To examine the extent of inter-state disparities in female participation in the formal financial sector, including the government financial schemes in India.
2. To explore inter-linkages between female participation in banking, insurance and various government financial schemes to identify the patterns influencing the financial inclusion of women across states of India.
3. Provide actionable insights to improve the level of women's financial inclusion in India.

The study has been conducted on the top 10 most populous states of India, including Uttar Pradesh, Maharashtra, Bihar, West Bengal, Andhra Pradesh, Madhya Pradesh, Tamil Nadu, Rajasthan, Karnataka and Gujarat. The study uses secondary data published by various sources, such as the Basic Statistics Return Survey, the Reserve Bank of India, the Department of

Financial Services, the Ministry of Finance, the database available on the Mudra Portal, the Central Depository Services India Limited (CDSL) and the Micro Credit Innovation Department, NABARD. Descriptive statistics, including the mean, coefficient of variation, maximum and minimum values and intercorrelations have been used to achieve the study objectives. Seven indicators of female participation in the formal financial system have been studied for the purpose, which are;

- Percentage of female employees to the total employees in Scheduled Commercial Banks (FMEPL)
- Percentage of female deposit accounts to the total number of deposit accounts in SCBs (FMDPA)
- Percentage of female subscribers to total subscribers of Pradhan Mantri Vaya Vandana Yojana (PMVVY)
- Enrolment of females in Pradhan Mantri Suraksha Bima Yojana per lakh of female population (PMSBY)
- Percentage of female accounts to the total number of accounts under Pradhan Mantri Jan Dhan Yojana (PMJDY)
- Percentage of female DEMAT Account Holders to Total Account Holders with CDSL (FMDMA)
- Loans to Women Self Help Groups per lakh of female population (LWSHG)

### 4. RESULTS AND DISCUSSION

To capture female participation in the formal financial system at the inter-state level in India, secondary data on seven indicators has been collected and presented in Table 1. The data shows that Tamil Nadu performed best in terms of the percentage of female employees among total employees in Scheduled Commercial Banks (FMEPL), with Bihar performing at the bottom among the 10 most populous states. Tamil Nadu also emerged as the top performer in terms of the percentage of female deposit accounts among SCBs (FMDPA) and the percentage of female accounts to the total number of accounts under Pradhan Mantri Jan Dhan Yojana (PMJDY), with Gujarat at the bottom among all 10 states in both the indicators. However, Gujarat emerged as the top performer in terms of the percentage of female subscribers to total subscribers of Pradhan Mantri Vaya Vandana Yojana (PMVVY). Maharashtra stood at the top of the pedestal in terms of the percentage of female DEMAT account holders to total account holders with CDSL (FMDMA), with Bihar at the bottom. West Bengal recorded the highest amount of loans to Women Self Help Groups per lakh of the female population (LWSHG), whereas Uttar Pradesh recorded the lowest amount of loans to exclusively women SHGs.

**Table 1: Statistics on FMEPL, FMDPA, PMVY, PMSBY, PMJDY, FMDMA, and LWSHG in the top 10 states of India**

STATE	FMEPL	FMDPA	PMVY	PMSBY	PMJDY	FMDMA	LWSHG
UTTAR PRADESH	19.947	43.287	35.185	32783.005	53.305	15.503	4430319
MAHARASHTRA	29.710	34.038	43.258	29936.714	57.420	22.339	1141896
BIHAR	13.959	38.925	28.959	36722.620	55.986	13.503	1458680
WEST BENGAL	19.863	41.047	32.090	39138.857	57.205	18.401	14799745
ANDHRA PRADESH	25.377	43.287	36.626	33107.995	57.153	18.140	13268871
MADHYA PRADESH	19.841	36.274	36.933	46407.190	57.127	17.842	8165998
TAMIL NADU	31.254	44.105	40.694	36547.143	58.431	22.321	12935982
RAJASTHAN	16.315	37.089	37.902	37447.483	52.802	16.114	9048128
KARNATAKA	30.763	40.447	42.907	35510.507	58.023	21.611	12098533
GUJARAT	21.041	30.539	46.163	25391.219	49.920	20.704	5547763

**Source:** Basic Statistics Return Survey, the Reserve Bank of India, Department of Financial Services, the Ministry of Finance, the database available on Mudra Portal, the Central Depository Services India Limited (CDSL) and the Micro Credit Innovation Department, NABARD.

Table 2 confirms the presence of sizeable inter-state disparities in female participation in the formal financial sector and government financial schemes. Loans to Women Self Help Groups per lakh of female population (LWSHG) registered the highest degree of inter-state disparities (CV=0.327) followed by Percentage of female employees to the total employees in Scheduled Commercial Banks (FMEPL), Percentage of female DEMAT Account Holders to Total Account Holders with CDSL (FMDMA), Enrolment of females in

Pradhan Mantri Suraksha Bima Yojana per lakh of female population (PMSBY), Percentage of female subscribers to total subscribers of Pradhan Mantri Vaya Vandana Yojana (PMVY), Percentage of female deposit accounts to the total number of deposit accounts in SCBs (FMDPA). The percentage of female accounts to the total number of accounts under Pradhan Mantri Jan Dhan Yojana (PMJDY) recorded the lowest degree of disparity across states.

**Table 2: Descriptive Statistics on FMEPL, FMDPA, PMVY, PMSBY, PMJDY, FMDMA, and LWSHG in the top 10 states of India**

Indicator	Mean	Coefficient of Variation	Minimum	Maximum	Range
FMEPL	22.807	0.255	13.959	31.254	17.295
FMDPA	38.904	0.108	30.539	44.105	13.566
PMVY	38.072	0.132	28.959	46.163	17.204
PMSBY	35,299.273	0.152	25,391.219	46,407.190	21,015.971
PMJDY	55.737	0.047	49.920	58.431	8.511
FMDMA	18.648	0.155	13.503	22.339	8.836
LWSHG	10,630,110	0.327	4,430,319	14,799,745	1,03,69,426

Author's own calculations

To find the linkages between female participation in banking, insurance, and various government financial schemes, and to identify complementary/conflicting patterns that influence the

financial inclusion of women across states of India, a correlation matrix has been constructed and is presented in Table 3. P-values have been computed to check for the significance of various correlation coefficients.

**Table 3: Correlation Matrix**

	FMEPL	FMDPA	PMVY	PMSBY	PMJDY	FMDMA	LWSHG
FMEPL	1.000	0.202	0.647*	-0.247	0.533	0.886*	0.199
FMDPA	0.202	1.000	-0.476	0.314	0.526	-0.176	0.381
PMVY	0.647*	-0.476	1.000	-0.529	-0.206	0.818*	-0.387
PMSBY	-0.247	0.314	-0.529	1.000	0.501	-0.315	0.269
PMJDY	0.533	0.526	-0.206	0.501	1.000	0.294	0.736*
FMDMA	0.886*	-0.176	0.818*	-0.315	0.294	1.000	0.079
LWSHG	0.199	0.381	-0.387	0.269	0.736*	0.079	1.000

\* Significant at  $p \leq 0.05$

Table 3 shows significant relationships between FMEPL and PMVY, FMEPL and FMDMA, PMVY and FMDMA and PMJDY and LWSHG. FMDPA and

PMSBY shared a statistically insignificant relationship with all other indicators used in the study. The results showed that states with more women employees in SCBs

had a higher percentage of women with DMAT accounts. Table 3 shows the highest degree of relationship between FMEPL and FMDMA, followed by PMVVY and FMDMA, LWSHG and PMJDY and FMEPL and PMVVY.

## 5. CONCLUSION

The problem of gender inequality is a long-standing problem in India, shaped by traditional and orthodox economic and social structures and institutional arrangements. To reach its full developmental potential, India must ensure greater participation by women in the formal financial system. Financial inclusion of women can effectively break traditional patriarchal norms, ensuring greater access to education, employment, health & nutrition and increased political participation by women. An examination of variables such as percentage of female employees to the total employees in Scheduled Commercial Banks (FMEPL), percentage of female deposit accounts to the total number of deposit accounts in SCBs (FMDPA), percentage of female subscribers to total subscribers of Pradhan Mantri Vaya Vandana Yojana (PMVVY), enrolment of females in Pradhan Mantri Suraksha Bima Yojana per lakh of female population (PMSBY), percentage of female accounts to the total number of accounts under Pradhan Mantri Jan Dhan Yojana (PMJDY), percentage of female DEMAT Account Holders to Total Account Holders with CDSL (FMDMA) and loans to Women Self Help Groups per lakh of female population (LWSHG) confirms the presence of sizeable inter-state disparities in female participation in the formal financial sector and government financial schemes. Loans to Women Self Help Groups per lakh of female population (LWSHG) registered the highest degree of inter-state disparities (CV=0.327) followed by Percentage of female employees to the total employees in Scheduled Commercial Banks (FMEPL), Percentage of female DEMAT Account Holders to Total Account Holders with CDSL (FMDMA), Enrolment of females in Pradhan Mantri Suraksha Bima Yojana per lakh of female population (PMSBY), Percentage of female subscribers to total subscribers of Pradhan Mantri Vaya Vandana Yojana (PMVVY), Percentage of female deposit accounts to the total number of deposit accounts in SCBs (FMDPA). The percentage of female accounts to the total number of accounts under Pradhan Mantri Jan Dhan Yojana (PMJDY) recorded the lowest degree of disparity across states. FMEPL and FMDMA recoded the highest degree of relationship, followed by PMVVY and FMDMA, LWSHG and PMJDY and FMEPL and PMVVY. The findings suggest that women-centric financial schemes launched by the government, with fewer documentation requirements and greater financial support for women-only SHGs from banks and other institutional sources of finance, can help improve women's financial inclusion in the country.

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