



Banking the unbanked: Financial inclusions for rural traders and women entrepreneurs

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Abstract

Financial inclusion plays a vital role in achieving inclusive economic growth by integrating the unbanked population into the formal banking system. In India, rural communities and women entrepreneurs often face barriers such as limited access to banking services, low financial literacy, and socio-economic constraints. Women constituting half of our population represent an untapped source of economic growth and entrepreneurship is one way of using the vast pool of human resource as mediators of that growth. While banks do not deliberately exclude women and rural areas, something in the system is not working. It therefore becomes imperative that any vision of India's financial system in the coming years takes this financial gap as a matter of concern. This study examines the role of banking and financial inclusion initiatives in promoting rural development and empowering women entrepreneurs. The research is descriptive and analytical in nature and is based on secondary data collected from reports of the Reserve Bank of India, NABARD, World Bank, and government publications, along with an illustrative survey of rural women entrepreneurs. The paper highlights major financial inclusion initiatives, evaluates their impact, identifies challenges, and suggests measures to strengthen financial inclusion for sustainable rural development and women entrepreneurship. Financial literacy for women is a key, but awareness in society also has to play a big role in bridging this gap and the paper is step in that direction.

Keywords: Financial inclusion, rural development, women entrepreneurs, banking, unbanked population

Introduction

“Financial inclusion is not merely about opening bank accounts; it is about empowering people economically.”

~~ Reserve Bank of India

Financial inclusion is the availability and equality of opportunities to access financial services. It refers to processes by which individuals and businesses can access appropriate, affordable, and timely financial products and services—which include banking, loan, equity, and insurance products. It provides paths to enhance inclusiveness in economic growth by enabling the unbanked population to access the means for savings, investment, and insurance towards improving household income and reducing income inequality. Financial-inclusion efforts typically target those who are unbanked or underbanked, and then direct sustainable financial services to them. Providing financial inclusion entails going beyond merely opening a bank account. Banked individuals can be excluded from other financial services. Having more-inclusive financial systems has been linked to stronger and more sustainable economic growth and development, thus achieving financial inclusion has become a priority for many countries across the globe.

Background

In India

The concept of financial inclusion, extending financial services to those who typically lack access, has been a goal for the Government of India since the 1950s. The nationalization of banks, which occurred in 1969 with the nationalization of 14 commercial banks by Prime Minister Indira Gandhi, brought banking facilities to previously unreached areas of the country. In 1975, the Government of India followed this with efforts to specifically reach rural areas by establishing Regional Rural Banks (RRBs) meant

to exclusively meet demand in the rural economy and the number of RRBs has significantly increased over the years. In the 2000s, financial inclusion gained renewed emphasis with the launch of no-frills accounts, simplified Know Your Customer (KYC) norms, and the Business Correspondent (BC) model to reach remote areas. A major milestone was the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY) in 2014, which significantly increased the number of bank account holders by providing zero-balance accounts, debit cards, and insurance coverage. Technological advancements have also played a vital role in promoting financial inclusion in India. The use of Aadhaar-based identification, mobile banking, Unified Payments Interface (UPI), and digital payment platforms has improved access to financial services, particularly in rural and underserved regions.

Issue under Study

Despite significant growth in the banking sector and the introduction of various financial inclusion initiatives, a large section of the rural population and women entrepreneurs continues to remain outside the formal banking system. Limited access to banking infrastructure, lack of financial literacy, low income levels, and socio-cultural barriers have resulted in inadequate utilization of banking services in rural areas. Women entrepreneurs, in particular, face additional challenges such as lack of collateral, limited awareness of financial products, and restricted access to credit facilities. Although government schemes and digital banking initiatives aim to bridge this gap, the actual level of financial inclusion remains uneven. This situation highlights the need to examine the effectiveness of banking efforts in integrating the unbanked population and promoting rural trade and women entrepreneurship.

Intent of the Study

- To evaluate the current status, accessibility and usage rates of financial products among lower income groups and in rural areas.
- To assess the impact of government initiatives such as PMJDY, DBT, UPI etc.
- To examine the role of digital financial services and fintech in promoting inclusion among the unbanked population.
- To identify the major challenges faced by rural households and women entrepreneurs in accessing formal financial services.
- To suggest measures for improving financial inclusion and banking outreach.

Women's Financial Inclusion: An Economic Game Changer

Financial inclusion for women goes beyond individual empowerment; it fosters community growth and strengthens the national economy. A 2024 *World Bank* report highlights that nations with higher rates of female financial inclusion experience higher GDP growth rates, reduced income inequality, and increased resilience against economic shocks.

In India, over 90% of women in rural areas had no access to formal financial services until the last decade, but this number is steadily improving through targeted programs and financial literacy drives. By enabling women to access financial resources, they are more likely to invest in family health, education, and business ventures—all of which contribute to India's economic growth. While it is true that banks cannot survive by pursuing only the agenda of inclusion and need to target the right group to be commercially viable, but India's experience in the field of micro finance clearly indicates that women entrepreneurs is the right group for the banks to target. As stated by the managing director of World Bank "Investing in women entrepreneurs is smart economics". Women development is a kick to economic growth and development.

Literature Review

Various authors have defined the concept of financial inclusion in different ways. Some writers have employed economic indicators like growth and profit and incorporated entrepreneurship as an effective tool in reducing poverty.

Rangarajan (2008) defines financial inclusion as the provision of affordable financial services to all sections of society, particularly the poor and marginalized, with the objective of reducing poverty and promoting social cohesion. He emphasizes that financial inclusion should include access to credit, payments, remittances, and insurance facilities and should aim at improving the standard of living of low-income groups. Beck *et al.* (2008) views financial inclusion as a crucial driver of economic growth and argue that financial exclusion acts as a major barrier to inclusive development. They highlight the need for banks and insurance companies to target Bottom of the Pyramid customers in order to achieve inclusive growth. The Planning Commission (2009) further widens the scope of financial inclusion by stating it as universal access to a wide range of financial services, including banking, credit, insurance, equity products, savings, and investment opportunities, which provides help to households in

contingency planning, wealth creation and risk management.

Bhatia and Chatterjee (2010), in their study on the slums of Mumbai, observe that financial inclusion remains incomplete even in urban areas and suggest that expanding regional rural banks, strengthening banking networks and implementing the Lead Bank Scheme are important measures for promoting inclusion. Cnaan, Moodithaya, and Handy (2012) emphasize that merely having a bank account does not ensure financial inclusion and argue that true inclusion requires active and effective usage of financial services. They identify low literacy levels, social exclusion, and personal deprivation as major barriers and highlight that financial inclusion should encompass all banking services rather than being restricted to account ownership. Governments over the world today are promoting the agenda of inclusive growth by announcing various policies and programmes aimed at left out sections particularly women. There are studies which show that in many third world countries women entrepreneurial activities are getting a great flip by various flagship schemes and programmes sponsored by World Bank and International Financial Institutions.

In the Indian context, there are some studies which show encouraging trends in the area of institutional credit for women enterprises. A research study by Bindiya (2001) undertaken on "Women and Agriculture" found that the government was promoting women entrepreneurship by providing financial assistance in the form of term loans, interest, subsidy, unsecured loans and concession in the form of subsidies in the capital, self-employment, loan etc. It found that the Regional Rural Banks are playing an important role in empowerment of rural women through various credit schemes for entrepreneurship development. Kumar (1998) from Bangalore reported that Canara Bank's Centre for Entrepreneurship Development gives training to women and helps them to set up small industrial units besides providing assistance for marketing their product.

Singh and Lamba (2015) explored the perception of rural population towards banking services in Punjab, highlighting the persistent lacuna between customer expectations and the actual quality of bank services in rural areas. Using the SERVQUAL model, they assessed several service quality dimensions such as reliability and responsiveness across rural banking outlets, indicating that despite the presence of banking facilities, service quality remains a concern for rural residents of Punjab. This implies that access alone is not sufficient if the provided services do not meet customer needs effectively. Another study from Punjab Agricultural University explores how financial inclusion interacts with financial literacy, particularly among weaker sections of society. The authors argue that inclusive financial systems must provide appropriate products at reasonable costs to ensure equitable growth and that literacy plays a vital role in enabling people to trust banking services.

Gap in existing Literature

Despite the valuable insights provided by these studies, several research gaps remain unaddressed. Most of the existing literature focuses on financial inclusion in a general context and lacks group-specific analysis, particularly for rural traders and women entrepreneurs as distinct economic categories.

Furthermore, earlier studies primarily emphasize access to financial services rather than evaluating their actual impact on income levels, business growth, and financial empowerment.

Additionally, the digital dimension of financial inclusion, including the role of UPI, mobile banking, fintech platforms and digital literacy, is largely absent in earlier research. The gender perspective is also weakly addressed, with insufficient attention given to the unique challenges faced by women entrepreneurs in accessing and utilizing financial services.

Moreover, there is a lack of empirical evidence on the gap between awareness and actual usage of financial products. Therefore, the present study attempts to bridge these gaps by conducting an empirical investigation into the status of financial inclusion among rural traders and women entrepreneurs and by studying its impact on their economic performance and financial well-being.

Methodology

Understanding the immediate consequences on credit availability, income creation, and poverty reduction has advanced significantly in studies on financial inclusion and banking for the unbanked, particularly through microfinance initiatives. With regard to the longterm effects of microfinance on the unbanked population, there remains, nevertheless, a sizable study gap. The long-term viability of gender equality, economic mobility, risk management, social/community effects, and financial inclusion is little understood.

Research Design

The present study adopts a conceptual and analytical research design. This design is appropriate as it helps in understanding the existing status of financial inclusion initiatives and their impact on rural development and women entrepreneurs. The study focuses on analysing patterns, awareness levels, accessibility and usage of banking services among the rural population.

Nature of the Study

The study is both qualitative and quantitative in nature. Qualitative aspects help in understanding issues, challenges and perceptions related to financial inclusion, while quantitative data supports analysis through numerical representation and statistical interpretation of secondary data. It is a review-based paper. The study aims to develop insights into the concept of financial inclusion by examining existing models, frameworks and scholarly contributions. It seeks to integrate diverse viewpoints from prior studies in order to build a comprehensive and systematic perspective. The study is based on the conceptual as well as research based. The quantitative and qualitative (both the concepts) have equal amount of contribution in this study.

Sources of Data

Primary data for the present study was collected using the convenience sampling method. The respondents included small local traders and women entrepreneurs who have direct or indirect exposure to banking and financial services. Reviews were collected from local traders to obtain first hand information and to understand their experiences and perceptions regarding banking and financial services.

Secondary data for the present study was collected from various published and reliable sources. These sources included RBI and NABARD reports, research journals, books, government publications, newspapers and authenticated websites. The secondary data helped in understanding existing policies, trends, and challenges related to financial inclusion. It also provided a theoretical base for the study and supported the analysis of primary data. The use of secondary data enhanced the reliability of the research findings.

Sampling Method

The study uses a convenience sampling method, as respondents were selected based on ease of access and availability. This method was suitable due to time and resource constraints.

Sample Size

A sample size of 60 respondents was selected for the study, consisting mainly of rural households and women entrepreneurs. The limited sample size was chosen due to time constraints and the in-depth nature of reviews taken. Despite the small number of respondents, the data collected provided useful qualitative insights and supported the objectives of the study.

Tools for Data Analysis

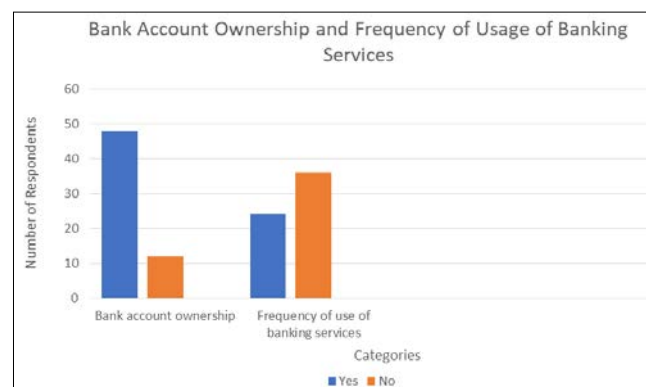
- Simple statistical tools
- Percentage analysis
- Tables and charts
- Comparative analysis

Findings of the Study

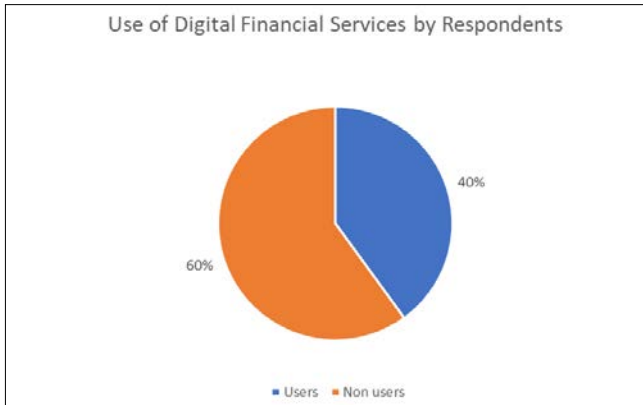
Findings Based on Primary Data

This section presents the key findings obtained from the analysis of primary data collected for the study.

- 80% reported having a bank account, while 20% were still financially excluded from formal banking.
- Only 40% used banking services regularly, indicating limited active participation despite account ownership.
- Awareness of government financial inclusion schemes was low, with only 30% having adequate knowledge about such schemes.
- Use of digital financial services was limited, as only 40% used UPI or mobile banking, while 60% avoided digital transactions due to lack of confidence and fear of fraud.
- 60% depended on informal sources of credit such as moneylenders or relatives, whereas only 20% had successfully received loans from banks.



Source: Primary Data



Source: Primary Data

Findings Based on Secondary Data

1. RBI Financial Inclusion Index (FI-Index)

- The FI-Index rose to 67.0 in March 2025 from 64.2 the previous year, indicating consistent improvement in access, usage, and quality of financial services in India.
- This index measures inclusion based on Access (35%), Usage (45%), and Quality (20%) of financial services.

2. NABARD — Key Financial Inclusion and Rural Credit Data

FY 2023-2024

- Estimated 177.5 million rural families covered under financial inclusion efforts as of March 2024.
- 14.42 million Self-Help Groups (SHGs) savings-linked with banks and 83.5% of these are women-only SHGs.
- 5.48 million SHGs credit-linked with banks, with 97% of those being women SHGs.

Recent Microfinance Data (FY 2024-25)

- As of March 2025, 17+ crore rural households connected through SHG networks, with 1.43 crore SHGs savings-linked and about 85 lakh credit-linked.
- Outstanding bank credit to SHGs crossed ₹3.04 trillion, with ~17% year-on-year growth.

3. World Bank — Global Financial Inclusion Trends (Global Findex 2025)

- 79% of adults worldwide had a financial account in 2024, up from 74% in 2021, indicating global progress in inclusion.
- Mobile money accounts and mobile connectivity are increasingly important for access to financial services — a new Digital Connectivity Tracker is included in the 2025 dataset.
- India's financial account ownership is about 89% of adults, with continued progress toward active account use.
- Around 16% of account owners in India have inactive accounts, indicating usage remains a challenge despite high ownership.
- 73% of women in low- and middle-income countries (LMICs) have an account as of 2024 — up 7 percentage points since 2021.
- Despite gains, 700 million women globally remain unbanked with no access to bank accounts, digital payments or mobile money services

Government Financial Inclusion Schemes in India

1. **Pradhan Mantri Jan Dhan Yojana (PMJDY):** 2014 Universal access to bank accounts, RuPay cards, overdraft, and insurance for the unbanked.
2. **Pradhan Mantri Mudra Yojana (PMMY):** 2015 Provides loans up to ₹10 lakh to micro and small businesses for income generation.
3. **Stand Up India Scheme:** 2016 Bank loans between ₹10 lakh and ₹1 crore for SC/ST and women entrepreneurs.
4. **Self-Help Groups (SHG):** NABARD Linkage Women SHGs get savings and credit linkage with banks to promote rural financial inclusion.
5. **Stand up India & Women Entrepreneurship Fund (WEF):** Government funds and credit support specifically to empower women-led enterprises.
6. **Digital India / UPI & Mobile Banking Initiatives:** 2015 onwards promotes digital payments, mobile banking, and financial literacy to increase inclusion.

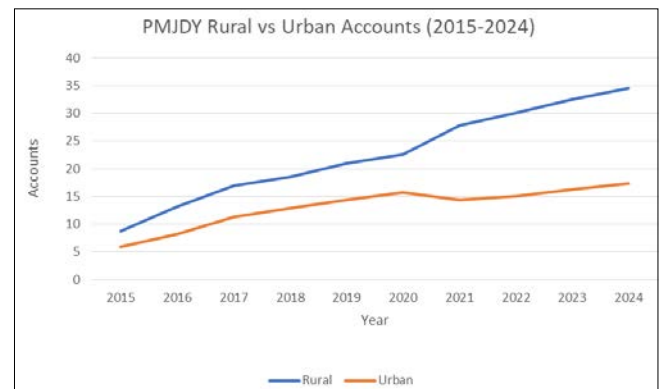
Pradhan Mantri Jan Dhan Yojana (PMJDY)

Achievements

- Over 54–56 crore accounts opened since 2014.
- Roughly 80% of adults now have bank accounts in India, largely due to PMJDY.
- Strong outreach in rural areas and women account holders; ~50–55% of accounts belong to women.

Significance

- Bridges the gap between formal banking and financially excluded populations.
- Encourages digital banking adoption, reducing dependence on cash.
- Provides access to savings, credit and insurance, empowering low-income and rural households.



Source: Ministry of Finance

Discussions

Interpretation of findings

The research aimed to examine the importance of financial inclusion in improving the access to the banking services but the findings show that they remain inadequate due to the following factors

- Increased Access to Banking Services
- Policy Effectiveness: Government schemes like Jan Dhan Yojana and MUDRA loans
- Savings Behaviour
- Low Financial Literacy
- Gender Based Barriers
- Poor Digital Infrastructure
- Policy Implementation Gaps

Limitations of the research

- Dependence on secondary data
- Lack of primary empirical evidence
- Limited geographical scope
- Time Constraints
- Generalized Findings
- Limited Measurement of impact

Various sources were used to examine the in-depth knowledge of the problem but certain primary research was left unaddressed due to the time constraints and they would be surely addressed in the future.

Proposed Measures beyond the literature reviews

Though the government has started various Initiatives like Pradhan Mantri Jhan Dhan Yojana for the development of the financial inclusion among the rural population and women entrepreneurs, several gaps are still prevailing and these Gaps can be built through the following ways

- To integrate the Fintech platforms with the SHGs, rural banks and panchayats for last minute delivery of financial services.
- To provide usage-based incentives such as cashback for digital payments.
- To promote Financial Inclusion Monitoring Index.
- To encourage women-focused banking cells.
- To provide mobile banking units for rural markets.
- To focus on Entrepreneurship -focused products.

Role of Media in promoting Financial Inclusion (SHARK TANK INDIA)

Shark Tank has emerged as an influential media-driven platform that indirectly promotes financial inclusion by providing access to funding, mentorship, and market exposure for small entrepreneurs and start-ups. The program encourages aspiring entrepreneurs, including women-led and rural-based businesses, to present their ideas to potential investors, thereby reducing traditional barriers such as lack of collateral and complex banking procedures. Through equity-based financing, Shark Tank enables entrepreneurs to access capital without relying solely on formal banking institutions. Moreover, the platform enhances financial awareness by educating viewers about investment, valuation, risk assessment, and business sustainability. In this way, Shark Tank contributes to financial inclusion by promoting alternative financing mechanisms, encouraging entrepreneurial participation, and fostering a culture of financial literacy and innovation among underserved groups.

Government Budgetary Interventions for Advancing Financial Inclusion in the recent budget

- Support For Women Entrepreneurs by supporting (SHE-Marts)
- A dedicated amount was provided to the MSMEs.
- The budget proposed credit schemes that include special eligibility for women and historically marginalized entrepreneurs.
- The budget aims to provide equity, liquidity, and professional support to small entrepreneurs

The recent Union Budget has emphasized the importance of financial inclusion by introducing several measures aimed at strengthening access to formal financial services for underserved groups, particularly women entrepreneurs, rural

traders, and MSMEs. Key initiatives include enhanced support for women-led enterprises through platforms such as SHE-Marts, the establishment of dedicated funds to improve credit availability for small businesses, and additional capital infusion into schemes supporting micro and rural enterprises. The budget also focused on improving liquidity through credit guarantee mechanisms and formal financing platforms, thereby enabling small entrepreneurs to transition from informal to formal financial systems. Overall, these policy interventions reflect the government's commitment to promoting inclusive economic growth by expanding financial access, encouraging entrepreneurship, and reducing financial disparities across different socio-economic groups.

Conclusion

The present study concludes that financial inclusion plays a crucial role in promoting inclusive and sustainable economic development by integrating rural traders and women entrepreneurs into the formal financial system. Access to financial services such as savings, credit, insurance, and digital payment platforms enables these groups to enhance their entrepreneurial capacity, improve income stability, and strengthen financial resilience. Therefore, financial inclusion should be viewed not merely as a policy initiative, but as a strategic instrument for economic empowerment and social upliftment.

Small loans can make a significant difference for women entrepreneurs and microfinance institutions are trying to address their needs. However, financial institutions need to go beyond traditional lending methods and design customized financial products and services for women. Studies in the microfinance sector show that women-owned businesses usually have better loan repayment records than men-owned businesses.

The study further reveals that despite various policy measures and technological advancements, financial exclusion continues to persist due to factors such as low financial literacy, gender-based barriers, inadequate digital infrastructure, and lack of customized financial products. These challenges indicate that financial inclusion cannot be achieved solely through increasing access to banking services, but requires a deeper focus on meaningful usage, financial awareness, and long-term engagement with financial systems. In conclusion, effective financial inclusion depends on a holistic approach that emphasizes financial capability, institutional support, and sustainable participation, thereby ensuring that the benefits of economic growth reach the most underserved sections of society.

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