

# GENDER INEQUALITY IN BANKING SERVICES IN INDIA: A NOTE

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Gender inequality pervades developed and developing societies in varying forms and degrees. Women in general, and poor women in particular, are deprived of basic economic opportunities and entitlements that are widely available to men. There are large disparities between men and women in terms of access to basic facilities, such as nutrition, health and education, as well as access to employment and ownership of various means of production.<sup>1</sup>

One such form of gender inequality is with regard to the access to banking services. The need to provide bank credit to women on an equitable basis has been frequently highlighted in the literature. Lack of credit constrains economic opportunities available to women – personally and to their households – resulting in deepening their economic and social deprivation.<sup>2</sup> In recent years, there have been policy efforts towards enhancing the access to bank credit and deposits for women with the help of micro finance, or finance to Self Help Groups (SHGs). The recent policy for *financial inclusion* in India regards micro finance as an important means of including social groups that have remained outside the ambit of the banking system.<sup>3</sup>

This brief note is a preliminary attempt to understand the extent and nature of gender inequality in the provision of banking services in India. There have, of course, been a number of studies documenting the so-called success of micro finance in the country.<sup>4</sup> However, most of these studies have only highlighted the increasing number of women

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<sup>1</sup> See Sen (2001) for an exposition of the various forms of gender inequality in developed and developing countries.

<sup>2</sup> See the objectives stated in the United Nations Fourth World Conference on Women held at Beijing in 1995 at <<http://www.un.org>>. Also see the discussion on “good mother hypothesis” in the literature which points towards higher coincidence between mother’s income and family’s basic needs than father’s income; see Blumberg (1991) and Braunstein and Heintz (2005).

<sup>3</sup> Financial inclusion has been officially defined as the “provision of affordable financial services” to those who have been left unattended or under-attended by the formal agencies of the financial system (RBI, 2006a). These financial services include “payments and remittance facilities, savings, loan and insurance services” (ibid.). Also see RBI (2006b).

<sup>4</sup> Most of these studies have used data collected through field surveys taking a sample of women from a given region/State. See for instance, *Micro finance and Empowerment of Scheduled Caste Women: An impact Study of SHGs in Uttar Pradesh and Uttaranchal Sponsored by the Planning Commission* at <<http://www.planningcommission.nic.in>>. See also various impact studies sponsored by NABARD, such as Myrada (2002) and Jayaraman (2005).

SHGs and the amount of bank credit provided to such SHGs. The question that has largely remained unanswered is whether the increasing spread of micro finance has indeed resulted in financial inclusion of women at large and has been able to counteract the existing gender inequality in the provision of banking services. This note attempts to answer the above question using data from the *Basic Statistical Returns of Scheduled Commercial Banks* and *Small Borrowal Accounts Surveys* of the Reserve Bank of India (RBI).<sup>5</sup>

#### *Extent of access to banking services for women*

The available data till 2006 show that women at large remain considerably deprived of basic banking services as compared to men. The access to banking services for women can be examined using two indicators: extent of credit supplied to women and extent of deposits received from women. If we consider credit supplied, only about 12 per cent of the individual bank loan accounts belonged to women in 2006; in the same year, women constituted about half of India's population (48.4 per cent).<sup>6</sup> The remaining 88 per cent of the individual bank loan accounts were held by men. If we consider deposits, the share of deposit accounts held by women was higher; in 2006, 24.7 per cent of the individual bank deposit accounts were in the name of women (Table 1).

Certain other indicators of access to banking services also show the extent of disparity between men and women. In 2006, the number of bank deposits per 10,000 women was less than half the corresponding figure for men. For every 100 bank deposits in the name of men in the same year, there were only 35 bank deposits in the name of women (Table 2). Similarly, for every Rs 100 saved as deposits by a man on an average, a woman saved only Rs 29. The access to credit for women was even lower; for every 100 bank loan accounts held by men in 2006, women held only 14 loan accounts. Similarly, for every Rs 100 of bank credit given to a man, a woman received only Rs 15 (Table 3).

Evidently, commercial banks were more important for women as a means of savings than as a source of credit. Per 10,000 women in 2006, there were only 14 bank loan accounts as compared to 2,043 deposit accounts (Table 2). The share of women in total deposits outstanding was almost double their share in total credit outstanding (Table 1). To put it rather crudely, women received as credit only about one-tenth of the amount of deposits they contributed (Table 4).

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<sup>5</sup> The RBI started to publish data on women in the *Basic Statistical Returns* from 1996 onwards. The *Small Borrowal Account Surveys* started in 1997 and till 2006, four rounds of surveys have been conducted, each of which provides information on women separately.

<sup>6</sup> The credit/deposits of individuals refers to credit/deposits of men and women taken together. It excludes credit/deposits of all institutions.

There was a rise in the share of women in total bank credit as well as total amount of deposits between 1996 and 2006 (Table 1). Notwithstanding this rise, the shares of women in total credit and deposits continued to be at disquietingly low levels.

#### *Extent of access to agricultural credit for women*

Agriculture, the largest employer in India, has seen growing feminization of its workforce in the recent years.<sup>7</sup> In 2007, women formed about 40 per cent of the agricultural workforce in India (NCW, 2008). According to the Population Census of India, in 2001, women constituted about 33 per cent of the total cultivators in India as compared to 20 per cent in 1991. Despite their growing importance in the agricultural sector, women received on an average only 6 per cent of the total direct agricultural credit in the period 2004-06. The remaining 94 per cent of direct agricultural credit was given to men, who formed about 67 per cent of the total cultivators (Table 5).<sup>8</sup>

#### *Differential access to banking services for rural and urban women*

The use of commercial banks as an agency of savings was more widespread among urban women than rural women (Table 6). In 2006, the number of bank deposits per 10,000 women in urban areas was double the number of bank deposits per 10,000 women in rural areas. For every rupee saved by a rural woman as bank deposit, a woman from urban areas saved Rs 4.50 (Table 7).

The disparity between women from rural and urban areas in access to banking services seemed to have increased in the recent years. The ratio of the number of deposits per 10,000 women in urban areas to rural areas increased between 2001 and 2006 (Table 6). The increase was even more striking if we considered the ratio of the per capita amount of deposit from women in urban areas to rural areas (Table 7). Further, between 1996 and 2006, there was a fall in the share of deposits mobilised from women through rural and semi-urban bank offices (taken together). This meant an increase in the share of deposits mobilised from women through urban and metropolitan offices during this period (Table 8).

Interestingly, among women and men from the rural and urban areas, there was only one category that recorded a rise in the number of bank deposits per 10,000 persons between 2001 and 2006: urban men (Table 6).

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<sup>7</sup> For details about the contribution of women in the agricultural sector, see NCW (2008).

<sup>8</sup> Such low access to agricultural credit has considerable bearing on the fact that land is the crucial determinant for availing agricultural credit from formal institutions and land titles in the country, as is well known, are almost entirely held by male members in the family.

### *Access to banking services for women across regions*

In terms of the total amount of deposits mobilised from women, the shares of Southern and Western regions were considerably higher than the shares of North-Eastern, Eastern and Central regions in 2006 (Table 9).<sup>9</sup> The shares of Eastern and Central regions in the total amount of deposits from women (as well as the total number of deposit accounts) were significantly lower than the shares of female population residing in these regions. Moreover, there was stagnation, or even a fall, in the shares of the North-Eastern, Eastern and Central regions with respect to the total amount of deposits mobilised between 1996 and 2006 from women. There was also a fall in the number of bank deposits per 10,000 women in the North-Eastern, Eastern and Central regions between 1996 and 2006. In the same period, there was a rise in the number of bank deposits per 10,000 women in the Southern and Western regions (Table 10).

### *Access to banking services for women across socio-economic groups*

The disparity in terms of access to banking services between women from various socio-economic groups has also widened in the recent period. Between 1997 and 2006, the share of Dalit and Adivasi women – socio-economically one of the most backward sections of the population – in the total bank credit (under Small Borrowal Accounts) declined steadily.<sup>10</sup> In 2006, Dalit and Adivasi women received only 1.3 per cent of the total credit given under the Small Borrowal Accounts as compared to 4.8 per cent in 1997 (Table 11).

If we assume that a woman not belonging to Dalit and Adivasi groups received Rs 100 as bank credit, an average Dalit/Adivasi woman received only Rs 9 in 2006. The corresponding figure for a Dalit/Adivasi woman was higher at Rs 35 in 1997. The disparity was larger if we compared a Dalit/Adivasi woman with a man not belonging to Dalit and Adivasi groups. In 2006, a Dalit/Adivasi woman received only Re 1 as credit from banks for every Rs 100 received by her male counterpart from non-Dalit/Adivasi groups (Table 12). Here again, there was a rise in disparity; the corresponding amount for a Dalit/Adivasi woman in 1997 was Rs 7.

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<sup>9</sup> *The region-wise classification of States is drawn from Basic Statistical Returns of the RBI after excluding all the Union Territories except Delhi.*

<sup>10</sup> *Small Borrowal Accounts (SBA) are accounts with a credit limit of Rs 2 lakh. Given their low credit limit, Small Borrowal Accounts are for borrowers having relatively small credit requirements. They constituted almost the majority of the total loan accounts held with banks with their share nearing 90 per cent in 2006. However, they controlled only about 16 per cent of the total bank credit. About two thirds of these accounts were held with rural and semi-urban offices of commercial banks while one third of these accounts were for direct finance under agriculture and allied activities.*

### *Some concluding observations*

To conclude, while there has been a general spread of the basic banking services in India over the years, women remain largely deprived of these services. Women contribute about one-fifth of the individual savings mobilised through bank deposits. However, women receive only around one-tenth of the total individual credit from banks.

Further, increase in the spread of banking services to women has not been distributed fairly across various sections of women. The increase in spread of bank deposits has taken place primarily for urban women. Women from Southern and Western regions (comprising the historically vanguard States in banking development) have seen a further expansion in their access to bank deposits, while the access to women from North-Eastern, Eastern and Central regions (comprising the historically deprived States in banking development) has relatively narrowed down. Dalit and Adivasi women belonging to socio-economically backward groups have seen a fall in their share in total bank credit.

As noted earlier, in recent times, micro finance has emerged as an important means of credit delivery from banks to the poor, especially to poor women. The bank-SHG linkage programme has been a unique way in India of involving public banks in the provision of credit to SHGs. This programme was instrumental in financing about 22.3 lakh SHGs between 1992 and 2006. Of these SHGs, over 90 per cent had only women members.<sup>11</sup> Notwithstanding these affirmative efforts, micro finance still remains a minuscule part of total bank credit in India. For instance, the *total cumulative credit* disbursed through bank-SHG linkage programme right from its inception in 1992 to 2006 formed only 6 per cent of the total agricultural credit disbursed in *just one year* of 2005-06.<sup>12</sup>

Since the early 1990s, studies have indicated a decline in the access to banking services for rural areas, for certain geographical regions and for historically underprivileged socio-economic groups.<sup>13</sup> Given the prevalence of gender inequality, these changes have disproportionately worsened the access to banking services for women in each of these sectors/regions/groups despite the initiative of micro finance. The findings in this note highlight the critical and urgent need for a more definite gender perspective to the policy of

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<sup>11</sup> See details of the bank-SHG linkage programme in *Progress of SHG-Bank Linkage in India – 2005-06* at <<http://www.nabard.org>>.

<sup>12</sup> Both these figures refer to credit given by commercial banks, Regional Rural Banks and cooperative banks together. For a similar observation regarding the scale of micro credit, see Kalpana (2005).

<sup>13</sup> See the collection of articles in Ramachandran and Swaminathan (2004) and Chavan (2007).

financial inclusion instead of regarding micro finance as the *only* solution to women's banking.

TABLES

Table 1 *Percentage share of women in total credit and deposits, India, 1996-2006*

Year	Credit		Deposits	
	Percentage share of women in number of loan accounts	Percentage share of women in loan amount	Percentage share of women in number of deposits	Percentage share of women in deposit amount
1996	6.4	5.7	22.9	20.6
1997	7.4	6.4	23.5	21.0
1998	9.0	7.9	24.1	21.0
1999	8.5	8.4	24.7	21.9
2000	9.0	9.1	25.8	22.2
2001	9.6	8.8	25.9	22.0
2002	11.8	11.8	25.5	21.8
2003	11.3	11.6	25.9	21.7
2004	15.8	15.9	25.3	21.4
2005	11.7	11.4	25.8	21.4
2006	11.7	12.0	24.7	21.1

Source: RBI, *Basic Statistical Returns*, various issues.

Note: The figures are worked out as per cent of total credit to/deposits from individuals that is men and women taken together excluding credit/deposits of all institutional borrowers/ depositors.

Table 2 *Number of loan accounts and bank deposits per 10000 population, by gender, 2006, India*

Number of loan accounts per 10000 population			Number of bank deposits per 10000 population		
Women	Men	All	Women	Men	All
14	100	58	2,043	5,817	3,988
(14)			(35)		

Source: RBI, *Basic Statistical Returns*, various issues; <<http://www.censusindia.gov.in>>.

Note: Figures in brackets indicate percentage of credit/deposits accounts of women to that of men.

Table 3 *Per capita credit and deposits, by gender, 2006, India, in Rupees*

	Women	Men	All
Credit per capita	625 (15)	4,290	2,518
Deposits per capita	4,720 (29)	16,558	10,834

Source: RBI, *Basic Statistical Returns*, various issues; <<http://www.censusindia.gov.in>>.

Note: Figures in brackets indicates a percentage of per capita credit/deposits of women to that of men.

Table 4 *Triennium averages of credit to women/men as per cent of deposits from women/men, 1998-2006, in per cent*

Period	Credit to women as per cent of deposits from women	Credit to men as per cent of deposits from men
1998-2000	3	9
2001-2003	4	8
2004-2006	11	20

Source: RBI, *Basic Statistical Returns*, various issues

Table 5 Triennium averages of percentage shares of women in number of loan accounts and amount of agricultural credit, India, 1998-2006

Period	Share in total number of accounts under direct agricultural credit	Share in total amount under direct agricultural credit
1998-2000	6.5	7.0
2001-2003	6.8	7.4
2004-2006	5.9	6.3

Source: RBI, *Basic Statistical Returns*, various issues.

Note: The figures are worked out as per cent of total bank loan accounts and credit given to individuals that is men and women taken together excluding credit to all institutional borrowers.

Table 6 Number of bank deposits per 10000 population in rural and urban areas, by gender, India, 2001 and 2006

Number of bank deposits per 10000 persons in	2001		
	Women	Men	All
Rural areas	1,702	4,726	3,256
Urban areas	3,338	8,278	5,938
Ratio of number of bank deposits per capita in urban areas/rural areas	2.0	1.8	1.8
	2006		
Rural areas	1,535	4,611	2,774
Urban areas	3,292	8,703	6,134
Ratio of number of bank deposits per capita in urban areas/rural areas	2.1	1.9	2.2

Source: RBI, *Basic Statistical Returns*, various issues; GoI (2001).

Note: The figure for rural area has been worked out taking total number of deposits held with rural and semi-urban bank branches as a proportion of rural population in that year. Similarly, in the case of urban areas, the ratio is worked out taking the total number of deposits held with urban and metropolitan branches as proportion of urban population in that year. The figures for rural and urban population for 2006 are estimated using the exponential growth rate between 1991 and 2001.

Table 7 Amount of bank deposits per capita, by gender, India, 2006, in Rupees

Amount of bank deposits per capita in	Women	Men	All
	2001		
Rural areas	1,850	5,990	3,978
Urban areas	6,846	22,465	15,064
Ratio of amount of bank deposits per capita in urban areas/rural areas	3.7	3.8	3.8
	2006		
Rural areas	2,380	8,678	5,611
Urban areas	10,624	35,492	23,685
Ratio of amount of bank deposits per capita in urban areas/rural areas	4.5	4.1	4.2

Source: RBI, *Basic Statistical Returns*, various issues, GoI (2001).

Note: See footnote under Table 6.

Table 8 *Percentage shares of rural, semi-urban and urban bank offices in total amount of bank deposits from women, India, 1996-2006*

	Rural and semi-urban bank offices	Urban and metropolitan bank offices	All bank offices
1996	41.8	58.2	100.0
1997	41.7	58.3	100.0
1998	42.0	58.0	100.0
1999	41.7	58.3	100.0
2000	41.7	58.3	100.0
2001	41.8	58.2	100.0
2002	42.2	57.8	100.0
2003	42.0	58.0	100.0
2004	40.6	59.4	100.0
2005	40.1	59.9	100.0
2006	36.2	63.8	100.0

Source: RBI, *Basic Statistical Returns*, various issues.

Table 9 *Percentage shares of women in total amount of bank deposits, by regions, India, 1996-2006*

Region	Share in deposit accounts		Share in deposit amount		Share in female population
	1996	2006	1996	2006	2001
Northern region	17.5	17.0	22.2	22.0	12.6
North-Eastern region	2.5	2.2	1.6	1.7	3.8
Eastern region	15.3	14.5	11.9	11.2	22.2
Central region	18.8	17.8	14.1	13.1	24.7
Western region	16.1	17.7	23.6	23.4	14.3
Southern region	29.8	30.8	26.6	28.6	22.4
India	100.0	100.0	100.0	100.0	100.0

Source: RBI, *Basic Statistical Returns*, various issues.

Note: The region-wise classification follows from the *Basic Statistical Returns* taking all States included therein excluding all Union Territories except Delhi.

Table 10 *Number of bank deposits per 10000 female population, by regions, India, 1996-2006*

Region	1996	2006
Northern region	2,837	2,617
North-Eastern region	1,280	1,177
Eastern region	1,335	1,335
Central region	1,491	1,452
Western region	2,173	2,535
Southern region	2,479	2,922
India	1,936	2,043

Source: RBI, *Basic Statistical Returns*, various issues.

Note: See footnote under Table 9.

Table 11 Share of bank accounts and amount of credit to female borrowers (under Small Borrowal Accounts) from Dalit and Adivasi categories, India, in per cent

Year	Share of Dalit and Adivasi women in number of accounts	Share of Dalit and Adivasi women in amount of credit
1997	7.1	4.8
2001	3.9	1.9
2004	2.8	1.6
2006	2.2	1.3

Source: RBI, *Survey of Small Borrowal Accounts*, various rounds.

Note: Small borrowal accounts indicate accounts with individual credit limit of up to Rs 2 lakh since 1999 and Rs 25,000 before that.

Table 12 Average amount of credit (under Small Borrowal Accounts) received by Dalit/Adivasi female borrower per every 100 rupees received by a female/male borrower from other caste categories, India, in Rupees

Variable	1997	2001	2004	2006
Average amount of credit to a <b>Dalit/Adivasi female borrower</b> per 100 Rupees of credit to a <b>female borrower from non-Dalit/Adivasi</b> categories	35	17	13	9
Average amount of credit to a <b>Dalit/Adivasi female borrower</b> per 100 Rupees of credit to a <b>male borrower from non-Dalit/Adivasi</b> categories	7	2.4	2.1	1

Source: RBI, *Survey of Small Borrowal Accounts*, various rounds.

Note: See footnote under Table 11.

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