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A Study on the Barriers in Usage of Formal Financial Products/ Services by Women in the Rural Area of Kabrai Block of Mahoba District of Uttar Pradesh

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Abstract

This study investigates the barriers to the usage of formal financial products and services by women in the rural area of Kabrai block of Mahoba district of Uttar Pradesh. Despite various initiatives aimed at enhancing financial inclusion, women in rural India continue to face significant challenges that restrict their access to formal financial systems. This research identifies both demand-side and supply-side constraints that contribute to this issue. On the demand side, sociocultural norms often limit women's mobility and decision-making power regarding financial matters, while a lack of financial literacy and awareness about available services further exacerbates these challenges. Many women remain unaware of their rights and the range of financial products tailored to their needs. On the supply side, financial institutions frequently overlook the specific requirements of rural women, resulting in products that are not aligned with their agricultural cycles or cash flow patterns. Additionally, the lack of trained personnel who understand the unique challenges faced by these women hinders effective outreach and service delivery. This study employs qualitative methods, including interviews and focus group discussions, to gather insights from women in Kabrai block regarding their experiences with formal financial services. The findings aim to highlight the critical barriers that hinder women's financial participation and propose actionable recommendations for policymakers and financial institutions. By addressing these barriers, this research seeks to contribute to the broader discourse on women's economic empowerment and promote sustainable development in rural communities. Ultimately, enhancing women's access to formal financial products is essential for fostering resilience, improving livelihoods, and driving inclusive economic growth in rural India.

Keywords: Financial Inclusion, Access, Usage, Barriers, Self-help Groups

Introduction

The topic of women's access to formal financial products and services in rural areas is critical for understanding the broader dynamics of economic empowerment and social development. This research paper focuses on the barriers faced by women in the Kabrai block of Mahoba district, Uttar Pradesh, as they navigate the complexities of financial inclusion. Despite significant strides made in recent years to enhance financial access for rural populations, women continue to face unique challenges that hinder their engagement with formal financial systems.

In India, women play a pivotal role in agriculture and rural economies, yet they remain disproportionately underserved by financial institutions. According to various reports, approximately 780 million women globally lack access to formal financial services, which significantly limits their economic potential and resilience against socio-economic shocks. In Uttar Pradesh, initiatives like the appointment of BC Sakhis—women business correspondents trained to provide banking services—have shown promise in facilitating transactions and promoting financial literacy among rural women. However, these efforts are often undermined by persistent barriers that restrict women's effective use of financial products.

The barriers to women's access to formal financial services can be categorized into demand-side and supply-side constraints. Demand-side constraints include sociocultural factors such as gender norms that dictate women's roles primarily as caregivers and homemakers, thereby limiting their mobility and decision-making power regarding finances. Additionally, a lack of financial literacy and awareness about available products further exacerbates these challenges. Many rural women are unaware of their rights or the financial services available to them, leading them to rely on informal networks for information and support.

On the supply side, financial institutions often fail to design products that meet the specific needs of rural women. There is a notable lack of gender-sensitive approaches within these institutions, which results in offerings that do not align with women's agricultural cycles or cash flow patterns. Consequently, many women find formal financial products unsuitable or inaccessible. The absence of trained personnel who understand the unique challenges faced by rural women further complicates efforts to improve outreach and service delivery.

Improving access to formal financial services for women is not merely a matter of equity; it is a strategic imperative for enhancing rural livelihoods and fostering economic growth. Research indicates that when women have access to financial resources, they invest more in their families' health and education compared to their male counterparts. This not only uplifts individual households but also contributes to broader community development and poverty alleviation.

Moreover, as climate change increasingly affects agricultural productivity, equipping women with tailored financial solutions can enhance their resilience. Access to credit, savings accounts, and insurance enables them to manage risks associated with climate variability while investing in sustainable agricultural practices. Thus, addressing the barriers faced by women in Kabrai block is essential for unlocking their potential as key contributors to rural economies.

this study aims to identify the specific barriers hindering women's usage of formal financial products in Kabrai block, Mahoba district. By examining both demand-side and supply-side factors, this research will provide insights into how targeted interventions can promote financial inclusion for women in rural areas. Ultimately, fostering an inclusive financial environment is crucial for empowering women, enhancing household livelihoods, and driving sustainable development in rural India.

Review of Literature

Mossie (2023) [7] found that motivations behind, drivers and barriers (lack of money, lack of trust, lack of documentation, distance, too expensive, religious reasons, family member has account, and no need for financial services) of financial inclusion are significantly associated with individual's socio-demographic characteristics (gender, age, education, employment status and income) and applied a probit regression model using data from the World Bank's 2017 Findex database for Uthopia. He found Involuntary exclusion (such as distance to financial services and lack of documentation) and voluntary exclusion (lack of funds, a family member has an account,) are significant barriers to formal account ownership. The lack of money to open financial accounts is the paramount barrier to financial inclusion. Eighty-five-point three (85.3) percent of people do not have an account because they do not have enough money. Other barriers are too far away 19.1%, missing documents 9.5%, family member already has one 7.7%, no need for financial services 6.4%, too expensive 4.8%, lack of trust and religious reasons 2.1%, respectively. He concluded with that income and age are significantly associated with different barriers, there is no evidence of an association with any of the barriers to education.

Ghosh and Vinod (2017) [2] examined relationship between gender and formal finance and also analysed the factors affecting this relationship. They applied multivariate regression Model using data from All India Debt and Investment Survey (AIDIS) conducted by the National Sample Survey Organization. They found significant disparity in both the access to as well as the use of finance by gender. they found on average; female-headed households use 20% less cash loans as compared to male-headed households. Similar evidence carries over to the access to finance: Female headed households are 8% less likely to access formal finance and 6% more likely to access informal finance as compared male-headed households, after taking into account other relevant household (whether a household is headed by a female, number of household members, age of the household head, immovable (building and other construction) asset position, place of residence, educational qualifications and employment status) and state-level (per capita income, literacy rate, share of female population and physical and health infrastructure) characteristics that are important in explaining financial access by household. They also found that factors such as education and wages are more important in explaining access to finance whereas political and social factors are of paramount importance in explaining the use of finance for female-headed households. The variables concerned with factors that constraint access to and use of financial services by female- headed household includes the rate of female foeticide and sex ratio, social discrimination such as the ratio of crimes against women to total crime in the state, educational discrimination which includes the gross enrolment ratio at the primary and upper primary levels for girls (per 100 boys), wage discrimination defined as the male–female wage gap for salaried employees and casual labourers, work discrimination defined in terms of the differential workforce participation rate, cost discrimination such as the cost of borrowings, political discrimination: The number of seats reserved for women in legislative bodies and legislation regarding reservation for women in Panchayats.

Rajeev *et al* (2011) examined All-India Debt and Investment Survey (AIDIS) and the Situation Assessment Survey (SAS) conducted as the part of the 59th round of National Sample Survey. They found significant difference in access to formal credit by male and female- headed household in both rural as well as urban area. They also observed that incidence of indebtedness was higher for the higher income group and General and OBC category over low- income group and ST category respectively. However, this inequality is much lower in urban area than rural area. They also observed that in both rural and urban areas not only was accessibility lower for the female-headed households, the amount of loan received was also smaller. They also observed from occupation-wise indebtedness that in the rural areas only 27% of the self-employed households engaged in non-farm activities were indebted while in urban area only 17% of the self-employed households were indebted. They revealed that in all categories there was a significant difference in access to credit between male and female-headed households; the difference in access to credit amongst the agricultural households being most notable. They observed that the female-headed households not only had a much lower access to formal sources of credit both in rural and urban areas in all income categories but also paying a higher interest rate than male-headed households.

Arif *et al* (2019) [1] examined World Bank's 2017 Findex database and explored determinants of and impediments in financial inclusion in India. They used variables (such as ownership formal accounts, use of accounts for saving and borrowing, ownership and use of the debit card) for measuring financial inclusion and variables (such as too far away, too expensive, Lack of documentation, Lack of trust, Lack of money, religious reasons, Family member has an account and No need for financial services) for measuring barriers in the study. Gender, age, income and education are used as independent variable while variables used for measuring financial inclusion and barriers are used as dependent variables in the study. They applied Probit model in the study. They find that Being a woman reduces the probability of being financially included at least for three out of five cases, however Debit card use and formal Savings turn out to be insignificant for women, age is positively related to all, except for the use of debit cards and formal credit, education is significant for three out of five measures of financial inclusion means Higher education is associated with higher financial inclusion and being poor increases the chance of being financially excluded. They find that socio-economic indicators hardly determine any barrier however Squared age is positively related to too far away and family member has an account barrier.

Meenakshi and Bhattacharya (2012) [4] analysed unit level NSSO data (59th round, All India Debt and Investment Survey, 2003 and found incidence of indebtedness (IOI) remains rather low in both urban and rural India while urban India shows much lower figures than rural India throughout income categories. Access in rural regions increased slightly as they moved upward in the expenditure class revealing that comparatively richer amongst the poorer households have slightly better access in both rural as well as urban area. They also analysed social group-wise incidence of indebtedness and found that schedule tribe households (ST) had lower access to credit compared to other households for each MPCE classes although access to credit for the schedule cast and OBC households was higher than the general category households and increasing trend was also observed as they moved higher income category for respective group. STs among all social group are capturing highest proportion of their outstanding loan from formal source and also using highest share of this for income generating activities in comparison to other social group. The study also highlights that as income levels rise, access to formal credit improves, indicating a skewed distribution of financial services in favour of the relatively wealthier as well as male-headed household sections of society. The research emphasizes the critical need for inclusive financial systems that target the poorest and most vulnerable households. Despite schemes like the Self-Help Group-Bank Linkage Program (SBLP), access to formal credit remains insufficient, particularly for those in need of income-generating loans.

Microsave Consulting (2019) [6] developed a research report under the Pathways to Enhancing Financial Inclusion (PEFI) program which was funded by the Bill & Melinda Gates Foundation and found Despite a reduction in the gender gap, with 77% of Indian women having formal accounts, the study highlights that a large portion (42%) of these accounts remain dormant. This illustrates that access alone does not guarantee meaningful engagement with financial services. The report utilizes the **Financial Services Space (FSS)** framework, which focuses on three dimensions—**volume/frequency of transactions, convenience, and influence/motivation**—to explain women's financial behaviour. It segments women into different categories, including **financially excluded**, **dormant account holders**, **proxy users**, and **advanced users**. The study emphasizes that a blanket approach to financial inclusion will fail, as women face diverse challenges. These challenges range from **structural barriers**, such as mobility restrictions and illiteracy, to **social norms** that limit their participation in paid economic activities. Key to this study is the identification of **dormancy** in women's accounts, attributed to factors like the lack of financial literacy, intimidation at financial institutions, and an absence of relevant use-cases for banking. The study's **Human-Centred Design (HCD)** approach reveals that **government-driven financial inclusion programs** and **peer pressure** have contributed to many women opening accounts without fully understanding their purpose or benefits. The report calls for **segment-specific interventions**, such as: **Government-to-person (G2P) payments** and **Self-Help Groups (SHGs)**- to initiate financial participation, and **Gender-sensitive banking agents**- to design tailored financial products that address women's irregular cash flows and minimal control over financial decisions.

Objectives

1. To study the barriers in usage of formal financial products/ services by women in the rural area of Kabrai block of Mahoba district.
2. To check the association between SHG-membership and various barriers in usage of formal financial products/ services by women in the study region.

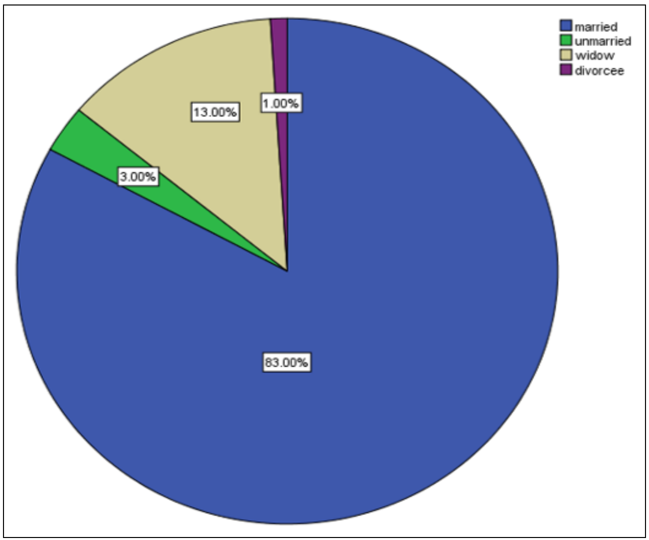
Research Methodology

Descriptive qualitative research design was used in collecting information on the type of barriers to utilizing financial products/ services by women (SHG members as well as non-SHG members) in rural area of Kabrai block of Mahoba district. The study covers women aged 20 years and above who owned bank account. Two villages (Daharra and Singhanpur) were selected randomly to represent rural area of Kabrai block. Purposive sampling was used to sample 100 women who owned bank account, 50 from each selected village. A schedule was the primary data collection tool used in the study. Percentage and multiple correlation method was used to show strength of relationship among barriers in utilizing financial services by women.

Result and discussion

Characteristics of the respondents

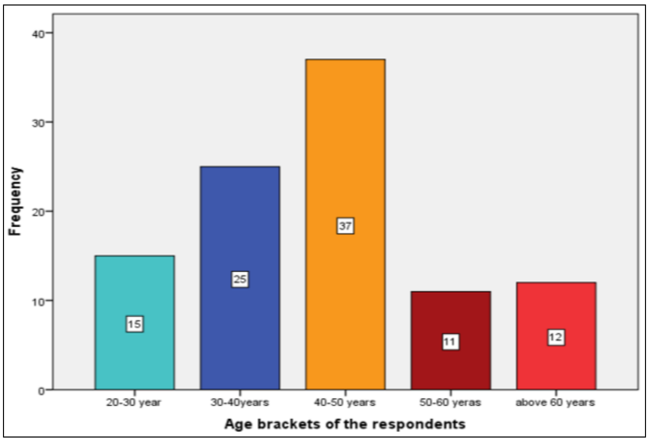
Of the 100 respondents, 83% were married, 13% were widowed, 3% were unmarried and only one was divorcee. Fig 1 below gives a detailed illustration of marital status of respondents.



Source: Researcher's field work

Fig 1: Marital Status of the Respondents

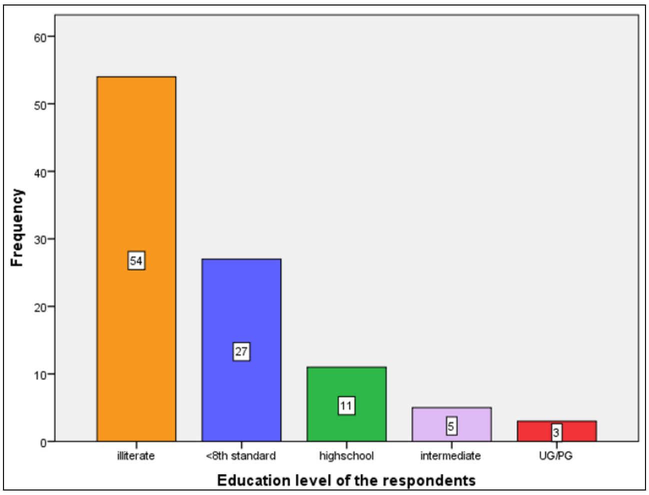
In terms of age distribution of the respondents, 37% were within the age bracket between 40-50 years, 25% were aged between 30-40 years, 15% were aged between 20-30 years, 12% were aged 60 years and above whilst only 11 percent were in age group of 50-60 years. Fig 2 below gives a detailed illustration of age structure of respondents'.



Source: Researcher's field work

Fig 2: Age structure of the Respondents

Education level of the 100 respondents was also established in the study. Of the100 participants, 54% were illiterate, 27% were completed less than 8th standard, 11% were passed highschool, 5% were passed intermediate whilst only 3 percent respondents were graduate. Fig 3 below gives a detailed illustration of education level of the respondents.

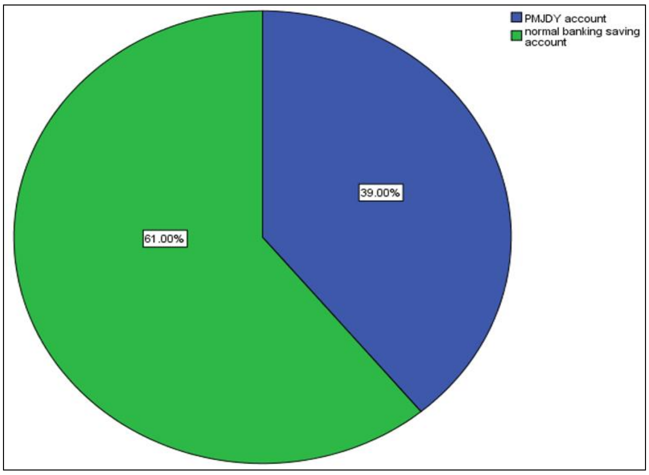


Source: Researcher's field work

Fig 3: Education Level of the Respondents

Barriers to Financial product/ services Utilization by Women

Due to consistent efforts by central/ state government and Reserve Bank of India (RBI), 100 percent financial inclusion of women has been achieved in the study area. Thanks to financial inclusion flagship program, Pradhanmantri Jan Dhan Yojna (PMJDY) which linked hitherto excluded to formal financial system. Fig 4 below gives a detailed illustration of PMJDY account and normal saving account. Thirty-nine (39%) percent accounts were opened under PMJDY scheme. So far, we have achieved 100 percent financial inclusion. Now, the priorities and issues has been shifted from financial inclusion to make opened accounts more active.



Source: Researcher's field work

Fig 4: Name of Account of the Respondents

Barriers

Barriers are a set of reasons for an individual not to own, save or use accounts from formal financial institutions (such as banks, MFIs, etc). illiteracy, lengthy procedures, lack of money, unaccustomed financial product and services, lack of documentation, distance, too expensive, social reasons, unaccustomed technology, need of supporting person and high charges are the barriers which prevent an account-holder not to utilize its account for various purposes. Eighty-four percent account -holders accepted that there are barriers which prevent them utilizing their account whilst only 14% account -holders accepted that there are no barriers in accessing and utilizing their account. Below Table 1 presents a clear picture of the barriers which prevent in utilizing account.

Table 1: Is there any barrier in utilization of your account?

Answer	frequency	Percentage
Yes	84	84
No	16	16
Total	100	100

Source: Researcher's field visit

Self -Help Groups (SHGs)

Self-Help Group (SHG) is a voluntary association of people, typically from low-income or marginalized communities, who come together to collectively pool their resources, save money, and provide financial support to each other. The main purpose of a SHG is to facilitate mutual assistance among its members, primarily by offering small loans, promoting financial literacy, and enhancing access to formal financial services. SHGs often operate on the principles of mutual trust, accountability, and solidarity, and they empower individuals, particularly women, by helping them improve their economic well-being, start or grow businesses, and gain financial independence. These groups are also a key component of broader financial inclusion efforts, as they help members overcome barriers to accessing formal banking services, such as high collateral requirements, lack of credit history, or geographic isolation. SHGs may also act as a bridge between informal community-based financial activities and formal banking institutions, providing members with opportunities for savings, loans, and other financial products that can support their economic development. Out of 100 respondents, 26 respondents were also member of SHGs. Literature on impact of SHGS on women's empowerment is suggesting plenty of fruitful result on their empowerment but in the study region situation is different, approximately 73 percent (19 out of 26 respondents) SHG female account-holder accepted that there are barriers in utilization of their account for various purposes. Although situation of SHG women account-holder is slightly better than general female account-holder because approximately 88 percent (65 out of 74) general female account-holder felt barriers in utilization of their account for various purposes. Table 2 below presents different barriers that prevent women not to utilize their account.

Table 2: Classification of barriers in utilization of account

Barriers		Yes	No
Lack of awareness	count	65	35
	% of total	65%	35%
Distance	count	52	48
	% of total	52%	48%
Illiteracy particularly financial illiteracy	count	73	27
	% of total	73%	27%
Uncustomed products/services	count	56	44
	% of total	56%	44%
Difficulties in understanding documenting procedure	count	73	27
	% of total	73%	27%
Low income	count	48	52
	% of total	48%	52%
Need of supporting person	count	31	69
	% of total	31%	69%
Social exclusion	count	4	96
	% of total	4%	96%
Technological Barrier	count	72	28
	% of total	72%	28%
Time and money loss	count	19	81
	% of total	19%	81%
High charges	count	10	90
	% of total	10%	90%

Source: Survey data

In the above table we find that 65 percent of respondents in rural area of Kabrai block of Mahoba district is agreed that lack of awareness is one of the major barriers behind not utilizing their account for various purposes.

The second important barrier is the distance that 52 percent of respondents in the region consented as important barrier behind not utilizing their account for various purposes.

Illiteracy particularly financial illiteracy together with Difficulties in understanding documenting procedure became difficult barrier among respondents of the region for very low level of utilization of their account. Seventy-three (73%) percent of respondents agreed with both these difficult barriers.

In the above table we also find that 56 percent of respondents in rural area of Kabrai block of Mahoba district is agreed that lack of awareness is one of the major barriers behind not utilizing their account for various purposes.

Low income became an important barrier when respondents utilized their account and 48 percent of respondents agreed with this barrier.

need of supporting person which 31 percent of respondents believed as a barrier and only 4 percent of respondents agreed with social exclusion as a barrier whilst utilizing their account.

In the above table we also see that 65 percent of respondents agreed with Technological Barrier whilst utilizing their account.

only 19 percent of respondents agreed with Time and money loss as a barrier while only 10 percent agreed with financial institution' s high charges as a barrier.

in the nutshell, Illiteracy particularly financial illiteracy, Lack of awareness, Difficulties in understanding documenting procedure, Low income and Technological Barrier are serious demand-side barriers that government need to address to boost usage of financial services by women.

Self -help Group membership and Barriers

Now we will look whether any positive or negative association between different barriers and SHG membership.

Table 3: Coefficient of correlation

	Lack of awareness	Distance	Illiteracy particularly financial illiteracy	Uncustomed products/services	Difficulties in understanding documenting procedure	Low income	Need of supporting person	Social exclusion	Technological Barrier	Time and money loss	High charges	SHG-member
Lack of awareness	1	0.428	.829	.574	.640	.495	.447.	.150	.663	.355	.245	-.282
Distance	.428	1	.408	.318	.227	.242	.428	.196	.248	.210	.320	-.069
Illiteracy particularly financial illiteracy	.829	.408	1	.550	.746	.494	.408	.124	.724	.295	.203	-.102
Uncustomed products/services	.574	.318	.550	1	.641	.448	.376	.181	.524	.327	.295	-.209
Difficulties in understanding documenting procedure	.640	.227	.746	.641	1	.449	.408	.124	.775	.295	.203	-.256
Low income	.495	.242	.494	.448	.449	1	.351	.110	.421	.351	.147	-.113
Need of supporting person	.447	.428	.408	.376	.408	.351	1	.305	.370	.392	.353	-.249
Social exclusion	.150	.196	.124	.181	.124	.110	.305	1	.127	.421	.612	-.121
Technological Barrier	.663	.248	.724	.524	.775	.421	.370	.127	1	.302	.134	-.341
Time and money loss	.355	.210	.295	.327	.295	.351	.392	.421	.302	1	.433	-.287
High charges	.245	.320	.203	.295	.203	.147	.353	.612	.134	.433	1	-.122

Source: Survey data

It was found that Pearson's correlation coefficient was negative. Although it was low for all the barriers. The negative association between SHG membership and barriers indicates positive result to some extent (not as broader as suggested by literature on impact of microfinance on women empowerment) of SHG membership on utilization of formal financial service/product by women.

Conclusion and Recommendations

Conclusion

This study concluded 100 percent financial inclusion of women in the region but the major challenges that the financially included women (whether these be general account holder or be SHG member) are now facing are various demand- side and supply-side barriers in utilization of financial services and product. SHG has played positive role in mitigating the intensity of these barriers to some extent however it is not sufficient for taking women out from low level of utilization of formal financial services. Demand-side barriers such as insufficient fund, lack of awareness to governments and bank's various schemes and programmes, illiteracy particularly financial illiteracy, unfamiliar technology such as online net/mobile banking and social exclusion such as societal norms and cultural constraints and religious conservativeness compel women to keep themselves away from various formal financial product/ services. on the other hand, various supply side barriers such as distance to formal financial institution, uncustomed and untailored product / services, time and money loss and high charges are distracting women from accessing and using formal financial services and products.

Recommendation

Government and RBI should devise a better policy targeted at increasing usage of formal financial services and products by women. This policy should not only address demand-side but also supply-side issues faced by women. Creation of fruitful employment, forming of SHGs, special awareness drive as well as tailored literacy particularly financial literacy program targeted at women and establishment of formal financial institution in rural area should be the priorities of authority while designing financial inclusion program that could make women more financially empowered and active so that their participation with formal financial system could be enhanced. Documenting procedure and functioning of SHG should be smoothen to make women active participants with formal financial system.

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