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Role of Fintech in Reducing the Gender Gap in Financial and Digital Inclusion

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ABSTRACT:

Fintech (Financial Technology) has revolutionized the financial services and products by transforming the global financial landscape. The gender gap in financial inclusion refers to the disparity between men and women's access to and usage of financial services and products. Financial inclusion is the ability of individuals and businesses to access affordable and appropriate financial services like banking, credit, savings, insurance, and other financial tools. Despite significant progress in global financial inclusion efforts, women often face greater barriers and challenges when it comes to accessing financial services and participating in the formal financial system. The purpose of this paper is to explore the presence of gender gap and the key factors for the gender gap in financial inclusion. Role of Fintech (technological advancements and inclusion in financial products and services) in reducing the gender gap is also investigated in this paper. By addressing the gender gap in financial inclusion, societies can unlock the full economic potential of women and promote more inclusive and sustainable development. Fintech holds tremendous potential in reducing the gender gap in financial inclusion by breaking down barriers and expanding access to financial services for women.

Keywords: Financial Inclusion, Fintech, Gender gap, Digital Inclusion, Digital Literacy, Financial Literacy

Introduction and Literature Review

Fintech is an acronym for financial technology. It refers to the use of cutting-edge technology to offer financial products and services in a more effective, convenient, and economical manner. Innovative software, hardware, and digital platforms are used by Fintech businesses to disrupt and improve numerous facets of the conventional financial sector. These innovations have the potential to transform how we manage, invest, borrow, and transact money. Mobile wallets, peer-to-peer payment apps, and digital currencies like Bitcoin have gained popularity, making it easier and faster to transfer money. Neobanks are online-only banks that don't have physical branches; they provide affordable fees, attractive interest rates, and easy-to-use mobile account management tools. Crowdfunding and crowdsourcing of funds for companies, enterprises, and nonprofit organizations are made possible through fintech platforms. This makes it possible for people and companies to obtain funding from a larger group of donors or investors. Numerous fintech applications, including fraud detection, risk analysis, and chatbots for client service, use artificial intelligence and machine learning algorithms. Fintech has disrupted traditional financial institutions and practices by offering greater accessibility, transparency, and efficiency. However, it also presents challenges related to data security, privacy, and regulatory compliance. Despite progress in promoting financial and digital inclusion globally through fintech, significant gender-based disparities persist. The gender gap in financial inclusion refers to disparities between men and women in their access to and use of financial services and products.

(Hung et. al., 2012) investigated the complexity of fintech and tried to define it using semantic analysis.

Fintech is a new finanial industry that employs technology to better financial activities. (Singh and Kumar, 2017) highlighted that women are competent at budgeting and managing household expenses, but many hesitate to make significant financial decisions and usually rely on their partners, dads, brothers, and other male family members because they perceive them to be competent in this area. (Potrich et. al., 2018) investigated gender gap in financial literacy and pointed out the need for more outreach of financial and digital inclusion to women, particularly those who are unmarried and have lower levels of income and education. (Mariscal et. al., 2019) emphasized the necessity for a worldwide gender gap assessment and the creation of meaningful indicators that will aid in the creation and implementation of effective policies that encourage adoption. (Rai et. al., 2019) studied the relationship between three independent variables is examined at using path analysis for hypothesis testing. The results showed that financial behavior and attitude are more strongly associated with working women's financial literacy than financial knowledge. (Bharucha, 2019) concluded in his research finding that females are less likely to have a high level of financial literacy compared to males. (Jain and Roy, 2019) attempted to learn and analyze the gender gap that has been rendered and the suggestions to reduce the gender gap using fintech. (Kandari et. al., 2021) explored the relationship between financial inclusion and socio-economic and demographic factors. (Pandey et. al., 2022) employed PLS-SEM modelling to examine how Financial Inclusion drivers, financial initiatives, and financial literacy affect long-term sustainability. The findings show that use, digitalization, and FinTech have become key FI drivers. (Bansal and Kaur, 2023) studied gender difference in financial literacy and found lower level of financial literacy and a significant gender gap in financial literacy among the respondents of rural Punjab. (Keerthikumara and Sujatha Susanna Kumari, 2023) used a 3000 sample of the Findex survey data from 2021 in India to analyze the state and causes of the gender gap in access and utilization of financial products and services. The findings corroborate the gender disparity in access to and use of financial services. (Hasan et. al., 2023) used probabilistic regression and results indicated that female entrepreneurs are more likely to use formal banking channels if they have a higher level of digital financial literacy. (Arora and Chakraborty, 2023) studied the social and demographic aspects influencing financial literacy to determine whether it influences the types of investments made.

This paper attempts to identify various factors contributing to the gender gap in financial inclusion, its implications and role of fintech in reducing the gender gap in financial and digital inclusion. Societies can unleash the full economic potential of women and advance more equitable and sustainable development by tackling the gender gap in financial inclusion. Through the removal of barriers and increased access to financial services for women, fintech has a great deal of promise to close the gender gap in financial inclusion.

Research Methodology:

This study is based on a comprehensive review of peer-reviewed academic papers, reports from international organizations, and case studies related to financial inclusion and fintech solutions. A qualitative approach is adopted to analyze the data, identify trends, and draw insightful conclusions regarding the role of Fintech in reducing the gender gap in financial inclusion. Additionally, expert opinions and insights from industry professionals are considered to validate the research findings. Fintech platforms that facilitate lending connect investors and borrowers. These platforms utilize algorithms to determine creditworthiness, facilitating lending to a wider range of people and companies.

Factors Contributing to the Gender Gap in Financial Inclusion:

Socio-cultural Norms:

Many societies have traditional gender roles and expectations that prescribe certain behaviors and responsibilities for individuals based on their gender. For example, women are often expected to be caregivers and homemakers, while men are expected to be breadwinners. These expectations limit individuals' choices and opportunities, leading to unequal outcomes. Stereotypes about gender also reinforce gender disparities. These stereotypes affect hiring decisions, career choices, and educational pursuits. For instance, the belief that men are more suited for leadership roles and women are better at nurturing result in fewer women in leadership positions. Norms around work-life balance affect career choices and advancement to a greater extent. Women feel pressurized to prioritize family over their careers, leading to career interruptions and lower earning potential. Men, on the other hand, face stigma if they seek more flexible work arrangements to balance family responsibilities. In majority of cases, women are economically dependent on men due to societal norms and expectations. This dependence limits women's autonomy and decision-making power within their households and communities.

Legal and Regulatory Barriers:

Legal and regulatory barriers can significantly contribute to the gender gap in financial inclusion, which refers to disparities in access to and usage of financial services between men and women. These barriers often result from discriminatory laws, policies, and practices that limit women's economic empowerment and financial independence. Women have limited property rights or face difficulties in owning land or assets in their own name. This lack of property ownership make it challenging for women to access credit and financial services, as they often lack collateral to secure loans. Inheritance laws and customs mostly favor male heirs, leaving women with limited access to inherited assets and property. This reduces their ability to leverage these assets for financial inclusion and economic empowerment. Discriminatory lending practices is another barrier that favor men over women and limits women's access to credit and loans. This is driven by gender biases held by lenders or a lack of credit history for women due to their limited access to financial services.

Lack of Identification:

Many women, especially in rural areas, lack proper identification documents, making it challenging to open bank accounts or access formal financial services. Economic empowerment depends on having access to formal financial services including bank accounts, loans, and insurance. Women are frequently denied access to these services when they lack the required identity credentials. Biometric identification, mobile apps, and digital databases can make it easier for individuals, including women, to obtain and use identification for financial transactions. But in many cases they may be required to obtain permission from male family members, face legal barriers, or encounter discrimination. Collaboration between governments, financial institutions, and civil society organizations is essential to tackle this issue effectively.

Limited Financial Literacy:

The ability to budget, save, invest, and understand financial products lacks among women with limited access to education. Lower confidence in handling financial concerns can result from a lack of financial literacy. Women may be hesitant to use formal financial systems because they may feel insecure about managing their money, making financial decisions, or interacting with financial organizations. Women may be more susceptible to financial scams, predatory loan practices, or making unwise financial decisions if they lack a good understanding of financial concepts. Financial education programmes aimed specifically at women can help bridge the knowledge gap and increase financial literacy. These programmes should be customized to address the unique requirements and situations of women in various areas.

Time Constraint and Lack of Autonomy:

Women may be primarily responsible for taking care of the home, the children, and the older members of the family. These obligations may take up a lot of their time and prevent them from visiting financial institutions during regular work hours. Male family members, such as spouses or fathers, frequently control or have an influence on the money decisions that women make. Their capacity to independently access and handle their finances may be hampered by this lack of autonomy. Educating women about financial matters and their rights can empower them to make informed financial decisions, even when faced with social and familial obligations.

Last-Mile Connectivity:

In many regions, inadequate internet infrastructure and connectivity issues may hamper the accessibility of Fintech solutions for women in remote areas. Offline Fintech solutions and community outreach can help bridge the connectivity gap.

Digital Literacy:

Digital literacy refers to the knowledge and skills required to use digital devices and online services effectively. When there is a digital literacy gap, it can create barriers to accessing and benefiting from Fintech services. Women who are less digitally literate could depend on other parties, including family members or brokers, to carry out financial transactions on their behalf. Their financial independence and control may be compromised by this dependence. We can enable women to fully use digital financial services, improve their financial well-being, and increase their economic possibilities by tackling inequities in digital literacy and ensuring that they have the knowledge and abilities to utilize Fintech solutions successfully.

Data Privacy and Security:

With increased digital transactions, there is a need to protect users' data and financial information. Protecting users' data and financial information is not only a matter of legal and ethical responsibility but also essential for building trust with users.

Implications of the Gender Gap in Financial Inclusion:

The gender gap in financial inclusion hinders women's entrepreneurship and productivity, thereby limiting overall economic growth and development. Women's limited access to financial resources hampers their ability to invest in income-generating activities and contributes to the perpetuation of poverty and income inequality. Financial inclusion plays a crucial role in promoting gender equality by empowering women to have greater control over financial resources and decision-making within their households. Improved financial inclusion can positively impact women's access to healthcare and education, leading to better health outcomes and increased educational attainment for women and their families. Investigating the role of Fintech in banking and financial sector can help in identifying the potential strategies to address the issue of gender gap in financial and digital inclusion.

Role of Fintech in Reducing the Gender Gap in Financial Inclusion:

Enhanced Accessibility: Fintech solutions, such as mobile banking and digital wallets, can bridge geographical barriers and reach women in remote areas, increasing their access to financial services.

Customized Financial Products: Fintech enables the development of gender-responsive financial products that cater to women's unique needs and preferences, making financial services more inclusive and relevant.

Financial Education: Fintech platforms can deliver personalized financial education, empowering women with the knowledge and skills to make informed financial decisions.

Alternative Credit Scoring Models: Fintech-driven alternative credit scoring methods can assess creditworthiness beyond traditional parameters, allowing women with limited credit history to access formal credit facilities.

Empowering Women Entrepreneurs: Fintech can facilitate access to credit for women entrepreneurs, enabling them to invest in and grow their businesses.

Conclusion

The gender gap in financial inclusion remains a formidable challenge, limiting women's economic empowerment and hindering global economic growth. Addressing this issue requires a comprehensive approach involving policymakers, financial institutions, NGOs, and society at large. By promoting gender-responsive financial policies, improving financial literacy, leveraging technology, and supporting women entrepreneurs, societies can take significant steps toward achieving greater gender equality and inclusive economic development. This study highlights the potential of Fintech solutions in reducing this gap by enhancing accessibility, offering customized financial products, providing financial education, and empowering women entrepreneurs. Reducing the gender gap in financial inclusion will not only benefit women but also contribute to more sustainable economic growth of the society as a whole. However, to ensure the sustainable impact of Fintech interventions, it is crucial to address potential risks and challenges related to data privacy, digital literacy, and cybersecurity. Providing training and support to enhance digital literacy is essential to ensure women can leverage Fintech tools effectively.

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