

The Law Needs to Account for Her |

Reforms to make finance inclusive

Working Paper | April 2022

This report is an independent, non-commissioned piece of work by the Vidhi Centre for Legal Policy, an independent think-tank doing legal research to help make better laws.

About the Authors

Shreya Garg is a Senior Resident Fellow and Lead, Law, Finance and Development Research at the Vidhi Centre for Legal Policy

Manvi Khanna is a Research Fellow, Law, Finance and Development Research at the Vidhi Centre for Legal Policy.

For any queries and clarifications regarding this working paper, please contact shreya.garg@vidhilegalpolicy.in

Acknowledgments

The authors are grateful to Dr. Dhvani Mehta, Co-founder, Vidhi Centre for Legal Policy and Ms Shehnaz Ahmed, Senior Resident Fellow and Lead, Vidhi Centre for Legal Policy for their comments on the previous draft of this report.

The authors are also grateful to Ms Ritwika Sharma, Senior Resident Fellow and Lead, Vidhi Centre for Legal Policy for sharing her valuable insights on the previous draft of this report.

We are thankful to Vidhi interns Anamika Dudvaani and Shubham Tiwary for their research assistance.

Errors (if any) rest with the authors.

Table of Contents

Setting the Context	6
Part A: Legal Reforms to make finance more inclusive for women	9
A.1 Defining women enterprises	10
A.2 Engaging female business correspondents	26
A.3 Pivoting digital banks towards financial inclusion of women	35
Part B: Designing financial products and services for “Her”	43
Way Forward	57

Setting the Context

For decades, India's economic and financial growth story has suffered due to a critical missing piece: women. Despite many steps being taken in this area, financial inclusion gender gaps are stubbornly persistent, with 23% of women still lacking access to formal financial services.¹ The numbers in Figure 1 provide an overview of the different areas in which women lag behind men in accessing finance and financial products.

Account ownership and usage

The gender gap in account ownership between men and women reduced from 20% to 6% in 2017, however, 55% of women still do not use their accounts actively

(Source: Global Findex Data 2017)

Savings

In 2021, women owned only 35.4% of saving deposit accounts and their share in the deposit amount was only 34%

(Source: RBI Basic Statistical Returns 2021)

Small borrower accounts

Men have a higher share in small borrower accounts which have a credit limit of INR 2 Lakh. Their share comprises 59.8% of outstanding amount compared to 33.3% share belonging to women

(Source: RBI Basic Statistical Returns 2021)

Bank credit

In 2017, the share of women in bank credit was only 7% compared to 30% credit given to men. Further, the rejection rate for loans to women-owned businesses is 2.5 times higher than that for men

(Source: Pallavi Chavan, 'Women's Access to Banking in India: Policy, Context, Trends and Predictors'; Goldman Sachs 'Giving Credit where it is due')

Ownership of debit cards

In rural areas, the gender gap is 44% and in urban areas, it is 17%

(Source: AIDIS Survey 2019)

Digital Payments

In 2017, 42% of male account owners used digital payments, while the number was 29% for female account owners

(Source: Global Findex Data 2017)

Ownership of mobile phones and mobile internet

The gender gap in ownership of mobile phones is 15% (and only 14% of women own smartphones), and in usage of internet is 33%

(Source: GSMA Mobile Gender Gap Report 2021)

Mobile Wallets

2.3% females used mobile wallets in comparison to 8.5% males

(Source: IFMR DFI and Consumer Capabilities in India 2017)

These gender gap figures are compelling, as they tell the story of half the population of India. Retail women customers and women entrepreneurs face multiple barriers in accessing finance in an equitable manner. These include socio-cultural and infrastructural barriers such as restricted mobility, lack of identity documents, lack of collateral, lower ownership of mobile phones and access to internet, lower financial literacy levels, lower number of registered businesses, time poverty, and other social norms such as lower control over financial decisions in the household and businesses. There are multiple legal barriers as well (such as inheritance laws) that prevent women from accessing finance on a level playing field. India's National Strategy for Financial Inclusion 2019-2024 ("NSFI") identifies the immense importance of financial inclusion of women particularly, however falls short of adopting specific strategic measures and timeline based action plans or targets for them.²

Figure 1: Gender gap in access and usage of financial and digital services

¹ Reserve Bank Innovation Hub ("RBIH"), 'RBIH Whitepaper: Gender and Finance in India' (February 2022) <https://rbihub.in/wp-content/uploads/2022/03/Swanari_Whitepaper_small.pdf> accessed 22 March 2022.

² RBI, 'National Strategy for Financial Inclusion 2019-2024' <<https://rbidocs.rbi.org.in/rdocs/content/pdfs/NSFIREPORT100119.pdf>> accessed 8 April 2022. Some of the international jurisdictions have moved beyond identifying women as the priority segment and have specific strategic measures/targets catering to women, broadly addressing the barriers faced by them. (i) Zimbabwe in its National Financial Inclusion Strategy discusses fourteen strategies to further financial inclusion of women, including priority in micro, small and medium enterprises ("MSMEs") credit disbursement, simplified due diligence, gender disaggregated data collection; available at: <https://www.rbz.co.zw/documents/BLSS/FinancialInclusion/National-Financial-Inclusion-Strategy.pdf>. (ii) Nigeria in its National Financial Inclusion Strategy identifies women customers as a primary focus of intervention and sets out specific

While gender transformative solutions are ideal, the need of the hour is to devise gender responsive strategies and policies that are targeted at the specific problems that women face while accessing and using financial services and products. The lack of gender-disaggregated data compounds the issue of financial inclusion of women, as there is no clear data on the real state of access, usage and quality of financial services for women. This in turn leads to an augmented risk perception of women as a borrower class by financial institutions. In addition to this, there is poor knowledge of the business case for women customers and a lack of effort on the part of such institutions in designing products for women. Multiple studies have shown that women customers have certain advantageous characteristics for financial institutions, which are captured in Box 1 below:

Box 1: Characteristics of women customers' financial dealings

- Better borrowers as they default less
- The percentage of non-performing assets is low, and in fact has tapered from 6.5% to 4%³
- Timely repayments, hence better credit quality
- Better depositors as they save more
- 2-3 times⁴ higher cross-sale of products to women entrepreneurs
- More loyal as customers in the long term
- Spend and invest more in family's health, education needs leading to better economic growth
- More profitable as they deal with more number of products and services from the same financial institution

Several reports suggest that women present a massive credit opportunity. For instance, the unmet credit gap for women-owned enterprises is 70.37% which translates to a financing gap of INR 1.37 Lakh Crore and presents a huge market opportunity for formal financial institutions. Further,⁵ it is estimated that public sector banks ("PSBs") have the potential to attract INR 250 Billion in deposits by serving 100 million low income women. This is based on the evidence that women Jan Dhan accounts generate 12% more revenue and hold 30% more deposits in such accounts, compared to men. Therefore, the business case for serving women customers is strong and a gender lens perspective on policies for financial inclusion is imperative.

This paper is in two parts: Part A focuses on select legal reforms which have the potential to facilitate financial inclusion of women in India. The legal issues⁶ have been identified after a review of the existing literature on financial inclusion in India, and the spotlight is on issues where extensive research or discussion is lacking. Several broad legal reforms that may be undertaken are easing the registration process for women-owned

recommendations including enhanced female representation at microfinance banks, encouragement to become agents, tailored women entrepreneurship development programmes; available at <https://www.cbn.gov.ng/out/2019/ccd/national%20financial%20inclusion%20strategy.pdf>.

³ International Finance Corporation ("IFC"), 'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India'

<<https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women-owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8>> accessed 22 March 2022.

⁴ IFC, 'Improving Access to Finance for Women-owned Businesses in India' (2014) <http://microsave.net/files/pdf/Improving_Access_to_Finance_for_Women_owned_Businesses_in_India_IFC.pdf> accessed 22 March 2022.

⁵ Women's World Banking ("WWB"), 'The Power of Jan Dhan: Making Finance Work for Women in India' (2021) <<https://www.womensworldbanking.org/wp-content/uploads/2021/08/WWB-The-Power-of-Jan-Dhan-Report-Web.pdf>> accessed 21 February 2022.

⁶ Please note that the Paper does not focus on family laws including inheritance and marriage related laws.

MSMES, developing innovative and alternative collateral for credit for women, bringing about amendments to facilitate the collection of gender disaggregated data, building infrastructure to encourage more female business correspondents to serve women and applying a gender lens to digital financial services (“**DFS**”) framework. The objective of the paper is to focus on a few of the above-mentioned legal reforms in a comprehensive manner which lack a discussion on them from a gender lens, and for this purpose, the following legal issues have been discussed in this paper:

- (i) Defining women owned enterprises in the law, to facilitate better targeting of schemes, collection of gender disaggregated data, and promote genuine enterprises;
- (ii) Encouraging female business correspondents (“**BCs**”), to serve the needs of women customers better;
- (iii) Adding a gender lens to the legal framework for digital banks (“**DBs**”) in India, to set a precedent for DFS in India.

Part B analyses the financial products⁷ offered by PSBs, private sector banks (“**PVSBS**”) small finance banks (“**SFBs**”), micro-finance institutions (“**MFIs**”) and fintech companies in India⁸ to identify products and features which cater to women customers, and view them in the backdrop of international examples. The overall objective is to cull out learnings for financial institutions and service providers in India.

⁷ Please note that the Paper focuses solely on savings and credit products offered by financial institutions and does not delve into insurance, pension and other categories of financial products.

⁸ Please note that the Paper does not focus on financial products offered by Regional Rural Banks, Foreign Banks and Co-operative banks in India.

Part A: Legal Reforms to Make Finance More Inclusive for Women

A.1. Defining Women Enterprises

There are nearly 30 Lakh women owned MSMEs in India with full or partial ownership, and collectively, they contribute 3.09% of industrial output and employ 80 Lakh people.⁹ The latest figures indicate that female ownership amounts to only 20.37% of proprietary MSMEs.¹⁰ Further, the Udyam portal, launched by the government to enhance ease of doing business for MSMEs and to encourage formalization of enterprises, recorded registration of 59.81 Lakh MSMEs¹¹ with the share of women-owned MSMEs being 10.04 Lakh¹² thus standing at a low of 16.7%. Women owned enterprises in India have certain distinct characteristics: almost 98% of them fall in the micro category of MSMEs and 90% of their finance demands are met through informal finance. Many of them are solo entrepreneurs, they are primarily unregistered and are predominantly in the services sector. There are several challenges in terms of access to finance that women owned enterprises face that have been captured in Box 2:

Box 2: Supply and demand side factors in access to finance by women owned enterprises			
Supply Side Factors		Demand Side Factors	
(i)	Higher risk perception of women owned enterprises as they are micro, informal, and lack collateral;	(i)	There is lack of awareness and understanding of the banking system and financial products and services, which makes them hesitant and reluctant to access finance;
(ii)	Higher risk perception as there is an unfavourable bias in financial institutions against women owned enterprises as for some of them, their control and management lies with the spouse; ¹³	(ii)	They do not recognize that formal finance would help them grow faster, create more jobs and increase profitability;
(iii)	Lack of gender disaggregated data leads to the business case for women owned enterprises not being strong enough, and hence, lack of effort in developing women centric financial products and services;	(iii)	There is lack of understanding of their eligibility for schemes and benefits;
		(iv)	The rejection rates of loan proposals are higher for women owned businesses and thus, may discourage such women; ¹⁴
		(v)	Higher cost in terms of borrowing, collateralizing due to the perception of weaker creditworthiness; ¹⁵

⁹ IFC, 'Improving Access to Finance for Women-owned Businesses in India' (2014) <http://microsave.net/files/pdf/Improving_Access_to_Finance_for_Women_owned_Businesses_in_India_IFC.pdf> accessed 22 March 2022.

¹⁰ Ministry of MSME, 'Annual Report 2020-21' <<https://msme.gov.in/sites/default/files/MSME-ANNUAL-REPORT-ENGLISH%202020-21.pdf>> accessed 7 February 2022.

¹¹ Ministry of MSME, Lok Sabha Unstarred Question No. 3045: MSMEs registered under Udyam (till 9 December 2021) (16 December, 2021) <<http://164.100.24.220/loksabhaquestions/annex/177/AU3045.pdf>> accessed 7 February 2022.

¹² Ministry of MSME, Lok Sabha Unstarred Question No. 1886: Women Entrepreneurs in MSME (till 30 November 2021) (9 December, 2021) <<http://164.100.24.220/loksabhaquestions/annex/177/AU1886.pdf>> accessed 7 February 2022.

¹³ Melissa Baez & Shweta Pereira 'Why are so few small businesses run by women in India?' (Accion, 2016) <<https://www.accion.org/small-businesses-run-women-india>> accessed 7 February 2022.

¹⁴ IFC, 'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India' <<https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women-owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8>> accessed 23 March 2022.

(iv) They lack collateral and also lack traditional credit history, and hence, financial institutions may not be willing to lend credit.	(vi) Complex application and documentation procedures; (vii) Socio-cultural factors such as lack of support from family, lack of ownership of property, lack of mobility etc.
--	--

From the above, it is clear that there are multiple systemic challenges that surround the women entrepreneurship ecosystem in India.

What are women owned enterprises?

The Ministry of MSME, women specific loan schemes of banks, PSU policies (for meeting the mandate of 3% procurement from women owned enterprises under the Public Procurement Policy 2018), government credit schemes for women, state specific industrial policies, all define women owned enterprises differently on the basis of ownership, management and control. See Table 1 below.

S.No.	Source and definition	Ownership	Management	Control
1.	Fourth All India Census of MSMEs: “an enterprise (manufacturing or services) managed by one or more women entrepreneurs in proprietary concerns, or in which she/ they individually or jointly have a share capital of not less than 51 % as partners/ shareholders/ Directors of Private Limited Company/ Members of Co-operative Society.” ¹⁶	51% or more	By one or more women	-
2.	Government of India (1986, original source not available) ¹⁷ : “an enterprise owned and controlled by a woman having a minimum financial interest of 51 percent of the capital and giving at least 51 percent of the employment generated in the enterprise to women.”	51% or more	-	-
3.	Stand up India Scheme ¹⁸ : “In case of non-individual enterprises, 51% of the shareholding and controlling stake should be held by either SC/ST and/or Women Entrepreneur”	51% or more	-	-

¹⁵ Goldman Sachs, 'Giving credit where it is due- How closing the credit gap for women-owned SMEs can drive global growth' (2014) <<https://www.goldmansachs.com/insights/public-policy/gmi-folder/gmi-report-pdf.pdf>> accessed 23 March 2022.

¹⁶ Ministry of MSMEs, Development Commissioner, 'Final Report- Fourth All India Census of Micro, Small & Medium Enterprises 2006-2007: Registered Sector' (2011) <<http://www.dcmsme.gov.in/publications/FinalReport010711.pdf>> accessed 8 February 2022.

¹⁷ International Trade Centre, Swedish Institute of Standards et al, 'Technical Note: Definitions for Women's Businesses' <https://www.shetrades.com/application/files/5116/1245/6672/EN_ITCIWA_Technical_Note_on_Definitional_Issues_for_WOBs.pdf> accessed 8 February 2022; C Vinod Kumar, 'Empowerment of Women through MSMEs in India' in CB Bhange, Mamta Jangir et al (eds), *Various Dimensions of Women Empowerment in India* (Bharti Publications 2021). Please note that the notification or circular containing this definition was not publicly available.

¹⁸ Government of India, 'Stand-up India Scheme Features' <<https://www.standupmitra.in/Home/SUISchemes>> accessed 8 February 2022.

4.	Karnataka Industrial Policy (2020-25) ¹⁹ : “those units/enterprises established exclusively by Women entrepreneur as a proprietary concern or all partners or directors of Partnership Firms/Cooperative Societies/Private Limited companies or any other legal Entity are women”	100%	All partners and directors are women	-
5.	WeConnect, India ²⁰ : “at least 51% owned, managed and controlled by one or more women”	51% or more	By one or more women	By one or more women
6.	Public Sector Undertakings (“PSU”): PSUs like Bharat Heavy Electricals Limited (“BHEL”) ²¹ and Steel Authority of India Limited (“SAIL”) ²² have clarified the definition for women-owned Micro and Small enterprises (“MSEs”) for the purpose of Public Procurement from MSEs as “(a) In case of proprietary MSE, proprietor shall be Woman, (b) In case of partnership MSE, the Woman partners shall be holding at least 51% of share in the unit and (c) In case of Private Limited companies, at least 51% share shall be held by Women promoters”	51% or more	-	-
7.	Punjab National Bank (“PNB”)’s Mahila Udyami Scheme: “any individual women/ women entrepreneur (s)/ Enterprise where women entrepreneurs hold not less than 50% of financial holding.” ²³	50% or more	-	-

Table 1: Definition of women owned enterprises in the Indian ecosystem

Box 3: Key takeaways

1. Lack of uniformity in the definition of ‘women-owned enterprises’;
2. Most of the definitions hinge on 51% or more ownership criterion;
3. Some definitions require the enterprise to be managed by one or more women, while some require that all owners / partners managing the enterprise should be women;
4. Some definitions overlook management-related criteria and day-to-day control of operations, concentrating only on the ownership criterion.

¹⁹Government of Karnataka, Industrial Policy: 2020- 2025 < <https://www.investkarnataka.co.in/wp-content/uploads/2020/11/Booklet-final-.pdf>> accessed 8 February 2022.

²⁰We Connect International, ‘South Asia- India’ <<https://weconnectinternational.org/asia-pacific/india/>> accessed 22 March 2022. We Connect International is a global not for profit organization that identifies, registers and certifies women owned enterprises. We Connect International- India helps women owned enterprises in India in having access to global value chains as well as connect to domestic and international companies.

²¹BHEL, ‘Public Procurement Policy for MSEs Amendment Order 2018’ (Circular No. 46 of 2018-19) <https://www.bhel.com/sites/default/files/annexure-iii_-circular-no-44-%26-46-of-2018-19_-ppp-for-the-mses-amendment-order-2018-1604036167.pdf> accessed 8 February 2022.

²²SAIL, ‘Terms and Conditions for preference for MSE and Make in India & restriction on procurement countries sharing land border with India’ <https://sailtenders.co.in/STDocs/Tender/Tnd_081447_162364.pdf> accessed 8 February 2022.

²³PNB, ‘PNB Mahila Udyami: Scheme for financing women for any activity for income generation’ <<https://www.pnbindia.in/downloadprocess.aspx?fid=2o0PywtHHIMMc3wDW5WYrg==>> accessed 8 February 2022.

Why define?

Defining women-owned enterprises, like defining any other target group, is foundational to understanding market capabilities, targeting technical and financial assistance, determining the eligibility of businesses for preferential procurement policies, international benchmarking and evidence-based policy making. The main factors for defining women owned enterprises in the law are explained below:

- (i) **Lack of a uniform and suitable definition:** It is not the case that the term ‘women owned enterprise’ has not been defined at all in the Indian context. In fact, the issue is that every stakeholder defines it differently due to the law not defining the term. The same is evident from Table 1 and hence, to bring about uniformity in the understanding of this term, it becomes essential to define it in the appropriate law. Defining the term in the law also gives such enterprises a distinct identity. If not defined, it may result in a scenario where the same women owned enterprise is eligible for one government scheme, but not the other (due to differing definitions under the respective schemes). Further, from an overview of the existing definitions in Table 1, it appears that the consistent metric is 51% ownership of the enterprise, which in itself has been considered difficult to achieve in certain jurisdictions.
- (ii) **Accessing benefits through government schemes and programs:** The absence of a clear and uniform definition of women owned enterprises poses a challenge for enterprises being able to access eligible support from government and financial institutions.²⁴ The challenge is from both ends: policymakers and service providers need to determine who their target group is, so that they may serve its needs suitably, and small business owners need to know which segment they fall in, to know the benefits for which they qualify. Moreover, women-owned enterprises which in reality are controlled and run by men create an unfavorable perception in financial institutions against such enterprises.²⁵ A definition in the law results in clarity and lends a distinct identity to such enterprises, which in turn leads to their increased participation in the financial system and the market,²⁶ and reduces their risk perception. For instance, in the United States, the Federal Contract Program²⁷ can restrict competition or award sole contracts to women owned small businesses (“WOSB”) in sectors where such enterprises are under-represented. For this purpose, the law defines WOSBs, which in turn

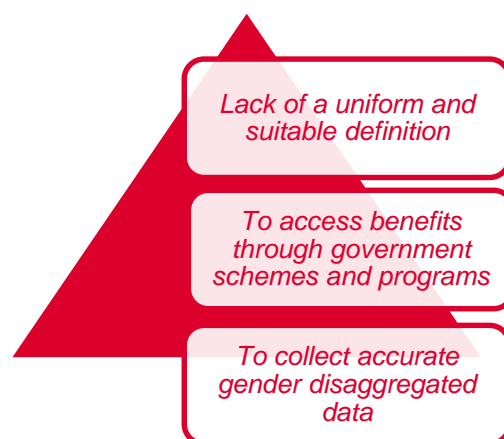


Figure 2: Why define a women owned enterprise

²⁴SEWA, ‘Enabling digital inclusion for women-owned collectives: Recommendations for the MSME registration through Udyam portal’ <https://www.sewafederation.org/wp-content/uploads/2021/02/Note-for-MoMSME_Udyam_Registration-from-SEWA.pdf> accessed 8 February 2022.

²⁵ Melissa Baez & Shweta Pereira ‘Why are so few small businesses run by women in India?’ (Accion,2016) <<https://www.accion.org/small-businesses-run-women-india>> accessed 7 February 2022.

²⁶ UN Women, ‘The Power of Procurement: How to source from women- owned businesses’ (2017) <<https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/Library/Publications/2017/The-power-of-procurement-How-to-source-from-women-owned-businesses-en.pdf>> accessed 22 March 2022.

²⁷ Code of Federal Regulations (“CFR”), ‘Title 13, Chapter 1, Part 127 - Women-Owned Small Business Federal Contract Program’ <<https://www.ecfr.gov/current/title-13/chapter-I/part-127>> accessed 22 March 2022.

have to be certified by the government or third parties, to be able to take part in the federal contract program. Self-certification has been discontinued recently, but is permissible for enterprises which wish to procure contracts outside the program.

- (iii) **Collecting accurate gender disaggregated data:** A direct outcome of the absence of definition of women owned enterprises is the inability of the government to collect gender-disaggregated data regarding such enterprises.²⁸ Collection of such data is critical to closing economic gender gaps and is essential for stakeholders to understand the trends, gaps, pain points etc. in the access and usage of financial services and products by women. For example, it can yield better business decisions as was done by Itau Unibanco (a Brazilian financial services company).²⁹ Based on an analysis of small and medium enterprises' ("SME") gender disaggregated data, it concluded that women owned enterprises engage with more services and hence are more profitable with revenues being 18% more and that default was minimal when the ownership positions were held by both men and women. Further, on the basis of such disaggregated data, fintechs are able to target and convert more women into customers with a potential to drive up their revenue by 70%.³⁰

Components of the definition

In the 1990s, the United States began certifying women owned businesses for the purposes of federal contracts, and to qualify, the definition of such businesses was linked to *inter alia* 51% ownership. The US model was internationalized and permeated the definitions of various third party certification agencies such as WeConnect International and Women's Business Enterprise National Council, where the former certifies such enterprises worldwide, including in India. Women owned enterprises have been defined in several ways by different international jurisdictions and organisations with emphasis on three aspects: ownership, management, and control. Some of the examples are given below in Table 2:

S. No.	Source and definition	Ownership	Management	Control
1.	US Federal Contract Program ³¹ : "Not less than 51 percent unconditionally and directly owned and controlled by one or more women who are United States citizens"	51% or more with the added requirement to be direct and unconditional	A woman should hold highest officer position and must have the experience to run it, need not have technical expertise or license but should demonstrate that ultimate managerial	Woman with 51% ownership must be on the Board, or women should comprise majority of the Board through numbers or weighted voting; control means both long-term decision making and day to day

²⁸ International Trade Centre, Swedish Institute of Standards et al, 'Technical Note: Definitions for Women's Businesses' <https://www.shetrades.com/application/files/5116/1245/6672/EN_ITC-IWA_Technical_Note_on_Definitional_Issues_for_WOBs.pdf> accessed 8 February 2022.

²⁹ Financial Alliance for Women, 'In Brief: Toward Uniform Definitions for the Women's Market' (2017) <<https://financialallianceforwomen.org/download/in-brief-toward-uniform-definitions-for-the-womens-market/>> accessed 26 March 2022.

³⁰ Financial Alliance for Women, 'Gender Intelligent Fintech Design: How Fintechs can capture the Female Economy' (2021) <<https://financialallianceforwomen.org/download/how-fintechs-can-capture-the-female-economy/>> accessed 26 March 2022.

³¹ CFR, 'Title 13, Chapter 1, Part 127 - Women-Owned Small Business Federal Contract Program' <<https://www.ecfr.gov/current/title-13/chapter-I/part-127>> accessed 22 March 2022.

			control, over those who have such expertise or license.	management.
2.	IFC ³² : “firms with either more than 51% women’s ownership, or with more than 20% women’s ownership in a business that has a woman Chief Executive Officer (“CEO”) or Chief Operating Officer (“COO”), and more than 30% female board, where board exists”	More than 50% or more than 20% if other factors are satisfied	If lower threshold of ownership, then COO or CEO should be a woman	If lower threshold of ownership, then more than 30% female board
3.	Kenya ³³ : “at least seventy percent shareholders are women and the leadership shall be one hundred percent women.”	70% or more	All women in leadership positions	-
4.	Chile ³⁴ : “more than 50% of the company’s property is owned by women or the company’s legal representative or general manager is a woman”	50% or more	Woman legal representative or general manager	-
5.	Proposed US law on data collection ³⁵ : “(a) more than 50 percent of the ownership and control is held by one or more women; and (b) more than 50 percent of the net profit or loss accrues to one or more women”	50% or more	-	-

Table 2: International definitions of women enterprises

One of the most important and recent guidance on defining women owned businesses is the ISO 2021 International Workshop Agreement 34 (See: Box 4).³⁶ It defines women owned enterprises as well as women led enterprises, and gives nuanced characteristics for different forms of the businesses such as sole proprietors, corporations, general and limited liability partnerships, informal enterprises etc. The difference between the definitions of women owned enterprises and women led enterprises lies in different ownership thresholds (former requires ownership of more than 50% by one or more women, and for the latter, the threshold is 25%) while a women led enterprise should have a board with at least one-third women.

³² IFC, ‘Definitions of targeted sectors’ <https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors> accessed 22 March 2022.

³³ International Trade Centre, Swedish Institute of Standards et al, ‘Technical Note: Definitions for Women’s Businesses’ <https://www.shetrades.com/application/files/5116/1245/6672/EN_ITC-IWA_Technical_Note_on_Definitional_Issues_for_WOBs.pdf> accessed 8 February 2022.

³⁴ *ibid*.

³⁵ Bureau of Consumer Financial Protection, ‘Small Business Lending Data Collection under the Equal Credit Opportunity Act (Regulation B)’ (1 September 2021) <https://files.consumerfinance.gov/f/documents/cfpb_section-1071_nprm_2021-09.pdf> accessed 22 March 2022.

³⁶ ISO IWA 34:2021, ‘Women’s entrepreneurship- Key definitions and general criteria’ <<https://standards.iteh.ai/catalog/standards/iso/18e0f1c7-030f-49b6-a6b7-7dbec576c962/iwa-34-2021>> accessed 22 March 2022.

Box 4: Definitions of women enterprises in the IWA 34: 2021

1. Women-owned business

- Business that is more than 50 % owned by one or more women
- Whose management and control lie with one or more women
- Where a woman is a signatory of the business's legal documents and financial accounts
- Which is operated independently from businesses that are not owned by women.

2. Women-led business

- Business that is at least 25 % owned by one or more women
- Whose management and control lie with one or more women
- Which has at least one third of the board of directors comprised of women, where a board exists,
- Where a woman is a signatory of the business's legal documents and financial accounts
- Which is operated independently from businesses that are neither led nor owned by women.

3. Women-led informal enterprise

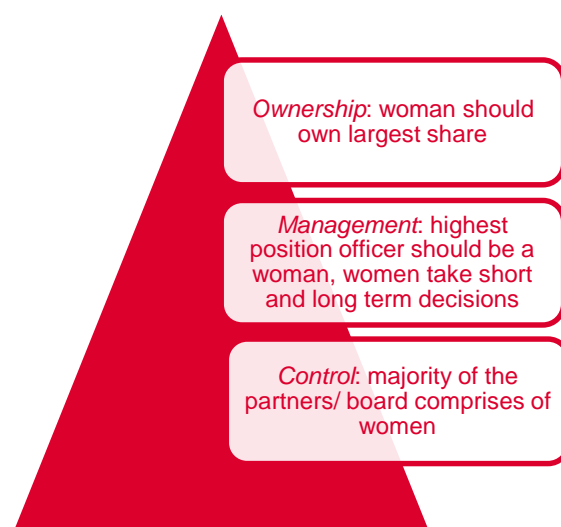
- Enterprise whose management and control lie with one or more women
- Woman/women make(s) the important strategic and operational decisions about the economic unit for which her/their work is performed and about the organization of her/their work
- She/they is/are not accountable to or supervised by other persons
- She/they is/are not dependent on a single other economic unit or person for access to the market, raw materials or capital items.

Based on the above, it appears that globally, the definition of women owned enterprise has three elements: ownership, control and management.

- (i) **Ownership:** The current definition used in India is hinged only on the ownership aspect, which may not be suitable as the sole criterion to determine whether an enterprise is owned by women or not. While most of the definitions indicate an ownership threshold of 51% or more, there is growing literature to indicate that the 51% threshold operating as the gold standard may be misplaced for many reasons: it may be too restrictive as it does not account for family owned businesses and partnerships³⁷ where women may not hold the controlling share due to cultural or social reasons, there may not be enough women owned enterprises who can meet this threshold and it may restrict the growth of businesses by limiting investment opportunities by funders which could require dilution of ownership. A better measure of ownership would be where a woman owns the largest share in the business, regardless of what that share is.

³⁷ Financial Alliance for Women, 'In Brief: Toward Uniform Definitions for the Women's Market' (2017) < <https://financialallianceforwomen.org/download/in-brief-toward-uniform-definitions-for-the-womens-market/> > accessed 26 March 2022.

- (ii) **Management and control:** In the Indian context, to ensure actual control and management, in addition to the highest position in the enterprise being occupied by a woman, it is also essential that the day-to-day management, as well as the long-term decisions, are being taken by a woman and that the majority of the partners/ board are women.



- (iii) Finally, the term 'women led enterprise' is more suited to such a revised definition as given in Figure 3.

Figure 3: Recommendations to redefine women led enterprise

Where in the law?

Micro, small and medium enterprises are defined in the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"). Section 7(1) read with sub-section (9) of the MSMED Act empowers the Central Government to classify enterprises into micro, small and medium along with varying criteria such as investment, employment, and turnover from time to time. Further, as per sub-section (8) of Section 7, the Advisory Committee is required to render its advice in classification of MSMEs after considering matters relating to level of employment, level of investment in plant and machinery, possibility of promoting and diffusing entrepreneurship etc. It may be noted that criteria relating to women owning and managing MSMEs is missing.

Under Section 8(1) read with sub-section (2) of the MSMED Act, MSMEs are required to file a memorandum with a government authority, in the format specified by the central government, for establishing an MSME. In 2006, MSMEs were required to file two entrepreneurs' memorandums ("EMs") with the MSME authority, EM-I (prior to establishing) and EM-II (post establishing the enterprise), which *inter-alia* required disclosure of the gender and equity contribution of the entrepreneur.³⁸ The EMs were replaced with the online filing of the Udyog Aadhaar Memorandum ("UAM") in 2015³⁹ to be filed after establishing the enterprise on self-declaration basis with no requirement of supporting documents. However, power was given to the central or state government to seek documentary proof, wherever necessary. In a 2017 circular,⁴⁰ it was clarified that additionally, the General Manager of the District Industries Centre ("DIC") can undertake enquiry relating to the memorandum in case of any discrepancy, and has the power to amend or cancel the memorandum.

³⁸ Ministry of Small Scale Industries, SO 1643 (E), 'Entrepreneurs Memorandum for setting up Micro, Small or Medium Enterprise' (30 September 2006) <http://dcmsme.gov.in/publications/circulars/GazNot/Format_of_Entrepreneurs_Memorandum.pdf> accessed 22 March 2022.

³⁹ Ministry of MSMEs, SO 2576 (E), 'Udyog Aadhaar Memorandum' (18 September 2015) <<https://msme.gov.in/sites/default/files/GazetteNotification2576.pdf>> accessed 15 March 2022.

⁴⁰ Ministry of MSME, SO 85 (E), (10 January 2017) <[https://upload.indiacode.nic.in/showfile?actid=AC_CEN_46_77_00002_200627_1517807324919&type=notification&fileame=85\(e\).pdf](https://upload.indiacode.nic.in/showfile?actid=AC_CEN_46_77_00002_200627_1517807324919&type=notification&fileame=85(e).pdf)> accessed 15 March 2022.

Under the 26th June 2020 circular⁴¹ (“2020 Circular”), this power rests with the Director / Commissioner / Industry Secretary of the concerned state government. The latest registration procedure is through the Udyam portal, which requires the registration to be done online. The form⁴² *inter-alia* requires disclosure of information relating to ownership of MSMEs, the form of the MSME (self-help group, private or public company, society, trust etc.) under different social categories (SC/ST/OBC) and an additional category of women.

Under the 2020 Circular, those enterprises who have EM-II or UAM are required to re-register, also because the definitions of MSMEs have undergone a change recently. It also mentions that any change in the classification as micro, small or medium enterprise shall take effect only in the following year in which such change took place due to the reclassification. The benefits of the Udyam registration include collateral free loans; financial support from the government such as public procurement policy, credit guarantee scheme, priority sector lending;⁴³ tax deduction; subsidy on various registrations and credit facilities.⁴⁴ Any false information given in the registration process is punishable with penalty under Section 27 of the MSMED Act.

Recommendations

For the purposes of defining women led enterprises in the MSMED Act, it is recommended that the following actions may be taken:

- (i) Sub-section (9) of Section 7 of the MSMED Act may be amended to add a criterion for classifying MSMEs based on whether they are owned/ led by women. Alternatively, a new sub-section may be added to Section 7 enabling the Central Government to define and classify MSMEs as women enterprises. Following this, a new circular may be issued or the 2020 Circular may be amended to include a definition of women led MSMEs with elements such as ownership, management and control, suitable to the Indian context as mentioned in Figure 3 of the Paper. The circular may also clarify that the definitions may apply to different forms of MSMEs;
- (ii) In light of (i) above, the Udyam form may be amended to include a separate category of women led enterprises;
- (iii) The enterprises which fall within the new definition may be required to re-register themselves on the Udyam portal either under the ongoing re-registration process (due to replacement of EM-II and UAM) or separately;
- (iv) The Udyam registration is based on self-declaration, and under the revised definition may require disclosure relating to ownership, management and control of the enterprise by one or more women. In addition to the powers vesting with the General Manager of the DIC for verifying the details of the Udyam certificate, it is noted that they also have the power to inspect enterprises, for sanction and release of incentives.⁴⁵ Given that the General Manger has the power to undertake verification and

⁴¹ Ministry of MSME, S.O. 2119 (E) (26 June 2020) <<https://rbidocs.rbi.org.in/rdocs/content/pdfs/IndianGazzate02072020.pdf>> accessed 23 March 2022.

⁴² 'Udyam Registration form- for New Entrepreneurs' <https://udyamregistration.gov.in/docs/process_msme_regisration_new_pan_Yes.pdf> accessed 23 March 2022.

⁴³ Ministry of MSME, Office of Development Commissioner 'Benefits of taking Udyam Registration' (2021) <https://udyamregistration.gov.in/docs/Benefits_of_UR.pdf> accessed 23 March 2022.

⁴⁴ Eudyogaadhaar, 'Registration for Micro, Small and Medium Enterprises- Frequently Asked Questions ("FAQ")' <<https://eudyogaadhaar.org/udyam-registration-faqs.php>> accessed 23 March 2022.

⁴⁵ Commisionerate of Industries, Telangana, 'The Particulars of the Organization, Functions and Duties under Section 4(1) (b) of the Right to Information Act, 2005' <<http://industries.telangana.gov.in/Library/RTINew.pdf>> accessed 23 March 2022.

inspection, they could also be empowered to undertake random verification⁴⁶ of a set number of women led enterprises annually in their respective districts to ensure their authenticity and deal with the problem of fronting.⁴⁷ For this purpose, appropriate officers may be appointed under Section 26 of the MSMED Act;

- (v) Women led enterprises which register under the Udyam portal may be given an option to provide further documents voluntarily at the time of registration;
- (vi) The Udyam portal website may provide a detailed user guide for entities wanting to register as women led enterprises covering the procedural requirements as well as the benefits;

Use cases in the Indian scenario

The introduction of a definition of women led enterprise will have multiple use cases for all stakeholders including the RBI, Ministry of MSME, government departments, financial institutions, and women entrepreneurs. Some of the near term and long-term use cases are enumerated below:

(i) Earmarking of credit to women led enterprises

- (a) RBI in its 14 action point plan of 2000⁴⁸ (“**RBI 2000 Directions**”) mandates that all PSBs are

required to earmark 5% of their adjusted net bank credit (“**ANBC**”) for women. This allocation could be towards “*credit extended to women directly for smaller projects; credit under different schemes of banks/Government sponsored schemes and credit to companies where majority of the promoter’s shares are held by women; partnership firms where majority partners are women and proprietary concerns where proprietors are women.*”

Hence, the allocation could be for personal loans as well as for enterprises. According to a recent IFC report, PSBs have been complying with this target, and the total

lending by all PSBs as a proportion to ANBC was about 8%.⁴⁹ Credit by PSBs under this mandate increased marginally from 5.48% to 7.6% from 2005 to 2015, and out of this, credit extended to women-owned MSMEs was a meager 0.7% as of 2015, increasing by just 0.2% from 2005 (See: Figure 4). The mandate of 5% of ANBC is limited in its application to PSBs, has not been revised

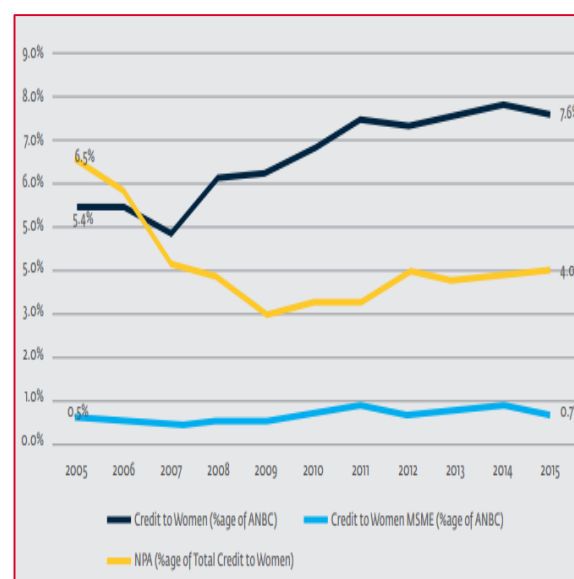


Figure 4: Proportion of credit to women, women-owned MSMEs and NPAs (Source: Athena Infonomics Research)

⁴⁶ Self-certification regime has been discontinued recently in US, when in practice SBA could conduct eligibility examinations on a random sample at any time; US Small Business Administration, ‘Women -Owned Small Business Program - Small Entity Compliance Guide to the WOSB Program’ (2011) <https://www.sba.gov/sites/default/files/files/WOSB%20Compliance%20Guide_April2011.pdf> accessed 23 March 2022.

⁴⁷ Enterprises being created in the name of women only to gain benefits of available financing schemes, subsidies and exemptions, however in reality being controlled by men.

⁴⁸ RBI, ‘Strengthening of credit delivery to women particularly in Tiny and SSI sector’ (2000) <<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=323&Mode=0>> accessed 23 March 2022.

⁴⁹ IFC, ‘Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India’ <<https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women-owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8>> accessed 23 March 2022.

for the last 17 years, and the earmarking of funds is not limited to women-owned enterprises but is for the women segment as a whole. *Given the low allocation of such ANBC to women enterprise, there is scope for the RBI's 2000 Directions to be amended to include a sub-category of women led enterprises with an assigned percentage of ANBC which may be allocated to them.*⁵⁰ The definition of women led enterprises may assist in earmarking and channeling a portion of credit towards them.

- (b) The Priority Sector Lending Directions of the RBI 2020 (“**PSL Directions**”)⁵¹ which are applicable to all commercial banks lay down the categories and targets under priority sectors. The relevant categories and targets are listed below in Table 3:

<i>Targets/ sub targets for priority sector</i>	<i>Percentage of ANBC or Credit Equivalent of Off-Balance Sheet Exposures (“CEOBE”), whichever is lower</i>
Micro, small and medium enterprises	Falls within total target for priority sector lending ranging between 40-75% depending on the type of bank Sub-target of 7.5% for micro enterprises (for domestic commercial banks, regional rural banks, and SFBs).
Advances to weaker sections which include self-help groups, individual women beneficiaries upto INR 1 Lakh per borrower.	Falls within total target for priority sector lending ranging between 40-75% depending on the type of bank Sub-target of 12-15% depending on the type of bank.

Table 3: Categories and targets under PSL Directions

From the above table, it is clear that the sub-target for micro enterprises has the potential to be sub-categorized to add a category of women led micro enterprises, the target for which may be raised over time.

Box 5: Bangladesh Bank

With the policy objective of economic empowerment of women, Bangladesh Bank has made it mandatory for banks to maintain 10% of their total CMSME loan portfolio towards financing women entrepreneurs.

Source: Bangladesh Bank, ‘Policy of SME & Special Programmes Department’ (5th September 2019)

⁵⁰ The ADB Gender Toolkit also suggests earmarking of funds for women enterprises as an affirmative action which may be undertaken in economies where access to finance by women MSMEs is severely limited. Asian Development Bank, ‘Gender Tool Kit: Micro, Small and Medium- Sized Enterprise Finance and Development (2014) page 22 <<https://www.adb.org/sites/default/files/institutional-document/34125/gender-tool-kit-mse-finance-development.pdf>> accessed 19 February 2022

⁵¹RBI, ‘Master Directions – Priority Sector Lending (PSL) – Targets and Classification’ (2020) (<<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11959&Mode=0#MSME>> accessed 23 February 2022.

(ii) **Better targeting by stakeholders**

Bankers have been apprehensive of lending to MSMEs with limited documentation and the most common challenge cited by them is identification of genuine women entrepreneurs, as often, male entrepreneurs register in their wives' name to obtain benefits earmarked for women owned enterprises.⁵² While state entities as well as private institutions have taken manifold initiatives towards enabling a supportive culture for women entrepreneurs, institutional credit along with subsidies and exemptions targeted towards women beneficiaries may often not reach them due to presence of large women-owned enterprises that are in reality being managed and run by men.⁵³ According to an analysis of these disguised women-owned enterprises undertaken by Bain & Company, the total share of enterprises that are in reality owned as well as run by women may be lower than 20%.⁵⁴ This necessitates the need for financial institutions as well as the relevant government departments to ensure that women are actually controlling women-owned enterprises.⁵⁵

The definition of women led enterprises under the MSMED Act will assist in better targeting through:

- Setting a national standard for how the term is to be understood. More importantly, *linking the registration of such enterprise under the Udyam portal, where such registration is verified by a government authority (General Manager, DIC / Director / Commissioner / Industry Secretary of the concerned state government) may serve as a formal check on the authenticity of such enterprises and lend them more credibility, thereby reducing the risk perception of financial institutions.* The other alternative for ensuring the credibility of women MSMEs, especially in supply chains, is through private third-party certification agencies such as WeConnect International, which can be expensive. Under the Karnataka Industrial Policy 2014-19, women enterprises who get this certification were reimbursed 100% of the certification cost, with a maximum limit of INR 75,000.⁵⁶ However, such a certification process may not be feasible or accessible to all types of women led enterprises. *Steps may be taken to provide such certification at nominal costs for women led enterprises.*
- Utilization by financial institutions for providing credit to women led enterprises, for fulfilling the 3% mandate for public procurement from women entrepreneurs and for state governments to extend concessions under their industrial policy. This may be a step

⁵² IFC, 'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India' page 13 <<https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women+owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8>> accessed 18 February 2022.

⁵³ GIZ, SIDBI et al, 'Funds for SHE: Study on Efficiency of Bank Loans for Women Entrepreneurs in the MSME Sector in India' (2015) <<https://www.giz.de/en/downloads/giz2015-en-analysis-loan-products-women-entrepreneurs-india.pdf>> accessed 7 February 2022.

⁵⁴ Google & Bain & Company, 'Powering the Economy with Her' (2019) <https://www.bain.com/contentassets/dd3604b612d84aa48a0b120f0b589532/report_powering_the_economy_with_her_-_women_entrepreneurship_in-india.pdf> accessed 7 February 2022.

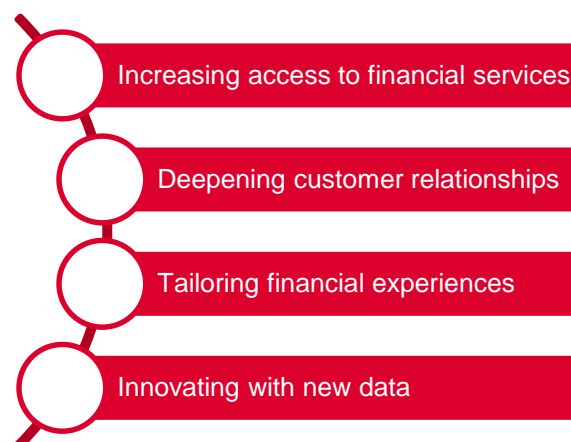
⁵⁵ GIZ, 'An Analysis of Women Entrepreneurship in India: Current Profile, Future Landscape and Recommendations for Policymakers and Implementing Partners' (2019) <https://private-sector-development.com/pdf/publication/20190729_An%20Analysis%20of%20Women%20entrepreneurship%20in%20India_full%20report.pdf> accessed 7 February 2022.

⁵⁶ 'Operational Guidelines for sanction of reimbursement of WeConnect certification for Women's Owned Business Enterprises (WBES)' <http://emergindia.org/documents/operational_guidelines.pdf> accessed 23 March 2022.

towards ensuring that the women targeted credit schemes, initiatives, policies, subsidies, and exemptions are channelized in the right direction and utilized by authentic women led enterprises, as currently, the order which mandates 3% public procurement from women entrepreneurs does not define the term.⁵⁷

(iii) **Collection of gender disaggregated data**

Women's financial inclusion data is a catalyst for action⁵⁸, as it can serve as a diagnostic tool for identifying the gaps, and it is also a driver of change to address these gaps. Robust and measurable gender disaggregated data is of immense importance in advancing women's financial inclusion as it assists policymakers and financial institutions in better understanding the extent of financial inclusion and the market opportunity.⁵⁹ Gender disaggregated data is the building block required for development of gender responsive financial inclusion policies, strategies,



products and services. It can provide for more actionable insights, and four key areas where such data

is particularly useful are increasing access to financial services, deepening customer relationships, tailoring financial experiences and innovating with new data.⁶⁰

Figure 5: Key uses of gender disaggregated data

Defining women led enterprise is the first important step in collecting gender disaggregated MSME data.⁶¹ Gender disaggregated data in the context of MSMEs is key to understanding who is the unserved and the underserved in the financial system and to develop targeted policies to support disadvantaged women MSMEs.⁶² It also helps in reducing gender bias and the risk perception of bankers, as lack of proper financial information and background information leads the banks to view women as weak investment opportunities. In Box 6 below, some of the developments happening internationally in the context of collection of women led MSMEs gender disaggregated data are mentioned.

⁵⁷ Ministry of MSME, S.O. 5670 (E), (9 November 2018) <<http://www.dcmsme.gov.in/Gazette%20Notification.pdf>> accessed 23 March 2022.

⁵⁸ Data 2X, United Nations Foundation & Financial Alliance for Women, 'A Data-Driven Path to Women's Financial Inclusion: Insights from Financial Service Providers' <<https://data2x.org/wp-content/uploads/2020/07/WFID-A-Data-Driven-Path-to-Womens-Financial-Inclusion.pdf>> accessed 23 March 2022 ("WFID Report").

⁵⁹ FinEquity, 'Gender Data in Financial Inclusion' (November 2020) <https://www.findevgateway.org/sites/default/files/publications/2020/FinEquity_GenderDataBrief_Final.11.06.2020.pdf> accessed 22 February 2022.

⁶⁰ Data 2X, United Nations Foundation & Financial Alliance for Women, 'A Data-Driven Path to Women's Financial Inclusion: Insights from Financial Service Providers' <<https://data2x.org/wp-content/uploads/2020/07/WFID-A-Data-Driven-Path-to-Womens-Financial-Inclusion.pdf>> accessed 23 March 2022.

⁶¹ Asian Development Bank, 'Gender Tool Kit: Micro, Small and Medium- Sized Enterprise Finance and Development (2014)' <<https://www.adb.org/sites/default/files/institutional-document/34125/gender-tool-kit-mse-finance-development.pdf>> accessed 19 February 2022.

⁶² Alliance for Financial Inclusion, 'Policy Framework On MSME Data Collection: A Guide for Gender Inclusive Finance' (2021) <<https://www.afi-global.org/wp-content/uploads/2021/12/FIDSMEGender-Framework.pdf>> accessed 19 February 2022.

Box 6: International developments in the context of women led MSME gender disaggregated data collection

Bangladesh

To review the progress of its SME credit programmes, Bangladesh Bank collects gender disaggregated data from banks/FIs on SME credit on a quarterly basis.⁶³

Egypt

Central Bank of Egypt has issued guidelines that require all financial institutions to collect and report gender disaggregated data based on multiple parameters which includes total number of accounts held by women owned businesses, total value of business accounts held by women owned businesses.⁶⁴

US

Consumer Financial Protection Bureau ("CFPB"), US has recently proposed to implement loan data collection set forth under the Equal Credit Opportunity Act, 1974 ("ECOA"). Section 1071 of the Dodd-Frank Act amended the ECOA to require financial institutions to compile, maintain, and submit to CFPB data on loan applications for women-owned, minority-owned, and small businesses which would be annually reported to the CFPB. The data points would include information such as whether the applicant is women-owned, whether the loan is approved, action on the application among others. The regulatory intention behind the proposed rule is to create a first of its kind database of small business credit applications that also gives out critical information about women-owned businesses to assist regulators in identifying fair lending concerns, and business and development needs of women owned businesses.⁶⁵

The present status of collection of gender disaggregated data by banks is discussed below:

- RBI directs PSBs to generate women centric credit flow data and submit quarterly reports to the RBI under the RBI 2000 Directions.⁶⁶ It also requires banks to disaggregate advances through micro-credit, small-scale industries and medium/large industries.⁶⁷
- Basic Statistical Returns ("BSR") are the main source of collecting data from scheduled commercial banks ("SCBs") since 1972. They collect gender disaggregated data regarding bank credit and deposit quarterly or annually, depending on the return to be filed.⁶⁸ These figures generally indicate

⁶³ Bangladesh Bank, 'Small and Medium Enterprise (SME) Credit Policies and Programmes' <<https://www.bb.org.bd/sme/smepolicye.pdf>> accessed 19 February 2022.

⁶⁴ Alliance for Financial Inclusion 'Integrating Gender and Women's Financial Inclusion into The Central Bank of Egypt's (CBE) Framework' <https://www.afi-global.org/wp-content/uploads/publications/2019-04/AFI_Egypt%20gender_AW_digital.pdf> accessed 19 February 2022.

⁶⁵ Bureau of Consumer Financial Protection, 'Small Business Lending Data Collection under the Equal Credit Opportunity Act (Regulation B)' (1 September 2021) <https://files.consumerfinance.gov/f/documents/cfpb_section-1071_nprm_2021-09.pdf> accessed 19 February 2022.

⁶⁶ RBI, 'Strengthening of credit delivery to women particularly in Tiny and SSI sector' (12 December 2020) <<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=323&Mode=0>> accessed 16 March 2022.

⁶⁷ *ibid*; RBI, 'Strengthening of Credit Delivery to Women' (26 July 2001) <https://rbidocs.rbi.org.in/rdocs/Forms/PDFs/62Credit%20to%20Women_First.pdf> accessed 16 March 2022.

⁶⁸ RBI, 'Basic Statistical Return (BSR) 1 (Part A and Part B)' (10 April 2008) <<https://m.rbi.org.in/scripts/PublicationsView.aspx?id=10214>> accessed 16 March 2022.

the number of accounts and total amount outstanding therein.⁶⁹ The reporting requirements here do not require credit flow to women led enterprises and to various sub categories of women led enterprises to be disclosed separately or in a disaggregated manner.

- RBI also collects data from SCBs on their Financial Inclusion Plan ("FIP") progress through FIP Progress Returns. Banks have been evaluating and submitting the progress made in Board approved FIP targets since 2010, post the NSFI there has been a revision in these returns, now called Monitoring Progress of Financial Inclusion ("MPFI") Returns to make data coverage more granular and cover aspects of usage and quality.⁷⁰ The reporting requirements are gender disaggregated on several aspects such as savings accounts, loans to individuals, number of BCs deployed, however the MSME data collected is not gender disaggregated.

By incorporating the concept of women led enterprises, the gender disaggregated data generated by banks may be further refined and nuanced, helping in developing policies directed at such enterprises.

(iv) Digital initiatives for women led enterprises

In line with the government's Digital India initiative and development of MSMEs with a gender lens, defining women led enterprises may pave the way for creation of a comprehensive national level database by the government with the following features:

- **Database of information**

It may assist in the identification of women led enterprises and capturing data such as the name of the enterprise, ownership details, products and services offered, geographical location etc., as well as credit history in a confidential manner. The aggregated data may be of immense use for building women centric products and services, targeting of schemes and programs and with proper authorization, may also be made accessible to credit information companies for the purposes of credit assessment to enable financial inclusion;

- **Platform for vendor connections**

It may help in providing a platform to women led enterprises, especially micro enterprises, which struggle more than their male counterparts in getting access to suitable markets for their products by making it easier for vendors to reach out to them directly;⁷¹

- Central Ministries, departments and PSUs procuring from MSMEs may utilize it for identifying women led enterprises, for fulfilling the 3% mandatory procurement under the MSME Procurement Policy;

⁶⁹ Madhura Swaminathan, 'Gender Statistics in India: A Short Note with a focus on the Rural Economy' (June 2013) <<https://www.im4change.org/siteadmin/tinyMCE/uploaded/Gender%20Statistics%20in%20India.pdf>> accessed 16 March 2022.

⁷⁰ RBI, 'NSFI:2019-24 and monitoring Progress of Financial Inclusion' (20 February 2022) <https://rbidocs.rbi.org.in/rdocs/Forms/PDFs/National%20Strategy%20for%20Financial%20InclusionNSFI%202019-24%20and%20Monitoring%20Progress%20of%20Financial%20Inclusion_MPFI.pdf> accessed 16 March 2022.

⁷¹ Sabrina Korreck, 'Women entrepreneurs in India: What is holding them back?', ORF Issue Brief No. 317, (September 2019) <<https://www.orfonline.org/research/women-entrepreneurs-in-india-what-is-holding-them-back-55852/>> accessed 10 February 2022.

- Corporate buyers may be incentivized to access the database and procure from women led enterprises to develop more inclusive value chains;

- **Embedded financial and non-financial services (“NFS”)**

The above databases and vendor platforms may be developed to provide access to marketing opportunities, mentorship, training, financial literacy, legal support, knowledge about entitlements under various government schemes and incentives, credit schemes from various financial institutions etc.



Figure 6: Digital Initiatives for women owned enterprises

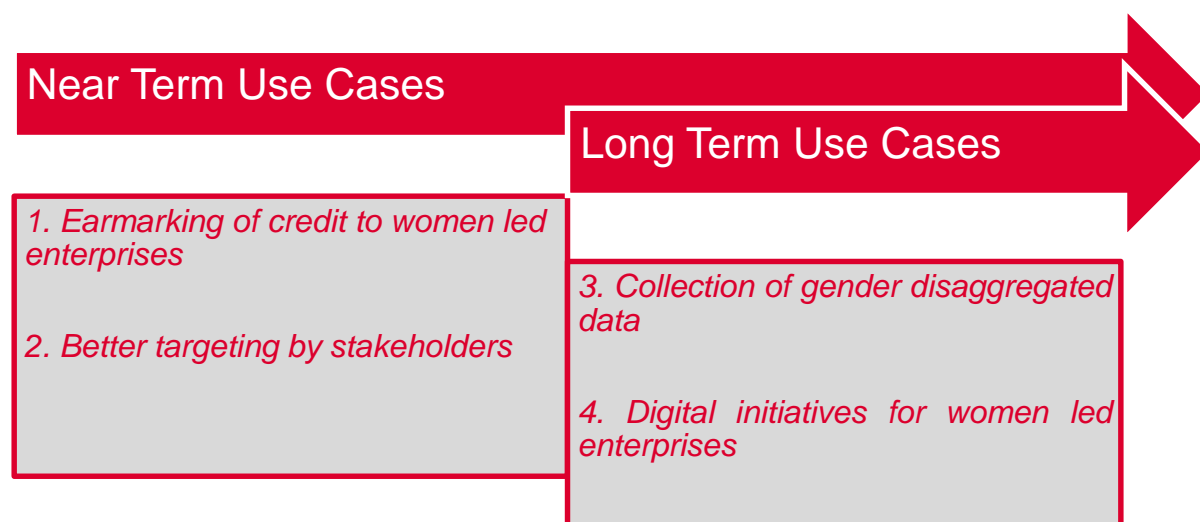


Figure 7: Snapshot of use cases of defining women led enterprises

A.2. Engaging Female Business Correspondents

To ensure greater financial inclusion and increase the delivery of financial products and services to the last mile, RBI issued the Business Correspondent guidelines in 2006 (“**BC Guidelines**”).⁷² BCs are agents that provide banking services in line with RBI’s scope of activities⁷³ at locations other than a branch or an ATM for the banks. They facilitate a bank to increase its outreach⁷⁴ and offer financial products in areas where setting up a brick and mortar branch is not viable, thus being a *sine qua non* of financial inclusion strategy of every bank.⁷⁵ They play a crucial role in enhancing access to, and use of financial products as well as imparting financial training and literacy.⁷⁶ BCs can either be individuals appointed by banks directly or agents who are managed by Business Correspondent Network Managers (“**BCNMs**”).⁷⁷

The BC Guidelines provide for two models: business facilitator and business correspondent model. The former are permitted to carry out services such as (i) identification of borrowers and fitment of activities; (ii) collection and preliminary processing of loan applications including verification of primary information/data; (iii) creating awareness about savings and other products and education and advice on managing money and debt counselling; (iv) processing and submission of applications to banks; (v) promotion and nurturing Self Help Groups (“**SHGs**”)/ Joint Liability Groups (“**JLGs**”); (vi) post-sanction monitoring; (vii) monitoring and handholding of SHGs/ JLGs/ Credit Groups/ others; and (viii) follow-up for recovery. The latter i.e. BCs are permitted to provide a broader gamut of services in addition to the ones listed above, such as (i) disbursement of small value credit; (ii) recovery of principal/ collection of interest; (iii) collection of small value deposits; (iv) sale of micro insurance/ mutual fund products/ pension products/ other third party products; and (v) receipt and delivery of small value remittances/ other payment instruments. These activities fall within the normal banking business and thus are required to be conducted by persons who are “well established, enjoy a good reputation and have the confidence of the local people”.⁷⁸ BCs other than individuals are also permitted to appoint sub-agents who are required to fulfill the stipulated regulatory criteria.

⁷² RBI, ‘Financial Inclusion by Extension of Banking Services - Use of Business Facilitators and Correspondents’, RBI/2005-06/288, (2006) <<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/68417.pdf>> accessed 20 February 2022.

⁷³ RBI, ‘Master Circular on Branch Authorization’, RBI/2014-15/77 (2014) <https://www.rbi.org.in/Scripts/BS_ViewMasCircularDetails.aspx?id=9014#CT19> accessed 20 February 2022.

⁷⁴ Over 95% of banking outlets in rural regions of the country are being operated by BCs. RBI, ‘Report on Trend and Progress of Banking in India 2020-21’ (2021) <<https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/ORTP2020CF9C9E7D1DE44B1686906D7E3EF36F13.PDF>> accessed 20 February 2022.

⁷⁵ RBI, ‘Discussion Paper on Engagement of ‘for-profit’ Companies as Business Correspondents’ <https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=2234> accessed 20 February 2022.

⁷⁶ According to a study conducted by Microsave, 80% of the customers became aware of PMJDY accounts through BCs and 84% of the PMJDY account holders who had received financial literacy and training, were trained by BCs.

MicroSave, ‘Assessment of Bank Mitrs (BMs) under Pradhan Mantri Jan Dhan Yojana (PMJDY) - Round-II’ (2015) <http://www.microsave.net/files/pdf/Assessment_of_BMs_Landscape_PMJDY_Wave_II.pdf> accessed 20 February 2022.

⁷⁷ Microsave, ‘Agent networks- Ideas and lessons from India’ (April 2020) <<https://www.microsave.net/wp-content/uploads/2020/05/Agent-networks-Ideas-and-lessons-from-India.pdf>> accessed 21 February 2022.

⁷⁸ RBI, ‘Financial Inclusion by Extension of Banking Services - Use of Business Facilitators and Correspondents’, RBI/2005-06/288, (2006) <<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/68417.pdf>> accessed 20 February 2022.

BCs were earlier required to be attached to a bank branch for supervision, with the distance criteria between the place of business of the BC and the bank branch being 30 kms for rural / semi-urban / urban areas, and 5 km in metropolitan areas.⁷⁹ However, the distance criterion has been removed to provide more operational flexibility to the banks.⁸⁰ In 2017, RBI through its “Revised guidelines on authorization of banking outlets” defined a banking outlet as a fixed point service delivery unit, manned by bank’s staff or the BC, where services such as acceptance of deposit, cash withdrawal etc. would be provided for at least four hours per day for at least five days a week.⁸¹

The appointment terms and conditions for BCs are primarily captured in the contract between the bank and the BC, and they are also required to comply with the regulatory criteria set out by the RBI in relation to scope of activities, payment of commission / fee, cash management etc.

Engagement of female BCs for financial inclusion of women

BCs further the financial inclusion agenda in all parts of the country by providing basic banking facilities to unserved customers at their doorstep.⁸² They have successfully been able to communicate the benefits of financial products, facilitate transactions and, function as the bank’s face for the unserved.⁸³ Further, reports suggest (See: Figure 8) that women customers prefer using a BC for most of their banking transactions.

National Bank for Agriculture and Rural Development (“NABARD”) and Deutsche Gesellschaft für Internationale Zusammenarbeit (“GIZ”)⁸⁴ (2013) demonstrated the successful deployment of women SHG members as BCs under its

Rural Financial Institutions Programme (“RFIP”). The pilot confirmed women as the preferred choice for a BC agent as they were considered more accessible, trustworthy along with more efficiency in cash management skills due to prior SHG book-keeping experience.⁸⁵ Based on this experience, the gender-focused variant of the

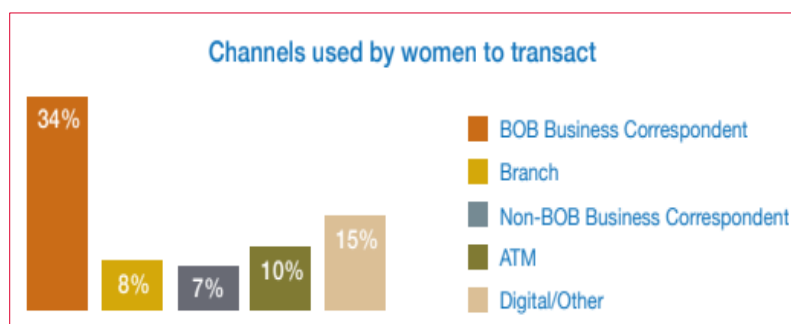


Figure 8: Women prefer to transact at the Business Correspondent point
(Source: WWB Power of Jan Dhan Report 2021)

⁷⁹ RBI, ‘Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs)’ (28 September 2010) <<https://www.rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=6017>> accessed 24 March 2022.

⁸⁰ RBI, ‘Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs)’ (24 June 2014) <https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=8955> accessed 24 March 2022.

⁸¹ RBI, ‘Rationalisation of Branch Authorisation Policy- Revision of Guidelines’ (18 May 2017) <<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10972&Mode=0>> accessed 24 March 2022.

⁸² Nidhi Bansal, ‘Financial Inclusion and Gender Equality: An Evolving Story’ in NS Vishwanathan (eds), *Inclusive Finance India Report 2021* <https://www.indiaspend.com/uploads/2021/12/19/IFI_Report_2021.pdf> accessed 20 February 2022.

⁸³ Sriraman Jagannathan & Swati Chowdhary ‘Women Business Correspondents: Agents of change in India’s financial inclusion’ (*The HinduBusinessLine*, 4 March 2021) <<https://www.thehindubusinessline.com/opinion/women-business-correspondents-agents-of-change-in-indias-financial-inclusion/article33988091.ece>> accessed 20 February 2022.

⁸⁴ GIZ is a development agency that has been working jointly with partners in India for sustainable economic, ecological, and social development.

⁸⁵ GIZ and NABARD, ‘Rural Financial Institutions Programme (RFIP): Self-Help Group Members as Bank Agents - The Bank Sakhi Approach’ <https://gender-works.giz.de/?wpfb_dl=181> accessed 21 February 2022.

BC model: bank sakhi (female banker friend) was adapted in the year 2015-16, under the Deendayal Antayodaya Yojana–National Rural Livelihoods Mission supported by the World Bank.⁸⁶

As per available statistics, 21,790 female SHG members are bank sakhis working with private as well as public sector banks in around 20 states. They played a crucial role in disbursing Pradhan Mantri Gareeb Kalyan Yojana (“PMGKY”) cash transfers and other Direct Benefit Transfers (“DBTs”) during the pandemic.⁸⁷ They have been able to carry over 2.4 million transactions worth INR10.08 Billion.⁸⁸ Further, BCs enable women to conduct transactions (whether traditional or digital) from home, or close to home, which cuts transportation time, cost and hesitancy as well as time spent away from home.

However, it is important to note that the 21,790 female BCs have been appointed from an untapped network of 750 million women SHG members. Female BCs are highly underrepresented, forming only a meagre 10% of the total BC network.⁸⁹ The low representation of female BCs may be attributed to the factors captured in Box 7 below:

Box 7: Key factors responsible for low representation of female BCs

- Unable to meet the basic eligibility / recruitment criteria which requires women to have passed the tenth standard, have computer literacy;
- Mobility and safety challenges;
- Lack of funds to invest in hardware required to operate as a BC;
- Lack of mentoring, training and guidance;
- Multiple barriers faced by them arising from existing BC policies of the bank/business correspondent agreements signed by the bank with BCNMs such as lack of equipment support;
- Social norms discouraging women from working and time poverty.

Taking note of the crucial role played by the female BCs in furthering financial inclusion of women in the country, it becomes important to address the factors responsible for their low representation.⁹⁰ Over a period of time, the following factors have emerged as working in favour of increasing financial inclusion of women, by employing female BCs:

(i) Unique strengths of female BCs⁹¹:

- Female BCs enhance the comfort level of women clients and can conduct doorstep banking more easily;

⁸⁶ It is the SRLMs that helped in scaling up the model through identification, training and deployment of SHG members as Bank Sakhis.

⁸⁷ “Around 6934 BC Sakhis’ from 15 States have done 83.63 Lakh transactions for PMGKY and other DBT disbursement and other transactions of INR. 1845.76 Crore till 31st July, 2020.”

Ministry of Rural Development, ‘Covid-19 Response by Women SHG Warriors’ (2020) <https://aajeevika.gov.in/sites/default/files/nrlp_repository/COVID19%20Response%20by%20Women%20SHG%20Warriors.pdf> accessed 21 February 2022.

⁸⁸ Alreena Renita Pinto and Amit Arora, ‘Digital Doorstep Banking: Female Banking Agents Lead Digital Financial Inclusion Through the Pandemic and Beyond’ (August, 2021) <<https://www.adb.org/sites/default/files/publication/736831/adbi-wp1285.pdf>> accessed 21 February 2022.

⁸⁹ Nidhi Bansal, ‘Financial Inclusion and Gender Equality: An Evolving Story’ in NS Vishwanathan (eds), *Inclusive Finance India Report 2021* <https://www.indiaspend.com/uploads/2021/12/19/IFI_Report_2021.pdf> accessed 21 February 2022.

⁹⁰ WWB, ‘The Power of Jan Dhan: Making Finance Work for Women in India’ (2021) <<https://www.womensworldbanking.org/wp-content/uploads/2021/08/WWB-The-Power-of-Jan-Dhan-Report-Web.pdf>> accessed 21 February 2022.

⁹¹ ‘Women Business Correspondents: Agents of change in India’s financial inclusion’ (*The HinduBusinessLine*, 4 March 2021) <<https://www.thehindubusinessline.com/opinion/women-business-correspondents-agents-of-change-in-indias-financial-inclusion/article33988091.ece>> accessed 24 March 2022.

- Female BCs are considered more approachable, trustworthy, and great at maintaining confidentiality, all of which is valued by women customers;
- Female clients can ask more questions and discuss their financial circumstances more openly with them;

(ii) Deepening of financial inclusion:

- Half the customers of female agents are women, compared to two-fifths of women customers served by male agents;
- Women clients especially in rural areas have shown reluctance to visit bank branches as the male staff deals summarily with them⁹² and thus prefer female BCs;
- More likely to serve customers in remote areas, elderly customers, and other underserved customers⁹³ (71% as opposed to 54% men);⁹⁴
- They support low value transactions⁹⁵

(iii) Business case:

- Female agents are three times more valuable for the bank in terms of average transactions, getting more Jan Dhan customers to sign up and cross selling more products;⁹⁶
- Female BCs completed 19% more transactions and had 45% more conversion on newly launched small savings schemes than their male counterparts;⁹⁷
- Women clients transact more with female BCs,⁹⁸ and are more likely to reach out to female BCs when they have a higher balance;⁹⁹
- Attrition is lower as they are more persistent and less likely to switch jobs despite low profitability;¹⁰⁰

⁹² Sumita Kale, V Anantha Nageswaran et al, 'Powering Financial Inclusion by Strengthening the Agent Ecosystem' (2021) <https://www.indicus.org/admin/pdf_doc/White-Paper-BC-Network-March-2021.pdf> accessed 21 February 2022; Microsave, 'The real story of women's financial inclusion in India; (November 2019) <https://www.microsave.net/wp-content/uploads/2020/01/191125_The-real-story-of-womens-financial-inclusion-in-India_Gender-research-report.pdf> accessed 24 March 2022.

⁹³ Akhand Tiwari, Sonal Jaitly et al, 'Women's agent network—the missing link in India's financial inclusion story A supply-side perspective', MSC Policy Brief # 26 (2022) <https://www.microsave.net/wp-content/uploads/2022/02/PB-26_MSC_Female-BC-agents.pdf> accessed 24 March 2022.

⁹⁴ 'India Needs More Women Business Correspondent Agents' (Microsave, 1 May 2018) <<https://www.microsave.net/2018/05/01/india-needs-more-women-business-correspondent-agents/>> accessed 21 February 2022.

⁹⁵ Alreena Renita Pinto and Amit Arora, 'Digital Doorstep Banking: Female Banking Agents Lead Digital Financial Inclusion Through the Pandemic and Beyond' (August, 2021) <<https://www.adb.org/sites/default/files/publication/736831/adbi-wp1285.pdf>> accessed 24 March 2022.

⁹⁶ WWB, 'The Power of Jan Dhan: Making Finance Work for Women in India' (2021) <<https://www.womensworldbanking.org/wp-content/uploads/2021/08/WWB-The-Power-of-Jan-Dhan-Report-Web.pdf>> accessed 24 March 2022.

⁹⁷ P.E.T. formula helps attract women customers (Press Reader, 10 April 2021) <<https://www.pressreader.com/india/banking-frontiers/20210410/281663962917259>> accessed 24 March 2022 'Women Business Correspondents: Agents of change in India's financial inclusion' (The Hindu BusinessLine, 4 March 2021) <<https://www.thehindubusinessline.com/opinion/women-business-correspondents-agents-of-change-in-indias-financial-inclusion/article33988091.ece>> accessed 24 March 2022.

⁹⁸ According to a conducted by SEWA Bharat, women tend to save and borrow more when they are served by female financial intermediaries.

SEWA Bharat, 'Employment Opportunities for Women in India's Growing Financial Sector' <https://sewabharat.org/wp-content/uploads/2014/05/Employment-Opportunities-for-Women-in-India%E2%80%99s-Growing-Financial-Sector-A-Study-Across-Four-States_website.pdf> accessed 24 March 2022.

⁹⁹ International Finance Corporation and MasterCard Foundation, 'Gender-diverse agent networks foster channel activity and financial inclusion for women- Insights from gender-lensed data analytics in the Democratic Republic of Congo', Field Note 14 <https://www.ifc.org/wps/wcm/connect/d4971eb0-2e0d-49cb-8bc0-96bc21e788c1/IFC116+-+Field+Note+14_FINAL.pdf?MOD=AJPERES&CVID=nlG5XAg> accessed 24 March 2022.

- Range of services provided by female BCs are more, compared to male BCs and they serve customers even if revenue generated is not very high;¹⁰¹
- Dedicated solely to agency banking business (65% as opposed to 44% men);¹⁰²
- Less likely to commit fraud.¹⁰³

In the section below, we identify the challenges that are faced specifically by female BCs, and propose certain actions that may be taken to address the same. For this purpose, we have analysed business correspondent policies of banks, business correspondent agreements as well as information available on websites of the banks. The manner in which these steps / actions to encourage and engage more female BCs may be taken is through a circular issued by the RBI (“**Proposed Circular**”) setting out broad principles to be followed by banks and BCNMs to encourage female BCs. Such guidance may work as setting a minimum standard for female BCs and addressing their concerns at a regulatory level. Further, an added incentive for banks to support the working capital requirement, and other expenditures on female BCs are that they have the potential to be counted towards priority sector lending targets¹⁰⁴, and thus may not be a burden on the banks.

The following recommendations seek to create an ecosystem conducive for engagement of female BCs specifically, however, issues such as low commission structure, infrastructural gaps and service downtime issues, absence of a centralized comprehensive BC registry etc. which are prevalent generally in the system may also require being looked at.

Challenges faced by female BCs and key recommendations

1. Adverse selection criteria

Research suggests that around 18% of BCNMs struggle to find women entrepreneurs who clear RBI’s basic minimum eligibility criteria.¹⁰⁵ Also, the recruitment criteria which is gender blind may make it more difficult for women to fulfill these criteria due to present gender disparities.¹⁰⁶

¹⁰⁰ Akhand Tiwari, Sonal Jaitly et al, ‘Women’s agent network—the missing link in India’s financial inclusion story A supply-side perspective’, MSC Policy Brief # 26 (2022) <https://www.microsave.net/wp-content/uploads/2022/02/PB-26_MSC_Female-BC-agents.pdf>accessed 24 March 2022.

¹⁰¹ ‘India Needs More Women Business Correspondent Agents’ (Microsave, 1 May 2018) <<https://www.microsave.net/2018/05/01/india-needs-more-women-business-correspondent-agents/>> accessed 24 February 2022.

¹⁰² ibid cites Agent Accelerator Network (“ANA”) Wave II Survey findings.

¹⁰³ Akhand Tiwari, Sonal Jaitly et al, ‘Women’s agent network—the missing link in India’s financial inclusion story A supply-side perspective’, MSC Policy Brief # 26 (2022) <https://www.microsave.net/wp-content/uploads/2022/02/PB-26_MSC_Female-BC-agents.pdf>accessed 24 March 2022.

¹⁰⁴ Alreena Renita Pinto and Amit Arora, ‘Digital Doorstep Banking: Female Banking Agents Lead Digital Financial Inclusion Through the Pandemic and Beyond’ (August, 2021) <<https://www.adb.org/sites/default/files/publication/736831/adbi-wp1285.pdf>> accessed 24 March 2022.

¹⁰⁵ Akhand Tiwari, Sonal Jaitly et al, ‘Women’s agent network—the missing link in India’s financial inclusion story A supply-side perspective’, MSC Policy Brief # 26 (2022) <https://www.microsave.net/wp-content/uploads/2022/02/PB-26_MSC_Female-BC-agents.pdf>accessed 24 March 2022.

¹⁰⁶ Richard Chamboko, Robert Cull et al, ‘The Role of Gender in Agent Banking: Evidence from the Democratic Republic of Congo’, International Finance Corporation, Policy Research Working Paper

(a) **Equipment support**

An overview of the business correspondent policies of banks, business correspondent agreements as well as information available on the websites of the banks indicates that majority of the banks expect BCs to have the ability to invest in handheld devices, laptops, and Point of Sale (“POS”) machines.¹⁰⁷ Only a handful of banks extend equipment support to BCs in general, in the following manner:

Box 8: Illustrations of equipment support (not specific to women BCs)	
A loan product designed specifically to cater to needs of BCs.	State Bank of India, Bank of Baroda
Provision of hand held devices to BCs against security of INR 5000.	Punjab and Sind Bank
Front end devices to be supplied to individual BCs at the cost of BCNM.	Canara Bank

The Proposed Circular may require all banks to provide equipment and technical support (handheld devices, mobiles, laptops, biometric machines, printers, fake currency identifier) to individual female BCs either:

- *free of cost;*
- *on rental at subsidized rates;*
- *through loans at lower rates of interest;*
- *minimal refundable security (in case security is taken)*

(b) **Minimum qualification**

The current BC/BF Certification mandated by RBI from the Indian Institute of Banking & Finance (“IIBF”) provides 10th pass as the minimum qualification to appear for the examination.¹⁰⁸ However, business correspondent policies and agreements of some banks¹⁰⁹ suggest the minimum qualification to attain eligibility to work as a BC requires passing the 12th standard. From a gender lens, such bank practices become counterproductive and exclude a major chunk of potential women

<<https://documents1.worldbank.org/curated/en/329591603311397199/pdf/The-Role-of-Gender-in-Agent-Banking-Evidence-from-the-Democratic-Republic-of-Congo.pdf>> accessed 24 March 2022.

¹⁰⁷ Private Sector banks like IDBI Bank, South Indian Bank; Small Finance banks like Utkarsh SFB, Equitas SFB focus on the individual BCs ability to invest in the equipment and technology. Public Sector Bank like UCO Bank in its tender advertisement provides that these devices will be procured by the BCs or will be provided by the Corporate BC available at: https://www.ucobank.com/uploadfile/uploadeddocuments/tender/Tender_advertisement_for_bc_4af788a9a6.pdf.

¹⁰⁸ IIBF, ‘Courses at a glance’ <http://projects.teamgrowth.net/Test-IIBF/Exam_related_notices_Oct2017.asp?ern=10> accessed 24 February 2022.

¹⁰⁹ Central Bank of India, ‘Request for Proposal for empanelment of Corporate Business Correspondent for Rural/ Semi-Urban/ Urban/ Metro locations for financial inclusion banking services through kiosks/ non-kiosks’ (June 2021) <https://www.centralbankofindia.co.in/sites/default/files/2021-06/RFP_empanellment.pdf> accessed 24 February 2022; Punjab & Sind Bank, ‘Engagement of Individual Business Correspondents (BCs) through Base Branches/Zonal Office for FI Implementation’(2017) <https://punjabandsindbank.co.in/document/social-banking/PMJDY/FICirI03_2015.pdf> accessed 24 February 2022; State Bank of India, ‘Request for Proposal (RFP) for engagement of Corporate Business Correspondents for financial inclusion by providing banking services through kiosks’ (April 2021)<https://sbi.co.in/documents/39129/11017307/09042021_RFP+For+Engagement+of+BCs.pdf/933d1f70-b922-da2b-45db-ab2afdaa8007?t=1617976399568> accessed 24 February 2022.

candidates who may not meet this criterion. Statistics indicate that while 22.2 % males are illiterate in rural areas, female illiteracy is even higher and stands at 41.2 %.¹¹⁰ Higher minimum qualification requirements can harm onboarding of female BCs especially in the underserved rural areas, considering the critical role played by them in furthering financial inclusion.¹¹¹

The Proposed Circular may require all banks to ensure that minimum qualification for a woman to apply as a BC should not be more onerous than the 10th pass criterion, and may also devise an alternative to the 10th pass criterion to include more women agents.

2. Financial support measures

(i) Mobility support

A female BC faces more issues commuting every day to the bank branch in comparison to her male counterpart.¹¹² For this purpose, it is essential that mobility support is provided to female BCs in different ways. An example is by Bank of Baroda (“BOB”) where it provided an incentive of INR 100 per day towards transportation for BCs who undertake minimum 40 financial transactions in a day, to encourage them to increase their working hours during the pandemic.

The Proposed Circular may require all banks to provide mobility support to female BCs and two possible examples of how this could be done are given below:

- Provide a low interest two-wheeler loan option;
- Banks may reimburse transportation cost incurred in delivering services using a self-owned vehicle/public transportation on a daily basis for certain minimum number of transactions undertaken.

(ii) Insurance cover

RBI through its 2014 notification¹¹³ ensured that the cash carrying risk is covered by banks through insurance. An overview of existing BC policies of banks for individual BCs, business correspondent agreements signed by the bank with BCNMs¹¹⁴ as well as existing literature¹¹⁵ suggests that there is

¹¹⁰ Ministry of Statistics and Programme Implementation, ‘Key Indicators of Household Social Consumption on Education in India- NSS 75th Round’ (July 2017- June 2018) <http://164.100.161.63/sites/default/files/NSS75252E/KI_Education_75th_Final.pdf> accessed 24 February 2022.

¹¹¹ Indicus Foundation, ‘India needs 2,00,000 Bank Sakhis!’ (December 2021) <<https://www.indicus.org/demo/newsletters.php?monthslot=December&yearsag=2021>> accessed 24 February 2022.

¹¹² Nidhi Bansal, ‘Financial Inclusion and Gender Equality: An Evolving Story’ in NS Vishwanathan (eds), *Inclusive Finance India Report 2021* < https://www.indiaspend.com/uploads/2021/12/19/IFI_Report_2021.pdf> accessed 22 February 2022, Sriraman Jagannathan & Swati Chowdhary ‘Women Business Correspondents: Agents of change in India’s financial inclusion’ (*The HinduBusinessLine*, 4 March 2021) <<https://www.thehindubusinessline.com/opinion/women-business-correspondents-agents-of-change-in-indias-financial-inclusion/article33988091.ece>> accessed 22 February 2022

¹¹³ Reserve Bank of India, ‘Scaling up of the Business Correspondent (BC) Model – Issues in Cash Management’ (22 April 2014) < <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8848&Mode=0>> 21 February 2022.

¹¹⁴ Canara Bank, ‘Request for Proposal For Business Correspondent Services hybrid Opex Model (Kiosk & Mobile) -Using Tablet’ (September 2021) < <https://canarabank.com/media/RFP%20FOR%20BC%20SERVICES%2022.09.2021.pdf>> accessed 21 February 2022; South Indian Bank, ‘Business Correspondent Policy (January 2021) <https://www.southindianbank.com/UserFiles/file/BUSINESS_CORRESPONDENTS_POLICY.pdf> accessed 21 February 2022; Punjab & Sind Bank, ‘Engagement of Individual Business Correspondents (BCs) through Base Branches/Zonal Office for FI Implementation’ (2017) <https://punjabandsindbank.co.in/document/social-banking/PMJDY/FICirI03_2015.pdf> accessed 21 February 2022.

absence of life, health and accident insurance cover for the BC agents by banks. It was only during the first wave of the pandemic that the issue of life and health insurance cover for the BC agent was brought to the forefront, with a few financial institutions taking steps towards insuring the agents. Some examples are:

- BOB provided BCs with health insurance cover of INR 60,000 in case of hospitalization and ex-gratia welfare support of INR 10 Lakh as life cover due to Covid-19;
- Basix Sub-K which is a BCNM,¹¹⁶ provided Hospicash facility to BCs, which is a small value medical insurance to cover hospitalization and related expenses

The proposed Circular may require all banks to provide life, health and accident insurance cover to female BC agents (individual or working with BCNMs) on preferential rates for greater uptake. As the job of a BC entails physical interaction with customers, such insurance, especially in the pandemic era is quintessential.

3. Transformation to relationship managers

Broadly, it is understood that BCs provide basic services such as cash-in and cash-out transactions (“CICO transactions”), and such BCs are usually non-exclusive and non-dedicated. There is another category of BCs who are more sophisticated, and provide more advanced services such as selling products, conducting larger value transactions and onboarding customers and they are exclusive work dedicatedly in the agency business.¹¹⁷ With female BCs, the trend is that a majority of them (65%) are dedicated agents i.e. their work solely focuses on agency business.¹¹⁸ Further, reports suggest that elevating the role of female BCs from basic service providers of CICO transactions to that of ‘relationship managers’ may be a natural extension of evidence indicating that women clients prefer transacting with BCs over all other modes of banking, and have a preference for female BCs. Such a

BOX 9: CASE STUDY- AGENTS AS RELATIONSHIP MANAGERS

In Kenya, a project with Women’s World Banking and KCB, Kenya (Kenya’s largest bank), MSME bankers were transformed into relationship bankers who could respond to business as well as personal financial needs of women customers through training on approaching and understanding customers, communicating effectively, selling and cross-selling of products, and following up. The project team deployed usage of a script for relationship managers to follow while dealing with women customers for the purposes of promoting cross-selling of products, which was a success. The case study is an example of how transforming to relationship managers was a game changer as it brought the bank staff closer to their clients.

Source: Creating a Better Banking Experience for Women-Led Micro, Small, and Medium Enterprises in Kenya, WWB

¹¹⁵ Alreena Renita Pinto and Amit Arora, ‘Digital Doorstep Banking: Female Banking Agents Lead Digital Financial Inclusion Through the Pandemic and Beyond’ (August, 2021) <<https://www.adb.org/sites/default/files/publication/736831/adbi-wp1285.pdf>> accessed 21 February 2022.

¹¹⁶ Sunil Bhat, Sharad Bangari et al, ‘Addressing three key issues of BC agents in India for Covid like challenges’ (28 January 2021) < <https://www.microsave.net/2021/01/28/addressing-three-key-issues-of-bc-agents-in-india-for-covid-like-challenges/>> accessed 24 March 2022.

¹¹⁷ Graham Wright, Karthick Morchan et al, ‘The Agent Profitability Conundrum in India- Time for Differentiated Agents?’ (Microsave, 3 May 2018) < <http://blog.microsave.net/2018/05/03/the-agent-profitability-conundrum-in-india-time-for-differentiated-agents/>> accessed 24 March 2022.

¹¹⁸ Akhand Tiwari, Sonal Jaitly et al, ‘Women’s agent network—the missing link in India’s financial inclusion story A supply-side perspective’, MSC Policy Brief # 26 (2022) <https://www.microsave.net/wp-content/uploads/2022/02/PB-26_MSC_Female-BC-agents.pdf> accessed 24 March 2022.

proposition was even tested and was successful in terms of increasing the number of women who were

BOX 10: CASE STUDY- IDENTIFICATION OF POTENTIAL WOMEN AGENTS

In Jordan, a GIZ Initiative funded by German Federal Ministry of Economic Cooperation and Development (BMZ) aimed to advance the financial and economic inclusion of women through digital solutions. The project worked on building a mobile money agent network for women on the assumption that uptake of digital financial services would be more if women customers are catered to by women. It reached out to organizations working with women entrepreneurs and leveraged their already existing networks. Training materials were developed and training sessions were conducted for potential agents. To ease the process of identification of potential agents, it targeted specific sectors (for example, cafés, beauty salons, and pharmacies) that presented a higher number of formal wMSMEs in the country. The project was successful in reaching out to 1090 women identifying 213 women as mobile money agents.

Source: Women's Financial Inclusion Toolkit, GIZ

motivated to use a particular financial product related to saving more.¹¹⁹ Women also prefer having a

Box 11: Other innovative measures

- Geo-tagging the location of BCs for the convenience of female customers;¹²⁰
- Commission of the BCs may not only be linked to the number of accounts opened and transactions put through by them but may be expanded to criteria which directly indicate financial inclusion such as number of dormant accounts activated, number of transactions done in a repeated manner¹²¹, transactions which commenced with deposit and saving and graduated to credit, pension and insurance and transactions done in challenging geographies;
- Women led MSMEs as defined in the previous chapter of this paper may be specifically targeted to be trained as BCs, and certain sectors that represent a higher representation of formal women led MSMEs such as textiles, garments, jewelry, retail trade may be targeted for training as BCs (See Jordan Case Study in Box 10).

dedicated point of contact to discuss their financial circumstances, and business (for women led MSMEs). The Kenya Case Study in Box 9 is a good example in this regard.

The Proposed Circular may require all banks and BCNMs to encourage training of BCs to develop and level up as relationship managers, to strengthen their role in the financial inclusion story.

¹¹⁹ WWB, 'The Power of Jan Dhan: Making Finance Work for Women in India' (2021) <<https://www.womensworldbanking.org/wp-content/uploads/2021/08/WWB-The-Power-of-Jan-Dhan-Report-Web.pdf>> accessed 24 March 2022.

¹²⁰ International Finance Corporation and MasterCard Foundation, 'Gender-diverse agent networks foster channel activity and financial inclusion for women- Insights from gender-lensed data analytics in the Democratic Republic of Congo', Field Note 14 <https://www.ifc.org/wps/wcm/connect/d4971eb0-2e0d-49cb-8bc0-96bc21e788c1/IFC116+-+Field+Note+14_FINAL.pdf?MOD=AJPERES&CVID=nIG5XAg> accessed 24 March 2022.

¹²¹ Akhand Tiwari, Sonal Jaitly et al, 'Women's agent network—the missing link in India's financial inclusion story A supply-side perspective', MSC Policy Brief # 26 (2022) <https://www.microsave.net/wp-content/uploads/2022/02/PB-26_MSC_Female-BC-agents.pdf> accessed 24 March 2022.

A.3. Pivoting Digital Banks towards Financial Inclusion of Women

The Nachiket Mor Committee¹²² report mentions the concept of differentiated banks. Horizontally differentiated banking systems are full service banks but are differentiated primarily on the dimension of size, geography or sectoral focus. In a vertically differentiated banking system, the full service bank is replaced by banks which focus on payment, deposit or credit. Payments Banks (“PBs”) fall in the latter category as they focus only on deposit and payment (and not credit), whereas SFBs fall in the former category as they are full service banks focusing on the underserved with a local area lens. Both PBs and SFBs are meant to further the agenda of financial inclusion and the RBI’s legal framework for both these categories of banks incorporates the primary objective of the banks to serve financial inclusion, and requires that the business plan etch out how the objective of financial inclusion will be achieved. DBs are also conceptualised as differentiated banks, and are close to being horizontally differentiated banks as they are full service, but in terms of differentiation, their mode of operation is primarily dependent on the internet and they have a sectoral focus, which could possibly be on the underserved.

DBs are fintech companies that conduct all businesses that banks are empowered to engage in under the Banking Regulation Act 1949 on a primarily digital/electronic platform, unlike traditional banks which transact business primarily through physical branches.¹²³ In November 2021, the NITI Aayog released a discussion paper titled “Digital Banks: A Proposal for Licensing and Regulatory Regime” (“Niti Aayog Paper”) which provides a broad overview of what DBs are, what credit gaps they are expected to bridge, and how they are proposed to be licensed and regulated. The Niti Aayog Paper talks about three models of DBs: front-end only neo-banks, full-stacked DBs and autonomous digital units of traditional banks. It defines the front-end only neo bank model as a partnership between fintech companies and traditional banking companies where the former works the engagement layer offering consumer or small-business facing services while the latter works the utility layer, offering both sides of its balance sheet.¹²⁴ In contrast, a full-stacked digital bank is defined as a fully functional banks, offering deposit facilities and loan services, just as traditional bank, which rely on digital channels, rather than physical branches, to offer these services.¹²⁵ Autonomous digital banking units (“DBUs”) are self-explanatory and a recent example is of SBI planning to revamp its digital banking app YONO, into a complete digital bank called ONLY YONO with a “leaner and modular architecture, more streamlined journeys, sleek and

¹²² RBI, ‘Committee on Comprehensive Financial Services for Small Businesses and Low Income Households’ – Report (2015) < <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/CFS070114RFL.pdf> > accessed 25 March 2022.

¹²³ Niti Aayog, ‘Digital Banks: A Proposal for Licensing and Regulatory Regime, Discussion Paper’ (November 2021) ch. 6, page 22. (“Niti Aayog Paper”) <https://www.niti.gov.in/sites/default/files/2021-11/Digital-Bank-A-Proposal-for-Licensing-and-Regulatory-Regime-for-India.24.11_0.pdf> accessed 25 March 2022.

¹²⁴ ibid page 18.

¹²⁵ ibid page 13.

personalized customer centric design and capturing value from ecosystems.”¹²⁶ The primary benefit of developing a complete DB is improved cost-to-income ratios for the bank (around 70% lower cost), with the intent to serve different customer segments.¹²⁷

DBs, and digital banking in general, holds potential in utilizing platform-based efficiencies of speed and low cost to serve such segments of the economy which have been underserved by traditional banks. These include, *inter alia*, small businesses, migrants and women.¹²⁸ Thus, from a financial inclusion perspective, DBs may be intended to primarily serve those segments of the economy which have been underserved or unserved in the traditional banking system, thus bridging the credit gap between them.

On a prima facie review of SFBs and PBs in terms of achieving financial inclusion, the preliminary takeaway appears to be that they are to some extent successful in this objective, but there is still a long way to go. For instance, SFBs are required to lend 75% of their ANBC in priority sectors, and their focus has been primarily MSMEs, followed by agriculture.¹²⁹ They are also required to ensure that 50% of its loan portfolio comprises of small borrowings upto INR 25 Lakh borrower wise. While SFBs have largely complied with these prudential norms,¹³⁰ gender disaggregated data in this regard is not publicly available. Many SFBs were previously MFIs with women as the primary segment. Further, one of the SFBs in its annual report¹³¹ mentions the target customers for their micro loans to be women. However, there is evidence to show that the Micro Units Development & Refinance Agency Limited ("MUDRA")¹³² loans extended to women entrepreneur borrowers largely comprise of small ticket loans in the micro / Shishu category (i.e. upto INR 50,000), by number as well as by volume¹³³ and the larger sized loans are allocated to men. This results in women entrepreneurs being bracketed as a micro-loan segment, and progression and expansion of their businesses may become a challenge. In relation to PBs, which focus on remittances, most of the banks are yet to turn profitable due to high operating costs and limited revenue generating services. Further, only Paytm Bank declared a profit (in FY 18-19) with no concrete data on whether these profits were sourced from serving the unserved and underserved (or women) and the CEO said in an interview that only 25% of its customers are rural and semi-urban customers.¹³⁴

¹²⁶ SBI, 'Request for expression of interest for shortlisting of consultants for 'Only Yono-The new digital bank (Yono 2.0)'' (March 2022) <https://sbi.co.in/webfiles/uploads/files_2122/09032022_EOI.pdf> accessed 25 March 2022.

¹²⁷ Krishna Veera Vanamali, 'Why top lenders are laying the groundwork for digital only banks' (*Business Standard*, 15 March 2022) <https://www.business-standard.com/podcast/finance/why-top-lenders-are-laying-the-groundwork-for-digital-only-banks-122031500059_1.html> accessed 25 March 2022.

¹²⁸ Proposed Licensing Framework, page 14.

¹²⁹ RBI, 'Report on Trend and Progress of Banking in India 2019-20- Operations and Performance of Commercial banks' <<https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/6OPERATIONSPERFORMANCE47A74BB420C14199A7063F4C30842517.PDF>> accessed 25 March 2022.

¹³⁰ Annapurna Neti, 'Small Finance Banks: Coming of Age' in NS Vishwanathan (eds), *Inclusive Finance India Report 2021* <https://www.indiaspend.com/uploads/2021/12/19/IFI_Report_2021.pdf> accessed 28 February 2022.

¹³¹ ESAF Small Finance Bank, 'Annual Report 2020-2021' <<https://www.esafbank.com/pdf/ANNUAL-REPORT-2020-21.pdf>> accessed 25 March 2022.

¹³² Under Pradhan Mantri Mudra Yojana ("PMMY"), loans are given under three categories; Shishu (loans upto INR 50 Thousand), Tarun (loans from INR 50 Thousand to 5 Lakh), and Kishor (loan from INR 5 Lakh to 10 Lakh).

¹³³ Nidhi Bansal, 'Financial Inclusion and Gender Equality: An Evolving Story' in NS Vishwanathan (eds), *Inclusive Finance India Report 2021* <https://www.indiaspend.com/uploads/2021/12/19/IFI_Report_2021.pdf> accessed 25 March 2022.

¹³⁴ Indradeep Ghosh & Ajit Ranade, 'A Trilemma and a Possible Solution- Can Payment Banks Succeed?' vol 55, issue 15 (April 2020) <<https://www.epw.in/journal/2020/15/special-articles/can-payments-banks-succeed.html>> accessed 25 March 2022.

From the above, it appears that there is not enough clarity on how SFBs as well as PBs are serving the financial and credit needs of underserved customers, especially women customers. Further, on the basis of the limited information available regarding top lenders in India moving towards setting up DBs, it appears that the focus is on using technology for a seamless customer experience and not as much on targeting the underserved. Globally, DBs have been positioned as banks to further financial inclusion, with SMEs being a popular customer segment.

Further, as these are new banks, they have the advantage of developing a core model which is suited to serving specific customer needs,¹³⁵ rather than changing their core banking model which may be a costly affair. With the recent announcement by the Finance Minister in the Union Budget 2022 of setting up 75 DBUs by SCBs,¹³⁶ the Proposed Licensing Framework for DBs being still in the draft stage, and the likelihood of RBI coming up with formal guidelines (“**Proposed Framework**”), certain components of the said framework have been identified below which may be clarified to better serve the goals of financial inclusion by DBs, and also focus on women customers.

Regulating DBs to deepen financial inclusion

(i) *Stated policy objective and target customers*

Existing frameworks for DBs across most jurisdictions have incorporated the objective of financial inclusion within the regulatory framework itself. Except Korea, four other jurisdictions, Hong Kong, Malaysia, Philippines and Singapore either state financial inclusion or serving the underserved / unserved market segment of the society as a stated statutory objective.

In terms of the target segments, out of the above mentioned jurisdictions Malaysia is the only jurisdiction that has defined underserved segment in the FAQ to its law for DBs.¹³⁷ The factors that may contribute to being underserved for both retail as well as SMEs are illustrated as higher information asymmetry, higher risk profile, low level of financial literacy, limited understanding of formal processes to obtain financial services and physically difficult to be reached.¹³⁸ Examples of the underserved target segment include, start-ups; SMEs with insufficient collateral and in high-growth sectors, lower income segments, self-employed individuals, first-time borrowers, individuals who recently joined the workforce and retirees, customer residing in hard-to-reach

BOX 12: CASE STUDY-DIGITAL BANKS SERVING NEEDS OF UNDERSERVED WOMEN CLIENTS

Young, rural and low-income women constitute the financially excluded and underserved segment in South Africa. However, this segment of population constitutes an active customer base of Tyme Bank, a DB based in South Africa. The women customers of the bank are appreciative of its high interest yielding savings product and low banking fees.

Its distribution network with two grocery stores is not used just for automated onboarding, but also acts as cash deposit and withdrawal points which keeps operational costs low, and also extends the bank's reach to areas underserved by traditional players

Source: Tyme Bank Case Study, CGAP

¹³⁵ Adrian Klee, 'Neobanks win by having a tailored product focus' <<https://rossrepublic.com/neobanks-win-by-having-a-tailored-product-focus/>> accessed 28 March 2022.

¹³⁶ 'Union Budget 2022: 75 DBs to be set by commercial banks in 75 districts' (ET Now, 1 February 2022) <<https://www.timesnownews.com/business-economy/union-budget-2022-75-digital-banks-to-be-set-by-commercial-banks-in-75-districts-article-89269197>> accessed 29 March 2022

¹³⁷ Bank Negara Malaysia (“BNM”), 'FAQ – Licensing Framework for DBs' (December 2020), FAQ 11<https://www.bnm.gov.my/documents/20124/764825/20201231_FAQ_Digital+Banks.pdf> accessed 25 March 2022.

¹³⁸ *ibid.*

locations or persons with disabilities.¹³⁹ Singapore in its FAQ to the law identifies SMEs as one such underserved segment.¹⁴⁰ Hong Kong identifies retail segment including SMEs as the target segment for DBs in the law itself.¹⁴¹

On a review of the existing neobanking platforms that are functioning in India in the form of the three models discussed above (See: Table 4), it appears that primarily, the target customer segment is either retail consumers or MSMEs.

<i>Neobanking platforms functioning in India</i>	<i>Target segment</i>
Jupiter, Niyo, FiMoney, Kotak 811, Digibank, Wizely, InstantPay	Personal banking: retail consumers [Jupiter also targets low income consumers; Niyo targets blue collar employees and those travelling abroad]
ZikZuk, Open, NamasteBiz, NuPay, Hylobiz, InstantPay	MSMEs
RazorPayX	Public, private and one person companies, sole proprietorships and partnerships
Open, InstantPay	Start-ups
FamPay	Teenagers
InstanPay, Nupay	Large enterprises

Table 4: Existing neobanking platforms in India and their target segment

From the above, it is amply clear that the neobanking platforms operating in India do not specifically have women customers as their target segment. It is clear from the Niti Aayog Paper that there is a gaping credit gap of \$25 million in the MSME segment, and globally also, DBs are positioned to fill credit gaps to SMEs. The credit gap to women owned MSMEs in India is substantive, as out of the total credit outstanding to MSMEs by all PSBs, only 5.2 % was extended to women MSMEs.¹⁴²

Further, there is immense scope of providing NFS to women entrepreneurs through the DB framework, as has been suggested by the Niti Aayog Paper. Some examples are consultancy and advisory support, filing tax returns, assistance in preparing project proposals and loan applications, marketing and sales¹⁴³, in addition to services provided to MSMEs in general (such as invoice preparation, automated accounting, payment gateways etc.)

(ii) Physical presence of DBs

As DBs are understood to be functioning primarily in the online mode, providing for physical touch points may sound counter-intuitive. However, the goal of deepening financial inclusion may be adversely impacted due to

¹³⁹ *ibid.*

¹⁴⁰ Monetary Authority of Singapore (“MAS”), ‘FAQ on Digital Full Bank (“DFB”) and Digital Wholesale Bank (“DWB”) Licenses’, question 16 <<https://www.mas.gov.sg/-/media/Digital-Bank-Licence/FAQs-on-DFB-and-DWB-Licences.pdf?la=en&hash=6883>>

¹⁴¹ Hong Kong Monetary Authority (“HKMA”), ‘Authorization of Virtual Banks : A Guideline issued by the Monetary Authority under Section 16(10)’ <https://www.hkma.gov.hk/media/eng/doc/key-information/guidelines-and-circular/guideline/guideline_eng_virtual_bank_20180608.pdf> accessed 25 March 2022.

¹⁴² IFC, ‘Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India’ <<https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women-owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8>> accessed 25 March 2022.

¹⁴³ *ibid.*

the absence of any physical branches or touch points, as it may pose a major obstacle for low-income and rural customers who still need physical touch points to convert their cash into digital money and vice-versa.¹⁴⁴

New evidence suggests that CICO networks play a critical role in a country's transition from a cash based economy to a digital economy.¹⁴⁵ Customers in emerging markets who want to use DFS can do so only if they can convert cash into e-money and vice-versa. Various studies suggest that if customers digitise a part of their income, they need cash-out options for conducting transactions which cannot be done digitally due to lack of complete digital infrastructure, which is the case in many developing countries. Further, customers who are paid in cash need cash-in points to spend digitally.¹⁴⁶ Hence, the CICO network acts as a conduit for many customers in developing economies to get comfortable with and trust DFS, and is a stepping stone towards the expansion of the customer base for DFS and understanding their behaviour better. They are particularly useful for rural cash-driven economies, where even with technological access, comfort with technology might be low.¹⁴⁷ In fact, the World Bank's Findex Report, 2017 ("**Findex Report**") states that the ability to cash out at least some portion of money held digitally is indispensable to the success of DFS.¹⁴⁸

One of the major challenges to the financial inclusivity of women is that while women may have bank accounts, they rarely use them, i.e., their bank accounts lie dormant. According to Findex Report, 42% of women's accounts lie dormant.¹⁴⁹ One of the major reasons for this is the lack of convenience in how these services are delivered to women.¹⁵⁰ While DFS, including DBs present easy accessibility, it is also suggested in reports¹⁵¹ that unless DFS is affordable, safe and easy to use, or convenient, women who are currently financially excluded are unlikely to use DFS.¹⁵² Women lack mobility and are more likely to be time-poor, and thus, convenience becomes a major factor impacting their use of the facilities.¹⁵³ Making CICO facilities available is one of the suggested ways in which DFS/DB can make it convenient for women to use their services. CICO facilities can be made available either through agents of a bank (agent banking or banking correspondents) or at point-of-sale (POS) whereby retailers with POS terminals can provide CICO facilities.¹⁵⁴ A successful example of how providing CICO network within the DB infrastructure proved to be a game changer is that of Tyme Bank, South Africa (See: Box 12)¹⁵⁵ As per evidence from a survey conducted by CGAP, affordability as well as accessibility are key reasons why the DB

¹⁴⁴ Mehmet Kerse and Stephen Staschen, 'DBs: How can they be regulated to deepen financial inclusion?' (December 2021)

¹⁴⁵ Emilio Hernandez, 'The Role of Cash In/ Cash Out in Digital Financial Inclusion' (CGAP, 29 July 2019) <<https://www.cgap.org/blog/role-cash-incash-out-digital-financial-inclusion>> accessed 25 March 2022.

¹⁴⁶ *ibid.*

¹⁴⁷ Alreena Renita Pinto and Amit Arora, 'Digital Doorstep Banking: Female Banking Agents Lead Digital Financial Inclusion Through the Pandemic and Beyond' (August, 2021) <<https://www.adb.org/sites/default/files/publication/736831/adbi-wp1285.pdf>> accessed 25 March 2022.

¹⁴⁸ World Bank Group, 'The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution', Group (2017). <<https://globalfindex.worldbank.org/>> accessed 25 March 2022.

¹⁴⁹ *ibid.*

¹⁵⁰ Microsave, 'The real story of women's financial inclusion in India' (November 2019) <https://www.microsave.net/wp-content/uploads/2020/01/191125_The-real-story-of-womens-financial-inclusion-in-India_Gender-research-report.pdf> accessed 25 March 2022.

¹⁵¹ *ibid.*; Also Global Partnership for Financial Inclusion 'Advancing Women's Digital Financial Inclusion' (June 2020) <https://www.gpfi.org/sites/gpfi/files/sites/default/files/saudig20_women.pdf> accessed 25 March 2022.

¹⁵² *ibid.*

¹⁵³ *ibid.*

¹⁵⁴ Reserve Bank of India, 'FAQs on Cash Withdrawal Facility at Point of Sale (PoS) Terminals, Reserve Bank of India' (5 May 2020) <<https://m.rbi.org.in/scripts/FAQView.aspx?Id=135>> accessed 25 March 2022.

¹⁵⁵ CGAP, Tyme Bank Case Study: The Customer Impact of Inclusive Digital Banking (January 2022) <<https://www.cgap.org/research/publication/tymbank-case-study-customer-impact-inclusive-digital-banking>> accessed 25 March 2022.

was preferred by low-income women and rural customers, who form a majority of the customers (65%) of the bank.¹⁵⁶

As per the legal framework of various jurisdictions governing DBs, the provisions on having branches and using agents for banking vary captured below in Table 5.

<i>Jurisdiction</i>	<i>Physical branch</i>	<i>Physical office for administrative purposes/ customer complaints</i>	<i>Use of agent network / cash deposit / ATMs</i>
Malaysia	Not permitted	Permitted	For cash withdrawal and deposit, and to reach out to the underserved and unserved customer segment is permitted but it to be kept minimal, as it is not the primary channel to reach out to them. ¹⁵⁷ Further, the business plan requires <i>inter-alia</i> delineation of the reasons why agent network is being used in place of digital means and a migration plan from agent network to fully digital within five years of commencement of operations of the bank. ¹⁵⁸
Singapore	Not permitted	Permitted for conducting business ¹⁵⁹	Cannot access ATMs or cash deposit machines as the intent is for them to innovate digitally ¹⁶⁰
Hong Kong	Not expected to maintain	To provide for interfacing with the regulator, and deal with customer complaints	Not clear
Philippines	Not permitted	To maintain one office	Allowed to use agents and other qualified service providers

Table 5: International legal framework for DBs to maintain physical bank branches and use agent network

From the above, it emerges that the policy on physical touchpoints in terms of permitting usage of agent networks, cash deposit machines and ATMs is mixed, and there is no clear trend. However, in relation to maintaining a physical branch, the trend is negative, and a physical office is permitted only for interfacing with customers and regulators. From a financial inclusion perspective, especially for women who may not be comfortable or have access to digital technology, the only way to bring them within the fold of DBs is through establishing CICO points, which is in alignment with the existing literature on regulating DBs to deepen financial

¹⁵⁶ *ibid.*

¹⁵⁷ BNM, 'Licensing Framework for DBs' ("BNM Licensing Framework") (31 December 2020), para 17.5 <https://www.bnm.gov.my/documents/20124/938039/20201231_Licensing+Framework+for+Digital+Banks.pdf> accessed 28 March 2022.

¹⁵⁸ BNM Licensing Framework, para 10.3(i).

¹⁵⁹ MAS, 'DFB Framework- Annex A' <<https://www.mas.gov.sg/-/media/Annex-A-Digital-Full-Bank-Framework.pdf>> accessed 25 March 2022.

¹⁶⁰ MAS, 'FAQ on DFB and DWB Licenses', question 40 <<https://www.mas.gov.sg/-/media/Digital-Bank-Licence/FAQs-on-DFB-and-DWB-Licences.pdf?la=en&hash=6883>> accessed 25 March 2022.

inclusion. The Niti Aayog Paper suggests opening of one place of business, however in relation to other physical touchpoints (branch and agent network/ CICO), it suggests leaving it to the bank to determine its channel of delivery based on its policy, which may give rise to differing models.

(iii) ***Compliance with objective of financial inclusion***

In the Malaysian framework,¹⁶¹ the licensing scheme requires that the applicant-bank submit a “business plan” which shall include: details of its target customer segment (which has to include an unserved or underserved segment of the economy), proposed financial products and services that will be offered along with an explanation on how the solutions to be offered will address the specific needs of the target segment, the share of business from the identified unserved and/or underserved segments relative to the overall projected operations, and the performance indicators that reflect the applicant’s value proposition in driving the financial inclusion objectives. The Niti Aayog Paper does not mention the components of a business plan with financial inclusion targets, and it is recommended that the same may be included in the framework (which may require banks to specify their target segment as well).

Further, in terms of transition from a restricted bank to a full stack bank, the Niti Aayog Paper suggests keeping the DB in a regulatory sandbox. The metrics based on which such DB shall be monitored include cost to acquire a customer, volume / value of credit disbursed to MSMEs, technological preparedness etc. The RBI regulatory sandbox framework has a relatively short timeline of 6 months,¹⁶² which may not be sufficient to test out all products and services of a full service DB and assess whether financial inclusion is being achieved through such services.¹⁶³ Malaysia, Singapore and Pakistan impose a “foundational phase” requirement, i.e., a phased authorization timeline which may extend over 3-5 years where the DBs are subjected to a limited set of regulations and can only conduct a limited range of activities before becoming fully licensed as a traditional bank. The financial inclusion objective is imposed as a pre-condition¹⁶⁴ to transition out of the phase, and operate with more independence. Even after transition, such banks are required to restrict themselves to serving their specific customer segment. A similar approach may be taken in the Proposed Framework i.e. first, extend the time period for which the bank operates in a restricted manner to ensure that compliance with the financial inclusion objective may be properly assessed, and second, impose such compliance as a pre-condition for the transition to a full stack bank which may be assessed by the RBI based on the performance indicators mentioned in the business plan of such banks.

¹⁶¹BNM Licensing Framework, para 10.

¹⁶²RBI, Department of Banking Regulation ‘Enabling Framework for Regulatory Sandbox’ (16 December 2020), paras 6.2 and 7.2. <<https://www.rbi.org.in/scripts/PublicationReportDetails.aspx?UrlPage=&ID=1161#S6>> accessed 25 March 2022.

¹⁶³ Avisha Gupta and Sourav Padhi, ‘DBs- The Future of Banking in India’ (Mondaq, 18 March 2022) <<https://www.mondaq.com/india/financial-services/1173720/digital-banks-the-future-of-banking-in-india>> accessed 25 March 2022.

¹⁶⁴ Malaysia – To make an early exit out of the “foundational” phase, the licensees have to prove the fulfilment of, besides the capital and regulatory requirements, the achievement of the value propositions undertaken in their business plan as part of the licensing process (See: BNM Licensing Framework). Singapore – DWBs have to demonstrate a track record of delivering on its value propositions. DFBs do not have the same criteria (See: FAQ on DFB and DWB Licenses). Pakistan – Both DFBs and Digital Retail Banks, during the sandbox phase, have to submit quarterly reports on the progress of the value propositions undertaken in the business plan. (See: State Bank of Pakistan, ‘Licensing and Regulatory Framework for DBs’ (January 2022) <<https://www.sbp.org.pk/bprd/2022/C1-Annex.pdf>> accessed 25 March 2022.)

Recommendations

For the purposes of pivoting DBs towards financial inclusion of women, it is recommended that the Proposed Framework be drafted with a gendered lens based on the action points suggested below:

- (i) The policy objective of financial inclusion may be explicitly stated, and the target segment may also be spelled out to include *inter-alia* women customers and MSMEs and specifically include women led MSMEs to give a clear signal of the potential of DBs to serve women entrepreneurs and not just MSMEs in general.
- (ii) It should not prohibit CICO network for DBs to begin with and should rather encourage it, for DBs to be able to serve the objective of financial inclusion, especially of women customers.
- (iii) The components of a business plan with financial inclusion targets may be included in the framework, which may also require banks to specify their target segment. Further, compliance with the objective of financial inclusion based on the performance indicators mentioned in the business plan of such banks may be inserted as a pre-condition for the transition to a full bank.

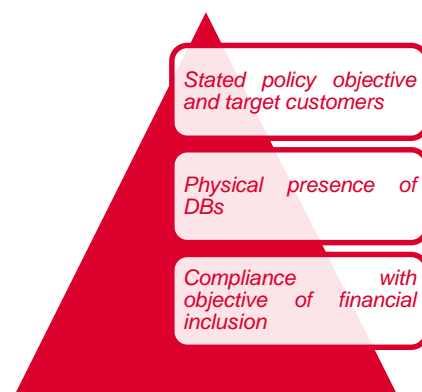


Figure 9: Regulating DBs to deepen financial inclusion

Part B: Designing Financial Products and Services for “Her”

Furthering the agenda of financial inclusion requires financial products and services to be inclusive and responsive to the diverse needs of clients, including women.¹⁶⁵ Financial services providers (“FSPs”) have the potential to play a critical role in amplifying the adoption of financial products and services by women through gender-inclusive designing, which is not limited to “pink-washing”.¹⁶⁶ To reach out to more women customers, banks may go beyond a gender-neutral approach and integrate the needs, preferences and behaviour of women customers into their business models and financial products.¹⁶⁷ Research suggests that women clients, especially in rural areas, have shown reluctance to visit bank branches as the male staff deals summarily with them.¹⁶⁸ They do not perceive banks as a familiar place and get intimidated with the complexity of banking processes.¹⁶⁹ It is imperative for banks to realize that if customers find the products complex, they will feel a lack of agency in taking decisions regarding their own money.¹⁷⁰ Recognizing women as a distinct segment, financial products need to be reimagined and developed by addressing the myriad social impediments at the time of designing and hence being gender responsive.¹⁷¹ They need to address the specific concerns stemming from lower digital and financial literacy, mobility constraints, limited capital, lower access to phones and internet, dependence on a male member about financial decision making, to mention a few.¹⁷²

This part of the paper attempts to shed light on the existing financial products and services being offered to women by Indian FSPs such as PVSBS, PSBs, SFBs, MFIs, and fintech platforms. For this purpose, we conducted an analysis of five PSBs and PVSBS based on their asset size; eleven SFBs i.e. all the existing SFBs in the Indian ecosystem; ten Non-Banking Financial Company MFIs (“NBFC-MFIs”) having a sufficiently large client size, which are primarily women and thirteen fintechs majorly working towards advancing financial inclusion in India.

¹⁶⁵ Arisha Salman and Keiko Nowacka, ‘Innovative Financial Products and Services for Women in Asia and the Pacific’ (ADB, April 2020) <<https://www.adb.org/sites/default/files/publication/576086/sdwp-67-financial-products-services-women-asia-pacific.pdf>> 25 February 2022.

¹⁶⁶ WWB, ‘How to Create Financial Products that Win with Women’ (2018) <<https://www.womensworldbanking.org/insights-and-impact/how-to-create-financial-products-that-win-with-women/>> accessed 25 February 2022.

¹⁶⁷ Global Banking Alliance, ‘The Paradox of Gender Neutral Banking’ <https://www.findevgateway.org/sites/default/files/publications/files/gba_paper.pdf> accessed 28 February 2022.

¹⁶⁸ Sumita Kale, V Anantha Nageswaran et al, ‘Powering Financial Inclusion by Strengthening the Agent Ecosystem’ (2021) <https://www.indicus.org/admin/pdf_doc/White-Paper-BC-Network-March-2021.pdf> accessed 28 February 2022.

¹⁶⁹ WWB, ‘The Power of Jan Dhan: Making Finance Work for Women in India’ (2021) <<https://www.womensworldbanking.org/wp-content/uploads/2021/08/WWB-The-Power-of-Jan-Dhan-Report-Web.pdf>> accessed 28 February 2022.

¹⁷⁰ Lalitagauri Kulkarni & Vasant Chintaman Joshi, *Inclusive Banking in India- Reimagining the Bank Business Model* (Palgrave Macmillan) 182.

¹⁷¹ Abhishek Gupta & Akhand Tiwari, ‘Designing financial products for women’ (Livemint, 22 October 2018) <<https://www.livemint.com/Opinion/WzvT7XP8m6cLB1qPx4Ff1l/Opinion--Designing-financial-products-for-women.html>> accessed 25 February 2022

¹⁷² Quantumhub, ‘Women’s Economic Empowerment in India: Policy Landscape on Financial Inclusion’ (2020) <https://thequantumhub.com/wp-content/uploads/2020/12/Financial-Inclusion-Section_WEE-Policy-Landscape-Study-Final.pdf> accessed 25 February 2022; IFC, ‘Improving Access to Finance for Women-owned Businesses in India’ (2014) <http://microsave.net/files/pdf/Improving_Access_to_Finance_for_Women_owned_Businesses_in_India_IFC.pdf> accessed 28 February 2022; IFC, ‘Women Owned SMEs: A Business Opportunity for Financial Institutions’ (2014) <<https://www.ifc.org/wps/wcm/connect/44b004b2-ed46-48fc-8ade-aa0f485069a1/WomenOwnedSMEs+Report-Final.pdf?MOD=AJPERES&CVID=kiiZZDZ>> accessed 25 February 2022.

The financial products offered specifically to women by the above-mentioned FSPs were analysed based on the information available on their respective websites. Broadly, the products have been divided into two categories: savings products and credit products. Credit products have been further subdivided into those offered to (i) retail women customers, (ii) women entrepreneurs and (iii) SHGs. SHGs primarily consist of low income women customers, hence forming an essential part of our analysis. Our analysis has the following nuances:

- (i) Features of savings account offered to women customers such as concessions attached to the account, interest rates offered, additional financial as well as NFS captured in Table 6;
- (ii) Features of credit products offered to women such as purpose, eligibility, requirement of collateral, processing and documentation charges, interest rates and NFS captured in the following tables:
 - (a) Table 6A contains the analysis for credit products offered to women entrepreneurs;
 - (b) Table 6B relates to credit products offered to retail women customers;
 - (c) Table 6C captures information relating to credit products offered to SHGs;
 - (d) Table 6D comprises of credit products offered by NBFC-MFIs, since the majority of their customers comprise women
- (iii) Innovative products and services provided by fintechs, to serve the underserved customers as well as specifically women customers are captured in Box 13;
- (iv) Further, we have delved into certain international examples of women centric products that have stood out and have been successful in catering to the financial needs of women customers to draw out lessons in the Indian scenario and suggested broad actions points for FSPs in Table 7.

Bank of Baroda is the only bank that identifies women as a separate segment through a separate tab on its website

Table 6: Features of saving account services offered to women customers

S. No.	Features	Public Sector Banks (PSBs) ¹⁷³	Private Sector Banks (PVSBS) ¹⁷⁴	Small Finance Banks (SFBs) ¹⁷⁵
1.	Concessions attached to opening a savings account			
	Processing fee	One PSB waives processing fees for personal loan and provides 25% waiver on processing fees for auto loan and mortgage loans for women.	A PVSBS offers 50% waiver on the processing fee for home loans and discounts on processing fees for auto, two wheeler and personal loans.	No information available, except for one SFB which waives it for a community saving bank account opened by SHG.
	Documentation charges	One PSB waives documentation charges on housing, personal and auto loans for women.	No information available.	No information available.
	Discount on loan for women customers who have opened a saving account	One PSB provides discount of 0.25% on rate of interest on two-wheeler loan.	One PVSBS offers upto 3.5% lower interest rate on two-wheeler loan and another offers preferential rates on home loan, personal loans and car loans.	One SFB offers preferential rates on gold loans.
	Minimum Account Balance (MAB)	Similar or higher MAB compared to a regular savings account, and has different amounts based on urban/metro, semi-urban and rural location of the woman customer	On a higher side in comparison to public sector banks. Similar or higher MAB compared to a regular savings account, and only some PVSBSs have different amounts based on urban/metro, semi-urban and rural location of the woman customer	One SFB provides MAB which is lower than a regular savings account, and another provides zero MAB for an SHG community saving bank account. Others provide similar or higher MAB compared to a regular savings accounts. Only some PVSBSs have different amounts based on urban/metro, semi-urban and rural location of the woman customer
	Simplification of documentation	No information available.	No information available.	One SFB provides simplification in depositing procedure.
2.	Interest rate on deposits (per annum)	Similar to a regular savings account [Range between 3-4%]	Similar to a regular savings account [Range between 3-4%]	Similar to a regular savings account. [Range between 3-7%]
3.	Additional financial services linked to maintaining savings account	<ul style="list-style-type: none"> One PSB provides facility to open zero balance accounts for children Discounts on locker rentals Free debit cards Accidental insurance 	<ul style="list-style-type: none"> One PVSBS offers free family accounts One PVSBS offers unlimited cash withdrawal transactions at any bank's ATM free of charge Discount on locker rentals Debit card specifically designed for women 	<ul style="list-style-type: none"> Discount on locker rentals Debit card specifically designed for a woman account holder with features such as: - One SFB offers complimentary membership to Kavach Plan which protects electronic

¹⁷³ We have analysed the data available on websites of 5 largest PSBs (based on the asset size) for this Paper, namely State Bank of India ("SBI"), Punjab National Bank ("PNB"), BoB, Canara Bank and Bank of India ("BOI").

¹⁷⁴ We have analysed the data available on websites of 5 largest PVSBSs (based on the asset size as well as market capitalization) for this Paper, namely HDFC Bank, ICICI Bank, Axis Bank, Kotak Mahindra Bank and IndusInd Bank.

¹⁷⁵ We have analysed the data available on the websites of all 11 SFBs for this Paper: AU SFB, Capital SFB, Equitas SFB, Suryoday SFB, Ujjivan SFB, Utkarsh SFB, ESAF SFB, Fincare SFB, Jana SFB, North East SFB, Shivalik SFB.

		<ul style="list-style-type: none"> Life insurance One PSB offers an overdraft facility upto INR 3 Lakh, linked to a saving account with MAB of INR 1000 specifically for SHGs 	<p>with features such as:</p> <ul style="list-style-type: none"> Accidental hospitalization cover, fire and burglary, lost baggage insurance, purchase protection; Zero liability feature against unauthorized purchases on loss, theft or misplacement. 	<p>purchases against burglary and fire and provides insurance solutions to family.</p> <ul style="list-style-type: none"> Accidental, travel protection Purchase protection and enhanced insurance coverage to women <ul style="list-style-type: none"> One SFB facilitates creation of a common fund by opening and depositing in a community saving account by SHGs, which can be used by each member for social needs and income generation.
4.	Non-financial services linked to maintaining savings account	Shopping related offers by one PSB	<ul style="list-style-type: none"> Cashbacks, discounts, vouchers for lifestyle, entertainment, shopping etc. Two PVSBS offer banking on doorstep service One PVSBS offers a dedicated relationship manager for a certain type of savings account (MAB in the range of INR 1,25,000 – INR 2,00,000). 	<ul style="list-style-type: none"> Offers on personal care, beauty and wellness products. One SFB offers unlimited tele-health consultation with gynaecologists and mental health experts, complimentary health checkups Two SFBs provide a dedicated relationship manager. One SFB provides video banking facilities and extended banking hours. One SFB offers banking on doorstep service (chargeable or free of cost, depending on the type of account opened).
5.	Areas for improvement	<ul style="list-style-type: none"> Two out of five PSBs do not market savings products specifically to women; No zero balance accounts (except Jan Dhan accounts); No steps taken towards simplifying documents for women; Very few NFS offered and thus, there is scope for development of such services 	<ul style="list-style-type: none"> All five PVSBS target only independent, modern, new age women for their savings products; No waiver of documentation charges adds to transaction costs; No zero balance accounts (except Jan Dhan accounts); No steps taken towards simplifying documents for women; Doorstep banking and relationship managers provided for high income customers, and only by 1-2 PVSBS; The most prevalent non-financial services relate to lifestyle, entertainment, beauty etc. More substantive NFS may be provided to serve the needs of women in terms of health, increased customer convenience relating to mobility of women etc. 	<ul style="list-style-type: none"> Four out of eleven SFBs offer savings product specifically marketed towards women. No waiver of documentation charges adds to transaction costs No zero balance accounts (except Jan Dhan accounts and SHG account); Wider and more specific NFS provided to women customers, such as tele-health consultation with gynecologist, doorstep banking, relationship manager, and video banking.

Table 6A: Features of credit products offered to women entrepreneurs¹⁷⁶

S. No	Features	Public Sector Banks (PSBs) ¹⁷⁷	Private Sector Banks (PVSBS) ¹⁷⁸
1.	Eligibility	Two schemes are for any individual women, women entrepreneur, enterprises controlled by women. One of them additionally gives preference to SC/ST/BPL cardholders.	Individual women
2.	Collateral requirement	Two schemes are covered under Credit Guarantee Fund Trust for Micro and Small Enterprises ("CGTMSE"), out of which one scheme offers loan upto INR 10 Lakh with no collateral requirement. For the remaining schemes, collateral requirements are not available.	Collateral free (loan range not clear)
3.	Purpose	<ul style="list-style-type: none"> Setting up of boutiques, phone booths, beauty parlour, cyber cafe; Establishing small and micro enterprises in the non-farm sector; Setting up of creches; Setting up a new unit, acquisition of fixed assets or meet working capital needs; Purchase/construction of business premises, machinery, equipments, vehicles and working capital requirements of women micro and small enterprises (including retail traders). 	Business purpose for MSME segment in rural, semi-urban areas.
4.	Interest rate on loans	One of the schemes provides interest relaxation of 0.25% in non- priority sector loans and 0.5% in priority sector loans. ¹⁸⁰	18% p.a.
5.	Provision of loans under Government schemes	All PSBs give loans under the government schemes like Stand- Up India and PMMY.	<ul style="list-style-type: none"> All PVSBS give loans under PMMY. Two PVSBS do not give loans under the Stand-Up India Scheme.
6.	Non-Financial Services	One PSB has a mobile sales van for women entrepreneurs in four districts to assist in marketing and sale of household products made by SHG and women entrepreneurs. It also has special branches for women customers and has equipped 80 branches with all women employees.	One PVSBS gives a platform to women entrepreneurs to interact and get advice from women leaders of the bank.
7.	Areas of improvement	<ul style="list-style-type: none"> Only two PSBs offer credit products to women entrepreneurs; Two schemes offer collateral free credit to women entrepreneurs as the schemes are covered under CGTMSE, and for the rest of the schemes, there 	<ul style="list-style-type: none"> Only one PVSBS offers a single credit product, the remaining four out of five PVSBS do not offer a credit product specifically catering to women entrepreneurs.

¹⁷⁶ SFBs do not offer credit products specifically catering to women entrepreneurs, and hence have not been added to the table.

¹⁷⁷ We have analysed the women entrepreneur specific credit product offered by Canara Bank and PNB. We did not come across any relevant products for the remaining three PSBs.

¹⁷⁸ We have analysed the women entrepreneur specific credit product offered by IndusInd Bank. We did not come across any relevant products for the remaining four PVSBS

¹⁷⁹ Please note that according to RBI Notification "Working Group to Review the Credit Guarantee Scheme for Micro and Small Enterprises (MSEs) – Collateral free loans to MSEs" (6 May 2010) the limit for collateral free loans to MSEs is INR 10 Lakh available at: <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=5657&Mode=0>.

¹⁸⁰ IFC, 'Financial Inclusion for Woman-Owned Micro, Small & Medium Enterprises (MSMEs) in India' <<https://www.ifc.org/wps/wcm/connect/ca5c0868-e89d-4b43-ace5-8a702ed29b25/Financial+Inclusion+for+Women-owned+MSMEs.July+31.pdf?MOD=AJPERES&CVID=mOK28X8>> accessed 25 March 2022.

		<p>is no clarity.</p> <ul style="list-style-type: none"> ○ No steps taken towards waiver of processing or documentation fee, or for simplifying the loan procedure for women. ○ PSBs do not offer any relevant non-financial services (support, mentorship, business advisory services etc.) to women entrepreneurs. Further, no linked financial services are provided. 	<ul style="list-style-type: none"> ○ No steps taken towards waiver of processing or documentation fee, or for simplifying the loan procedure for women. ○ PVSBs do not offer any relevant non-financial services (support, mentorship, business advisory services etc.) to women entrepreneurs. Further, no linked financial services are provided.
--	--	--	---

Table 6B: Features of credit products offered to retail women customers¹⁸¹

S. No.	Features	Public Sector Banks (PSBs)	Private Sector Banks (PVSBs)
1.	<i>Collateral requirement</i>	<ul style="list-style-type: none"> ○ Home loans and car loans require mortgage of the property; ○ Two PSBs provide collateral free loans to BCs, as they are covered under CGTMSE; ○ One PSB offers a gold loan for women, secured by minimum 18 carat gold. 	<ul style="list-style-type: none"> ○ Home loans and car loans require mortgage of the property; ○ One PVSb offers a gold loan for women, secured by minimum 18 carat gold.
2.	<i>Processing fee</i>	Similar to those charged from other borrowers.	One PVSb provides INR 5,000 processing fee for women applicants instead of 0.5% of loan amount for salaried and 1% for self-employed.
3.	<i>Discount on loan</i>	The discount on interest rates ranges from 0.05% to 0.5%	One PVSb offers 0.05% concession in housing loan to its women customers. Another PVSb offers additional discount to its women borrowers on its gold loans.
4.	<i>Unique loan offerings</i>	<ul style="list-style-type: none"> ○ Loan specifically for customers, that may also be beneficial to women customers: (i) Teaching / non-teaching staff of a school or college with salary accounts in the same bank, to meet their personal needs; (ii) Business Correspondents to meet initial capital or working capital requirements. 	No information available
5.	<i>Area of improvement</i>	<ul style="list-style-type: none"> ○ Only gold loans are targeted specifically towards women. For home and car loans, only concessions in the form of discount on interest rate are for women, and there is no other product feature which caters to women; ○ No steps taken towards waiver of processing or documentation fee, or for simplifying the loan procedure for women. ○ There is absence of any additional non- financial service such as dedicated 	<ul style="list-style-type: none"> ○ Only gold loans are targeted specifically towards women. For home and car loans, only concessions in the form of discount on interest rate are for women, and there is no other product feature which caters to women; ○ No steps taken towards waiver of documentation fee (processing fee fixed by one PVSb), or for simplifying the

¹⁸¹ Some of the credit products offered by SFBs are similar to those offered by NBFC-MFIs such as collateral free home improvement loans, home appliances loans, two wheeler loans, livestock loans, agriculture loans etc. These products are not marketed specifically towards the women segment considering these banks have a majority of women clients.

		relationship manager.	<ul style="list-style-type: none"> loan procedure for women. There is absence of any additional non- financial service such as dedicated relationship manager.
--	--	-----------------------	--

Table 6C: Features of credit product offered to SHGs

S. No	Features	Public Sector Banks (PSBs)	Private Sector Banks (PVSBS)	Small Finance Banks (SFBs)
1.	Eligibility	<ul style="list-style-type: none"> SHGs consisting of 10 to 20 members, being in active existence for at least 6 months; Additional bank specific requirements include successful demonstration of savings and credit operation from its own resources, no loans from other financial institutions etc. 	One PVSBS requires a minimum of five members having a regular repayment record. Another PVSBS provides only provide age criteria.	In addition to number of members in a group, the following eligibility criteria is laid down: <ul style="list-style-type: none"> Absence of adverse credit history; One SFB requires the woman client should be married who can provide a guarantor; demonstrate 3 years of stay at the same house in the same place; and requires the family of the woman (and not the woman customer of the JLG) to have knowledge of the business and control over the business
2.	Collateral	<ul style="list-style-type: none"> Based on social collateral, hence are majorly collateral free. Two PSBs requires no collateral for loans upto a certain limit (INR 10 Lakh / 20 Lakh) 	Collateral free	Collateral free
3.	Purpose	Income generation activities and social needs	Income generation activities, livelihood activities and social needs	Income generation activities, livelihood and business expansion purposes
4.	Loan processing fees	One PSB does not charge processing fees for loans up to INR 6 Lakh.	One PVSBS does not charge a processing fee. Others charge only when the loan amount is above INR 25,000	Some SFBs charge only when the loan amount is above INR 25,000
5.	Documentation charges	One PSB waives documentation charges for loans up to INR 6 Lakh.	No information available	One SFB waives documentation charges irrespective of loan amount.
6.	Interest rate	No clear information is available	Ranges from 14% to 24% p.a.	Ranges from 20% to 26% p.a.
7.	Additional financial services	No information is available	Three PVSBSs have insurance facilities attached to their credit products	One SFB provides group income protect insurance.
8.	Non-financial services	Two PSBs conduct training and financial literacy camps	Two PVSBSs provide vocational training, financial literacy	No information available.
9.	Areas of improvement	<ul style="list-style-type: none"> Very limited additional financial and non- 	<ul style="list-style-type: none"> One PVSBS does not extend credit to 	<ul style="list-style-type: none"> Very limited additional financial and non-

		financial services;	<ul style="list-style-type: none"> SHGs at all. Very limited additional financial and non-financial services; 	financial services; <ul style="list-style-type: none"> One SFB has onerous requirements for a woman to avail credit, as it links the credit eligibility to her family's competence and control of the business. This is reflective of bias against women entrepreneurs and also indicates the problem of fronting.
--	--	---------------------	---	---

Table 6D: Features of credit products offered by MFIs¹⁸²

S. No.	Features	Credit Products		
		Income Generation	Utility	Business
1.	Nature of collateral	Collateral free	Collateral free except for one which is secured above INR 3 Lakh.	Mix of collateral based and collateral free
2.	Purpose	Examples include initial capital investment in small ventures of the low-income customers; for women residing in low-income areas involved in trade and services	Education loan for women customer's children, mobile phone, bicycle, pressure cooker, solar lamp, sanitation, home appliances, home improvement/ housing finance, emergency loans for urgent financial requirements.	For MSMEs to start or expand its business
3.	Processing fee	1% processing fees is charged	1% processing fees is charged	1%- 2% processing fees
4.	Interest Rate	Between 20 - 22% p.a.	Between 20 - 25% p.a.	Between 20 - 25% p.a.
5.	Additional Financial Services	Insurance facility where coverage is equal to the loan amount disbursed to the customer	Life and health insurance with its products where coverage is equal to the loan amount disbursed to the customer.	No information is available
6.	Non-financial services	<ul style="list-style-type: none"> One MFI provides basic business development skills such as pricing, marketing and quality management Another MFI supports women entrepreneurs with skill training programs, business acumen trainings and financial literacy classes. 	No information is available	No information is available

¹⁸² We have analysed the data available on websites of 10 NBFC-MFIs for this Paper, 5 have been picked up from Tier 1 based on client size and 5 have been from Tier 2 based on client size. The MFIs have been picked based on a 2014 directory prepared by Sa Dhan available at: https://www.sidbi.in/files/article/articlefiles/FINAL_MFI_Directory_19_11_14.pdf.

7.	Areas for improvement	<ul style="list-style-type: none"> • No steps taken towards waiver of processing or documentation fee, or for simplifying the loan procedure for women. • NFS for MSME / business loans is limited, compared to income generation loans.
----	-----------------------	--

Box 13: Features of products and services provided by fintechs¹⁸³

- Three out of the thirteen fintechs in the financial inclusion space in India cater to women, albeit only urban financially independent women. **The products and services offered are limited to offering investment advisory, and providing a platform to women customers to learn financial concepts and financial planning and get personalized money advice.** One of them offers health insurance advisory customized for women and assists in making claims;
- One wealth-tech platform which caters to women provides for assisted onboarding process which is best suited for women customers, and another fintech provides for gold SIPs which may also be targeted towards women customers;
- The remaining fintechs focus on MSME and other segments (such as delivery persons, auto and cab drivers, dairy farmers, artisans, weavers etc.), and offer the following products and services:
 - (i) **collateral free loans to micro enterprises based on alternate data;**
 - (ii) **leveraging proprietary technology to assist the lenders in better assessment of their clients;**
 - (iii) **receiving a broad range of digital payments through a feature phone and bank account, or through other channels such as PoS infrastructure, whatsapp bot and doorstep collection;**
 - (iv) **build a financial marketplace for MSMEs;**
 - (v) **helps organizations that work with target segments to extend suitable products to their employees;**
 - (vi) **focus on improving financial and product literacy through automated borrower engagement, for example farmers getting phone calls at fixed times regarding crop prices;**
 - (vii) **bridging the gap between villages and technology through facilitation of doorstep bill payments;**
 - (viii) **customized features for products and services to address various constraints (mobility, collateral, lack of information) such as:**
 - Physical centres and branches to assist in loan disbursal for tier 2 cities;
 - Unsecured loan for an amount as high as INR 25 Lakh;
 - Unsecured loan (INR 5,000- 10,000) based on saving transactions with the same fintech;

International examples of women centric products

Set out below are international examples of women centric products that have stood out and have been successful in terms of catering to financial needs of women customers, both retail and women entrepreneurs. The lessons drawn from this part of the paper form the basis of recommendations for FSPs to design more gender inclusive and responsive products.

¹⁸³ We have analysed 13 fintechs that work towards advancing financial inclusion in the country namely Basis, LXME, Miss PiggyBanks, Davinta Finserv, FTCash, Fundfina, Kaleidofin, Dvara Smartgold, Nayaseva, Lakshya, Awaaz.de, KOSH and Finarkein.

Box 14: Non-financial services

(i) Linked to saving accounts

- Jefa, a DB in Latin America plans to assist its women customers get offers on hygiene products and visit to gynaecologists. attached to its savings account through its reward programs.¹⁸⁴
- NBS Bank, Malawi along with its Pafupi Savings Account delivers tailored marketing material in the local language and uses image based communication for limited literacy clients.¹⁸⁵
- Mi Bank, Papua New Guinea provides account holders of a certain deposit product with savings tips through SMS text messages.¹⁸⁶

(ii) Linked to credit cards

- BHD Leon Bank, Dominican Republic offers the following services on credit card for women (Tarjeta Mujer¹⁸⁷): insurance coverage for illnesses such as breast, cervix and ovarian cancers; four free car-ride services per year; three courier services per year to collect and deliver laundry, gifts, tickets, food from places that do not have a delivery option. For its entrepreneur credit card (Tarjeta Emprendedora), it includes comprehensive technical assistance in areas such as accounting, taxation, law, and labour law—among other benefits.¹⁸⁸ It also offers outsourced assistance service to solve problems such as a broken pipe, electrical problems, and installation of electronic equipment.
- VP Bank, Vietnam offers 55-day interest exemption for women entrepreneurs who take their credit cards.¹⁸⁹

(iii) Networking, support and mentorship opportunities

- Access Bank, Nigeria¹⁹⁰ under its W Initiative started with W Community which is a safe space for women entrepreneurs to engage, ask doubts and questions and learn with other women

¹⁸⁴ Romain Dillet, 'Jefa is a challenger bank for women without a bank account' (Techcrunch, 16 September 2020) <<https://techcrunch.com/2020/09/16/jefa-is-a-challenger-bank-for-women-without-a-bank-account/>> accessed 11 March 2022.

¹⁸⁵ WWB, 'In Malawi, we bring the bank to her' (2017) <https://www.womensworldbanking.org/wp-content/uploads/2017/08/WomensWorldBanking_PafupiCaseStudy_082017.pdf> accessed 11 March 2022.

¹⁸⁶ MiBank, 'MiBank launches Hibiscus debit cards for women' (7 November 2018) <https://www.mibank.com.pg/about_us/media_release/Hibiscus_Launch.pdf>

¹⁸⁷ Banco BHD Leon, 'Tarjeta Mujer Gold- Benefits' <https://www.bhdleon.com.do/wps/portal/BHD/Inicio/bancapersona/Productos/!ut/p/z1/tVNbb8IgGP0r9cHHBtbSlj42u3Vzi4lu0_JiKGBLZ6Ei6vvh8uWPWmzGHngku9wzgl8BxAwB0TRnayolVrRITsXJF6g9AY-IHQ1us_vlMyCpyidTsaT6xyBN0AA6ZjkoEijNCzjOPZLXAY-CnjqY-6mEGMc1nJYJQc0EzZtagKGs-hFJJJvUQIIQx6nXCbJzuEFpqGmHp5m_HjODSOmRnNN8yq12t8b2WbqwwjBruVXrFvXbbCANmfbaJK8MjI4PuPvmGHGEYTaMewPgXcEKkcCaT4yYTMNtJsQevSpvWfcX0ny-d9ymkwZkKPfTRJemDcXJReoTOpH881R-HFnTRks16TTKXCK2s-LBgfsFIdG2Lw0_fYL3L8u6ahfPt2H0s6yqweALYKqAVg!!/dz/d5/L2dBISEvZ0FBIS9nQSEh/> accessed 14 March 2022.

¹⁸⁸ Banco BHD Leon, 'Tarjeta Emprendedor' <https://www.bhdleon.com.do.translate.google/wps/portal/BHD/Inicio/bancapersona/Productos/!ut/p/z1/tVNd8b8IgFP0r9aGPDVih2MdmX25uMbHbtLwYBKo4C5Uy3f79cNmyJ20WU17g5h7OOYF7AAVzQDXbqxVzymi29XVBkwVKr-E9Qv3x3egWwix-xGk-nUyvRgi8AgpozZUABSRpnClcR0M8KCPemyISBkmUiFKUiCeoD-URzbWr3RoUy7UiodKKKxPCJdOcBbW0jdcNoWN2Ix1r_k7cSqGcR9bWiHfujO-ZKKhY46TlZlpAVrVWVWkhhlJi1-aa-DU-sDP79BtygmGc4xbA5BdwRqTwJslpkwTM9koewls2tvJ_kf_zqUdtCml8oUILPe6SPp6QTukRupD-4dx8HEfQZ0ttjdjua-UgY7eSHA_MuM1FX1XDwGb1Nh4fncr2qFk83A_yzbVe93hf2jWEB/dz/d5/L2dBISEvZ0FBIS9nQSEh/?_x_tr_sl=es&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=sc> accessed 14 March 2022.

¹⁸⁹ FinEquity, 'Segmentation of Women Clients: Lessons from VP Bank Vietnam and CARE Ignite' (2021) <<https://www.findevgateway.org/finequity/training-events/segmentation-women-clients-lessons-vp-bank-vietnam-and-care-ignite>> accessed 14 March 2022.

¹⁹⁰ Access Bank, 'Getting a small-business loan' <<https://www.accessbankplc.com/pages/Media/access-blog/Getting-a-small-business-loan.aspx>> accessed 11 March 2022.

entrepreneurs. The initiative also provides help in the business registration process, which is very relevant for women entrepreneurs.

- BLC Bank, Lebanon under its WE Initiative started a website to connect women entrepreneurs and give them access to business tools and consult experts & mentors.¹⁹¹
- Westpac Banking Corporation, Australia started an interactive online community, which has coaching sessions, opportunities to network and knowledge sharing on the platform.¹⁹²
- Lucy, a DB in Singapore provides business growth tools, peer and mentor support, e-training and marketplace opportunities to its women customers.¹⁹³

(iv) Additional services for MSME businesses

- Access Bank, Nigeria provides an SME Toolkit which provides a template as well as resources required to help with simple record keeping and monitoring.¹⁹⁴
- VP Bank,¹⁹⁵ Vietnam through Simplify, its online business platform supports businesses to set up a website or online store, along with free server services, free payment gateway integration etc. It additionally supports businesses to register their websites with the Ministry of Industry and Trade.

Box 15: Simpler interface

- Grameenphone, Bangladesh (a telecom operator) re-designed its GPAY app in-house to make it more appealing to its female customers who are low on financial literacy (which was found to be the reason for its low usage). It redesigned logos for easy identification of utilities, added more intuitive functions and user interface which led to a jump in the share of female users from 12% to 19%.¹⁹⁶
- Kubo Financiero, a DB in Mexico, worked to simplify the process of onboarding by translating financial and legal jargon into more user-friendly language and reducing the text content as much as possible, as it was found to be intimidating by women customers.¹⁹⁷

Box 16: Innovative collateral

- *Cash based collateral:* Women's Micro Bank, Papua New Guinea allows its women customers having a savings account with the bank to avail a loan which is 2-3 times the amount in the savings account.¹⁹⁸

¹⁹¹ IFC, 'Case Study: Banking on Women Entrepreneurs Pays Dividends at BLC Bank' (2016) <https://www.ifc.org/wps/wcm/connect/b8b63433-62a0-4a26-9257-45c66f5f649a/10953_Gender_Case_Study_BLC.pdf?MOD=AJPERES&CVID=ILI6bz->> accessed 11 March 2022.

¹⁹² Westpac, 'Ruby Connection' <<https://www.westpac.com.au/business-banking/ruby-connection/>> accessed 11 March 2022.

¹⁹³ Lucy <<https://welucy.com/>> accessed 11 March 2022.

¹⁹⁴ Access Bank, 'Getting a small-business loan' <<https://www.accessbankplc.com/pages/Media/access-blog/Getting-a-small-business-loan.aspx>> accessed 11 March 2022.

¹⁹⁵ VP Bank, 'Online business is really easy with Simplify financial solution from VP Bank' (13 April 2021) <https://www.vpbank-com-vn.translate.google/tin-tuc/thong-cao-bao-chi/2021/kinh-doanh-truc-tuyen-thuc-su-de-dang-voi-giap-tai-chinh-simplify-tu-vpbank?_x_tr_sl=vi&_x_tr_tl=en&_x_tr_hl=en&_x_tr_pto=sc> accessed 11 March 2022.

¹⁹⁶ GSMA and Altai Consulting 'Reaching 50 Million Women with Mobile: A Practical Guide' (March 2020) <<https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2020/04/Reaching-50-Million-Women-with-Mobile-A-Practical-Guide.pdf>> accessed 14 March 2022.

¹⁹⁷ Financial Alliance for Women, 'Combining Technology and Touch to Reach More Women' (31 August 2021) <<https://financialallianceforwomen.org/news-events/combining-technology-and-touch-to-reach-more-women/>> accessed 14 March 2022.

- *Increased acceptability of movable assets as collateral:* Jurisdictions such as Mexico, Egypt, Sri Lanka and Ghana accept movable assets as collateral such as household assets, jewelry, consumer durables, inventory, crops which are easily available as collateral to women. FarmTrek, Singapore is a blockchain-based financial platform that allows farmers to collateralize their livestock as an asset.¹⁹⁹
- *Alternative data as collateral:* Boost by Experian is an application that seeks to build users' credit history by using monthly payments such as electric and cable bills.²⁰⁰ KCB Bank, Kenya altered its credit assessment methodology where cash flows of the business were assessed, instead of turnover.²⁰¹ Based on research done with a bank in the Dominican Republic, products are now being tested based on gender-differentiated credit scoring model²⁰² i.e. using women-centric data for credit scoring, which has shown results of 80% of women having higher credit scores.

Box 17 : Segmenting of women customers

- Access Bank, Nigeria identified three priority target sub-segments: women in business, women who are young professional and women with a family.²⁰³
- BHD Leon identified four groups of women customers: small and medium enterprise owners, independent professionals, salaried employees, and heads of household.²⁰⁴
- Westpac in Australia came up with a Life Moments strategy in 2017. It identified key events in its customer's life cycle and provided flexibility with the product for each such event,²⁰⁵ for instance, pause or reduction on mortgage payments and waiver of transaction fees while a woman is away from her work and on a maternity leave²⁰⁶ and short-term loans, grants or legal assistance during divorce.

¹⁹⁸ Women's Micro Bank, 'Loan Products- Market Meri Loan, Meri Business Loan' <<https://www.womenmicrobank.com/loans/>> accessed 14 March 2022.

¹⁹⁹ InfoCorp, 'Tokenising Livestock for Financial Inclusion' <<https://infocorp.io/>> accessed 14 March 2022.

²⁰⁰ Susan Henson, 'Introducing Experian Boost, a New Way to Instantly Improve Your Credit Scores' (18 December 2018) <<https://www.experian.com/blogs/ask-experian/introducing-experian-boost/>> accessed 14 March 2022.

²⁰¹ KCB Bank, 'Credit Worthiness and Its Importance for Your Bizna' (15 July 2021) <<https://ke.kcbgroup.com/our-blog/trending/credit-worthiness-and-it-s-importance-for-your-bizna>> accessed 14 March 2022.

²⁰² Financial Alliance for Women, 'Gender Intelligent Fintech Design: How Fintechs can capture the Female Economy' (2021) <<https://financialallianceforwomen.org/download/how-fintechs-can-capture-the-female-economy/>> accessed 26 March 2022.

²⁰³ FinEquity, "Deconstructing the Monolith: Segmentation of Women Clients" <<https://www.findevgateway.org/sites/default/files/users/user331/AB%20and%20KIT%20webinar%20Finequity%20webinar.pdf>> accessed 14 March 2022.

²⁰⁴ IFC, 'Banco Bhd León Uses Women-Centered Design to Grow Its Market in the Dominican Republic' <https://www.ifc.org/wps/wcm/connect/cdc629bc-02ce-4473-900d-70c8bbe1aafc/10953_Gender_Case_Study_BHD.pdf?MOD=AJPERES&CVID=ILI4ZRrS> accessed 14 March 2022.

²⁰⁵ Westpac, 'Life Moments' <<https://www.westpac.com.au/help/lifemoments/>> accessed 14 March 2022.

²⁰⁶ Data 2X, United Nations Foundation & Financial Alliance for Women, 'A Data-Driven Path to Women's Financial Inclusion: Insights from Financial Service Providers' <<https://data2x.org/wp-content/uploads/2020/07/WFID-A-Data-Driven-Path-to-Womens-Financial-Inclusion.pdf>> accessed 14 March 2022.

Recommendations for FSPs to design gender inclusive products

It is crucial that continued substantial efforts are taken to augment access as well as usage of financial services by the unserved as well as the underserved women segment. Gender agnostic strategies and products which do not take into account constraints faced by women²⁰⁷ along with limited understanding of the needs of this segment²⁰⁸ are detrimental to women's financial inclusion. There is a need to address the ingrained socio-cultural norms in the products' design²⁰⁹ and our research identifies that the absence of relevant non-financial services, lengthy documentation requirements, absence of initiatives to simplify the banking procedures and formalities for women, high transaction costs are some of the prominent gaps in product design. Many lessons in terms of product innovation to incorporate gender responsive features are captured below in Table 7, as guidance for FSPs to align their financial inclusion approach:

Table 7: Action points for FSPs

INNOVATE	NFS bundled with saving or credit products, which are gender specific and suited to support women entrepreneurs in establishing and expanding their business
SIMPLIFY	customer interface by (i) using simplified logos, (ii) easy to understand information by breaking down the financial terms and legalese, (iii) interactive interfaces available in local languages, to increase the engagement of women with low literacy levels.
STREAMLINE	Know Your Customer and documentation procedure, provide assistance to women customers in completing paperwork (application forms, deposit slips) to be filled at bank branches.
MAINSTREAM	different types of innovative collateral such as cash-flow based, movable assets, information based for extending credit
USE	technology to address mobility barriers faced by women customers and reduce costs to increase affordability and accessibility
SEGMENT	women customers based on their life cycle, location, occupation and move away from treating them as a homogenous group for the purposes of developing new products and services
REDUCE	transaction and account maintaining costs in terms of processing fees, documentation charges, minimum balance requirements.
REMOVE	existing biases in eligibility criteria to access credit, product marketing.

²⁰⁷Better Than Cash Alliance, WWB et al, 'Advancing Women's Digital Financial Inclusion' (2020) <https://www.gpfi.org/sites/gpfi/files/sites/default/files/saudig20_women.pdf> accessed 25 February 2022.

²⁰⁸ Joseph Thompson, 'Tech can reach the world's unbanked women – but only if they tell us how it should work' (WEF, January 2021) <<https://www.weforum.org/agenda/2021/01/women-banking-digital-divide/>> accessed 25 February 2022.

²⁰⁹ Rashmi U Arora, *Gender Bias and Digital Financial Services in South Asia* (1st edn, Emerald Publishing) 79.

Way Forward

Financial inclusion has always been considered as one of the important parameters of economic growth. In 2021, RBI launched the Financial Inclusion Index (“**FI Index**”) based on 97 parameters which quantifies the extent of financial inclusion on three sub-indices: access, usage and quality, implicitly setting the goal of 100% financial inclusion in India. For the period ending March 2021, the FI index stood at 53.9²¹⁰, thus crossing the halfway mark but also indicating that there is a long journey to cover. A small step in this journey has been ideated in this paper through pointing out certain legal reforms that may be undertaken by the government and RBI, as well as certain steps that may be taken by FSPs in their approach towards offering financial products and services to their women customers. A snapshot of the same is given below:

S. No	Action Points	Implementing entity
1.	Define women led enterprises through an amendment in the MSMED Act.	Ministry of MSME
2.	Introduce random verification by the General Manager, DIC of a set number of women led enterprises on an annual basis under MSMED Act.	Ministry of MSME
3.	Create a separate category of women led enterprise in the following: (i) RBI’s PSL Directions, under the micro enterprises sub-target; (ii) RBI’s 2000 Directions comprising of the 14 point action plan for women for PSBs, for earmarking a certain percentage to such enterprises within the mandated 5% ANBC to be extended to women.	RBI
4.	Add a separate category of women led enterprises as a data point in the BSR and MPFI Returns, which are the main source of collecting data from SCBs.	RBI
5.	Develop a digital platform for women led enterprises for capturing their financial information, connecting to vendors and providing financial and non-financial services	Ministry of MSME and RBI
6.	Issue a circular laying down broad principles for support measures (equipment, mobility related, financial) to be extended to female BCs as well as steps to transform them from CICO agents to relationship managers, by banks and BCNMs.	RBI

²¹⁰ Anil Kumar Sharma, Sonali Sengupta et al, ‘Financial Inclusion Index for India’ (RBI Bulletin, September 2021) <<https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/5FINANCIALINCLUSIONINDEX9DFF97DBF80E4D96AB83A3A8C1FF0275.PDF>> accessed 29 March 2022.

7.	The proposed framework for digital banks to include a financial inclusion lens, specifically for women customers in the provisions relating to objective, target segment, business plan, and transition pre-conditions for such banks	RBI
8.	The proposed framework for DBs to not prohibit physical networks of such banks and use of agent networks	RBI
9.	Add a gender lens to the products and services offered to women customers in the form of various NFS, simpler interface, innovative collateral and segmentation of women	FSPs
10.	Include specific measures and targets especially for women in India's NSFI	RBI

www.vidhilegalpolicy.in

**Vidhi Centre for Legal Policy
D-359, Defence Colony
New Delhi - 110024**

011-43102767/43831699

vidhi@vidhilegalpolicy.in