



FinTech *for the* Last Mile

Financial Inclusion in the Era of Amrit Kaal

Dr. B. Indira Priyadharshini

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Editors

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Dr. B. Indira Priyadharshini

Assistant Professor

Department of Commerce (CA), NGM College, Pollachi

Mr. A. Prakalathan

Assistant Professor

Department of Commerce (CA), NGM College, Pollachi

Dr. D. Saranya

Assistant Professor

Department of Commerce (CA), NGM College, Pollachi

Dr. M. Nirmala

Assistant Professor

Department of Commerce (CA), NGM College, Pollachi

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DIGITAL FINANCIAL INCLUSION AND ITS ROLE IN THE ECONOMIC EMPOWERMENT OF RURAL WOMEN

Dr. R. AMSAVENI

ASSISTANT PROFESSOR, DEPARTMENT OF COMMERCE (FINANCE)
NGM COLLEGE, POLLACHI

ABSTRACT

Digital financial inclusion has emerged as a powerful instrument for addressing economic inequalities and fostering inclusive development, particularly among marginalized populations. Rural women represent one of the most financially excluded groups due to structural barriers such as limited access to formal banking institutions, low financial literacy, socio-cultural constraints, and inadequate digital infrastructure. This article examines the role of digital financial inclusion in promoting the economic empowerment of rural women. It explores how access to digital financial services—such as mobile banking, digital payments, fintech-based credit, and direct benefit transfer mechanisms—enhances women's income control, entrepreneurship, financial decision-making, and economic security. The paper also discusses the role of government initiatives, self-help groups, and fintech innovations in expanding financial access. Despite notable progress, challenges including digital illiteracy, infrastructure gaps, and gender-based technology disparities persist. The study concludes that digital financial inclusion, when supported by gender-sensitive policies and capacity-building initiatives, can serve as a transformative tool for the sustainable economic empowerment of rural women and inclusive rural development.

Keywords: *Digital Financial Inclusion, Rural Women, Economic Empowerment, Financial Literacy, Fintech, Gender Equality*

Introduction

Economic empowerment of women is a fundamental prerequisite for achieving inclusive and sustainable development. Among women, those residing in rural areas face multiple layers of disadvantage due to poverty, geographic isolation, patriarchal norms, and limited access to resources. Traditionally, rural women have remained outside the formal financial

system, relying heavily on informal savings mechanisms and exploitative credit sources.

In recent years, digital financial inclusion has gained prominence as a development strategy aimed at extending financial services to underserved populations through digital platforms. Digital finance encompasses mobile banking, digital wallets, online credit facilities, payment platforms, and technology-enabled financial services. These innovations reduce transaction costs, overcome geographic barriers, and enable direct access to formal financial systems.

This article critically examines how digital financial inclusion contributes to the economic empowerment of rural women by enhancing financial access, enabling entrepreneurship, strengthening income security, and increasing decision-making power. The Indian context is particularly emphasized due to its large rural population and extensive digital financial initiatives.

Review of Literature

The concept of digital financial inclusion has gained significant scholarly attention in recent years due to its potential to promote inclusive economic growth and reduce gender-based inequalities. A growing body of literature highlights the role of digital finance in enhancing access to financial services for marginalized populations, particularly rural women, who have historically remained excluded from formal financial systems.

Demirgüç-Kunt et al. (2018), through the Global Findex Database, emphasize that women are disproportionately excluded from financial services worldwide, especially in rural and developing regions. The study identifies lack of documentation, mobility constraints, and socio-cultural norms as key barriers limiting women's access to formal finance. The authors argue that digital financial services, including mobile banking and electronic payments, can significantly reduce these barriers by offering low-cost and accessible financial solutions.

Klapper and Singer (2017) examine the role of fintech innovations in expanding financial inclusion and conclude that digital finance has the capacity to bridge traditional gaps in banking access. Their study highlights that digital platforms reduce transaction costs and geographical constraints, making financial services more accessible to rural populations. However,

the authors caution that access alone is insufficient unless accompanied by digital and financial literacy initiatives.

Several studies specifically focus on the relationship between digital financial inclusion and women's economic empowerment. World Bank (2021) reports that digital financial services enhance women's control over income and savings, leading to improved household welfare and increased participation in economic decision-making. The report underscores that women who receive income digitally are more likely to save and invest in productive assets compared to those relying on cash-based systems.

In the Indian context, studies by the Government of India (2022) highlight the impact of initiatives such as the Pradhan Mantri Jan Dhan Yojana, Direct Benefit Transfer mechanisms, and Unified Payments Interface (UPI) in expanding financial access among rural women. The report notes that the integration of digital finance with welfare programs has strengthened income security and reduced leakages, thereby improving women's economic resilience.

Research on self-help groups (SHGs) and digital finance also provides valuable insights. According to OECD (2020), the digital linkage of SHGs with formal banking institutions has enhanced women's access to credit and entrepreneurial opportunities. The study finds that digital transaction records help build credit histories, enabling rural women to access institutional loans without collateral. This has contributed to the growth of women-led micro-enterprises and self-employment in rural areas.

Financial literacy emerges as a recurring theme in the literature. Lusardi and Mitchell (2014) emphasize that financial literacy is a critical determinant of effective financial inclusion. Their findings suggest that women with higher levels of financial knowledge are more likely to use digital financial services confidently and responsibly. Similarly, studies highlight that digital literacy programs significantly improve women's ability to navigate fintech platforms and avoid financial fraud.

Despite the positive impacts, scholars also point to persistent challenges. OECD (2020) and World Bank (2021) identify the digital gender divide, limited access to smartphones, and inadequate rural infrastructure as major constraints affecting the adoption of digital finance among rural women. Socio-cultural barriers and concerns related to cybersecurity further restrict women's participation in digital financial systems.

Conceptual Framework: Digital Financial Inclusion and Economic Empowerment

Digital financial inclusion refers to the access and effective use of digital financial services by individuals and enterprises that are traditionally excluded from the formal financial system. Economic empowerment, in the context of rural women, involves increased control over income, access to productive resources, participation in economic activities, and enhanced decision-making capacity.

The relationship between digital financial inclusion and women's empowerment is multidimensional. Access to financial services alone does not guarantee empowerment; rather, empowerment occurs when women are able to use financial tools meaningfully to improve their economic and social well-being. Digital platforms facilitate this by enabling autonomy, transparency, and financial independence.

Status of Financial Exclusion Among Rural Women

Rural women face persistent financial exclusion due to several interrelated factors:

- Limited banking infrastructure in remote areas
- Low levels of financial and digital literacy
- Socio-cultural norms restricting women's mobility and financial decision-making
- Lack of asset ownership, which limits access to formal credit
- Dependence on informal moneylenders charging high interest rates

According to global financial inclusion reports, women are significantly less likely than men to own bank accounts or use digital financial services, particularly in rural and developing regions. This exclusion perpetuates poverty, vulnerability, and economic dependence.

Role of Digital Financial Inclusion in Economic Empowerment of Rural Women

Access to Formal Financial Services

Digital financial platforms have enabled rural women to open and operate bank accounts without frequent physical visits to banks. Mobile banking

and biometric authentication systems simplify account management and reduce dependency on intermediaries. Government-led initiatives such as zero-balance bank accounts and mobile payment systems have significantly expanded women's access to formal finance.

Having a personal bank account empowers women by:

- Securing their savings
- Reducing financial dependency
- Enhancing transparency in financial transactions

Direct Benefit Transfers and Income Security

Digital financial inclusion has facilitated the implementation of Direct Benefit Transfer (DBT) systems, ensuring that government welfare payments reach beneficiaries directly. For rural women, this includes wages, pensions, maternity benefits, and subsidies.

DBT enhances economic empowerment by:

- Reducing corruption and leakage
- Ensuring timely payments
- Increasing women's control over welfare income

Regular and predictable income flows strengthen household economic stability and improve women's bargaining power.

Promotion of Women Entrepreneurship and Self-Employment

Digital finance plays a critical role in supporting women-led micro-enterprises. Fintech platforms provide access to:

- Microloans and digital credit
- Flexible repayment mechanisms
- Digital transaction records that build credit histories

Self-help groups (SHGs) integrated with digital banking systems enable rural women to pool savings, access institutional credit, and invest in income-generating activities such as agriculture, handicrafts, food processing, and small retail businesses.

Digital Payments and Market Integration

Digital payment systems allow rural women to participate more actively in local and regional markets. Cashless transactions reduce risks associated with cash handling and enhance business efficiency.

Through digital platforms, women can:

- Receive payments directly from customers
- Access digital marketplaces
- Expand beyond local markets

This integration increases income opportunities and reduces dependence on middlemen.

Financial Literacy and Capacity Building

Digital financial inclusion initiatives often include financial literacy programs aimed at improving women's understanding of savings, credit, insurance, and investments. Financial literacy strengthens women's confidence in using digital tools and enhances their ability to make informed financial decisions.

Studies indicate that digitally literate women are more likely to:

- Save regularly
- Invest in productive assets
- Plan for future risks

Social and Developmental Impacts of Economic Empowerment

Economic empowerment of rural women through digital finance extends beyond income generation. It contributes to broader social outcomes such as:

- Improved household nutrition and education
- Enhanced healthcare access
- Greater participation in community institutions
- Reduced vulnerability to domestic and economic exploitation

Empowered women act as catalysts for intergenerational development and inclusive rural growth.

Challenges in Digital Financial Inclusion of Rural Women

Despite significant progress, several challenges persist:

Digital Divide

Limited access to smartphones, internet connectivity, and electricity continues to hinder digital adoption in rural areas.

Gender Gap in Technology Use

Women often have restricted access to mobile devices and digital tools due to socio-cultural norms.

Digital and Financial Illiteracy

Low literacy levels limit women's ability to use digital platforms effectively and safely.

Cybersecurity and Trust Issues

Fear of fraud, data misuse, and financial loss reduces confidence in digital financial systems.

Policy Implications and the Way Forward

To maximize the empowerment potential of digital financial inclusion, the following strategies are essential:

- Gender-sensitive digital finance policies
- Expansion of rural digital infrastructure
- Community-based digital literacy training
- Integration of SHGs with fintech platforms
- Strengthening consumer protection mechanisms

Collaborative efforts between governments, financial institutions, NGOs, and technology providers are crucial for sustainable outcomes.

Conclusion

Digital financial inclusion plays a transformative role in the economic empowerment of rural women by expanding access to financial services,

enhancing income security, promoting entrepreneurship, and strengthening financial autonomy. While challenges related to infrastructure, literacy, and gender norms remain, targeted policies and inclusive digital strategies can significantly amplify the benefits. Empowering rural women through digital finance not only improves their individual economic status but also contributes to household welfare, community development, and national economic growth. Therefore, digital financial inclusion must be viewed as a critical pillar of gender-inclusive and sustainable development.

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