THE INFLUENCE OF FINANCIAL INCLUSION ON DIMENSIONS OF WOMEN'S EMPOWERMENT: EVIDENCE FROM KERALA STATE, INDIA, AND CHITTAGONG DIVISION, BANGLADESH

Rajib Chakraborty, Port City International University, Bangladesh
Rebecca Abraham, Nova Southeastern University, U.S.A.

dx.doi.org/10.18374/JIFE-23-2.1

ABSTRACT

This paper measures the impact of financial inclusion on women's empowerment in Kerala State, India, and Chittagong, Division, Bangladesh. We define financial inclusion as the provision of savings accounts to the unbanked population. We found that women in Kerala participated fully with men in large purchase decisions in the post-financial inclusion period. Participation by all family members in household finance decisions increased in Chittagong, following the ownership of savings accounts by women. Mean differences showed increased participation by women in purchases of clothing, fuel, education, medical expenses, food, loan repayment, social and religious expenses, savings accumulation, furniture, and livestock purchases. Financial inclusion increased savings in both locations. Financial inclusion increased income, social consciousness, and psychological empowerment, respectively, in Kerala.

Keywords: women's empowerment, financial inclusion, savings, Kerala, Chittagong

1. INTRODUCTION

Worldwide up to two billion adults are unbanked, being detached from check payments, wire transfers, certificates of deposit, mortgages, and consumer loans (Global Findex Database, 2017). Financial inclusion is the provision of savings accounts to this unbanked population. We believe that it is the accumulation of savings in a passbook savings account, or other repository of cash, that permits long-term savings for children's education, quality health care, and ownership of property. The theoretical basis for financial inclusion is provided by the Solow-Swan growth model. In the pre-financial inclusion period, subsistence wages, and lack of savings result in $r = 0$, where r is the return to capital stock. With financial inclusion, the accumulation of savings, causes r to generate positive returns that exceed the negative returns to labor, achieving economic growth (Solow, 1986).

We posit that financial inclusion is empowering for women. Women are engaged in daily household finance decisions, such as purchasing food, clothing, and fuel. Intuitively, the ownership of a savings account moves an individual from the unstable fringe of society to its center. They become part of the global financial system, with its resources to meet liquidity needs, and plan for the future. The feeling of marginalization, and loss of self-worth, may be replaced by self-confidence, increased mental strength, and the feeling that "I am somebody." This is psychological empowerment. Women may acquire a broader understanding of societal amenities, such as having pure drinking water, having awareness of common diseases, and having sanitary toilet facilities. If account balances fail to meet expenditures, emergency bank lending, may make up the deficiency—choices that did not exist in the pre-financial inclusion period. We fill a gap in the literature on the impact of financial inclusion, defined as first-time ownership of a savings account. Microfinance, or the granting of loans to women entrepreneurs, has been examined extensively (Kemp and Berkovitch, 2020; Laha and Kuri, 2014), but that is not financial inclusion as defined in this paper.

We examine the effects of financial inclusion on women in 2 developing country locations. The first location is Kerala state in India, where women have some exposure to savings, with accounts in post