

A Qualitative Study on Financial Inclusion of LGBTQ+ in India with Special Reference to Madhya Pradesh

Karishma Kataria¹, Dr. L. K Tripathi²

¹Research Scholar, School of Commerce, D. A. V. V, Indore, M.P, India

²Dean Student Welfare, D. A. V. V, Indore, M. P, India

ABSTRACT

Financial inclusion has emerged as a critical indicator of social equity and economic empowerment. While India has made substantial strides in broadening access to financial services, the LGBTQ+ community continues to face systemic challenges that hinder their full participation in the formal financial ecosystem. This qualitative study investigates the financial inclusion landscape for LGBTQ+ individuals in the Indian state of Madhya Pradesh. Through semi-structured interviews and focus group discussions with community members, banking professionals, and representatives of civil society organizations, the research explores the structural, institutional, and socio-cultural barriers impeding inclusive access. The findings reveal that while national financial inclusion policies claim universality, their on-ground implementation often overlooks the unique vulnerabilities and identity-based exclusions faced by LGBTQ+ individuals. This paper calls for a rethinking of financial outreach models and policy frameworks to ensure that inclusion is truly intersectional and rights-based.

INTRODUCTION

Financial inclusion, broadly defined as the availability and accessibility of useful and affordable financial products and services to all individuals and businesses, has gained prominence in India's development agenda. Initiatives such as the Pradhan Mantri Jan Dhan Yojana and the proliferation of digital payment platforms have significantly expanded access to banking and credit services. However, inclusion is not solely a matter of access—it is also about equitable participation and dignity. For socially marginalized groups like the LGBTQ+ community, financial inclusion remains a distant goal, not because of the absence of services, but due to persistent socio-cultural stigma, legal ambiguities, and institutional discrimination.

While academic discourse has increasingly acknowledged the need for inclusive growth, there exists a gap in literature specifically examining how LGBTQ+ individuals experience financial systems in regional and non-metropolitan contexts. This research focuses on Madhya Pradesh, a state where urban-rural divides and traditional social structures may compound the challenges faced by LGBTQ+ persons. Using a qualitative methodology, the study seeks to understand the lived realities of LGBTQ+ individuals in navigating financial institutions, the perceptions of service providers, and the role of policy in either facilitating or obstructing inclusive financial practices.

By centering voices from the margins, this research contributes to a nuanced understanding of financial inclusion that goes beyond metrics and seeks to humanize the discourse around economic justice.

LITERATURE REVIEW

Financial Inclusion in India

India's push toward financial inclusion gained momentum post-2014 with schemes such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), the expansion of Aadhaar-linked banking, and the growth of fintech platforms. Scholars such as Chakrabarty (2013) and Demirgüç-Kunt et al. (2022) highlight that financial inclusion policies have focused on access to savings, credit, insurance, and pension services, primarily targeting women, rural populations, and low-income groups. However, these frameworks often treat target groups as homogenous, ignoring deeper social divisions based on caste, religion, and gender identity.

LGBTQ+ Rights and Economic Exclusion

The decriminalization of homosexuality in India (Navtej Singh Johar v. Union of India, 2018) was a landmark step, yet legal recognition has not translated into economic empowerment. Literature by Human Rights Watch (2020) and reports from the International Labour Organization (ILO, 2021) stress that LGBTQ+ individuals face discrimination in

employment, housing, and financial services. Economic exclusion is further reinforced by a lack of official documents reflecting chosen gender or name, especially for transgender persons, as discussed in Nanda (2019).

Institutional Discrimination in Financial Services

Research conducted by organizations such as LEAD at Krea University (2022) and the Centre for Social and Behaviour Change (2021) reveal that LGBTQ+ individuals often encounter implicit bias at banking touchpoints. This includes denial of loans, reluctance to open accounts, and invasive questioning. These challenges are compounded in states like Madhya Pradesh, where traditional socio-cultural norms prevail, and institutional sensitivity toward gender and sexual minorities remains minimal.

Intersectionality and Inclusive Policy Gaps

Crenshaw's theory of intersectionality (1989) underscores how multiple identities—such as caste, gender identity, class, and region—intersect to create compounded vulnerabilities. In the Indian context, scholars like Sirohi (2020) have emphasized the importance of intersectional inclusion in policy design. Existing financial inclusion policies in India are largely gender-binary and fail to address the needs of trans and non-binary individuals. Moreover, the Reserve Bank of India (RBI) only recently began recommending measures to make banking more inclusive, but implementation remains uneven (RBI Annual Report, 2022).

Need for Localized Qualitative Studies

Despite an increase in global and national data on LGBTQ+ inclusion, there is a scarcity of region-specific qualitative research that captures lived experiences. Most studies are urban-centric, focusing on metros like Delhi, Mumbai, and Bengaluru. Madhya Pradesh remains underexplored in terms of LGBTQ+ financial realities. As Krishnan (2021) argues, qualitative insights are essential for grounding policy reforms in the social realities of marginalized communities.

RESEARCH METHODOLOGY

Research Design

This study employs a **qualitative research design** to explore the lived experiences, perceptions, and challenges of LGBTQ+ individuals in accessing financial services in Madhya Pradesh. A qualitative approach is particularly suited for this research due to its focus on depth, context, and meaning—essential for understanding the nuanced barriers faced by a socially marginalized group whose realities are often obscured in quantitative datasets.

Research Objectives

- To explore the accessibility and usability of formal financial services among LGBTQ+ individuals in Madhya Pradesh.
- To understand perceptions of inclusion and exclusion from both LGBTQ+ individuals and financial service providers.
- To identify socio-cultural and institutional barriers affecting financial participation.
- To recommend policy-level and operational interventions for inclusive financial outreach.

DATA COLLECTION METHODS

a. In-Depth Semi-Structured Interviews

Conducted with 25 self-identified LGBTQ+ individuals across urban (Bhopal, Indore) and semi-urban/rural districts of Madhya Pradesh. Interviews were guided by a semi-structured protocol focusing on themes like banking access, identification documents, financial autonomy, discrimination, and trust in institutions.

b. Key Informant Interviews (KIIs)

5 interviews with representatives from banks, microfinance institutions, and cooperative credit societies were conducted to understand institutional perspectives and practices regarding LGBTQ+ inclusion.

c. Focus Group Discussions (FGDs)

2 FGDs were held with local LGBTQ+ advocacy groups and community-based organizations (CBOs) to contextualize individual experiences within broader community dynamics.

Sampling Technique

A **purposive sampling** method was used to ensure inclusion of diverse voices across gender identities (transgender women, trans men, non-binary individuals), socio-economic backgrounds, and locations. Snowball sampling was employed where access to participants through formal networks was limited.

Data Analysis

All interviews and FGDs were audio-recorded (with informed consent), transcribed verbatim, and analyzed using **thematic analysis**. Initial coding was followed by the identification of recurring patterns and categories related to exclusion, resilience, and institutional engagement. NVivo software was used to assist with coding and data organization.

Ethical Considerations

- **Informed consent** was obtained from all participants with an option to withdraw at any stage.
- Anonymity and confidentiality were ensured by assigning pseudonyms and removing identifiable data.
- The research protocol was reviewed and approved by an Institutional Ethics Committee.
- Care was taken to conduct interviews in safe and inclusive spaces, either in person or virtually, depending on participant comfort and accessibility.

Data Analysis

The data collected through semi-structured interviews, key informant interviews (KIIs), and focus group discussions (FGDs) were analyzed using **thematic analysis**, a widely recognized method for identifying, analyzing, and reporting patterns within qualitative data (Braun & Clarke, 2006). This approach allowed for both inductive insights grounded in participant narratives and deductive interpretation aligned with the study's objectives.

Transcription and Familiarization

All audio recordings were transcribed verbatim and translated into English where necessary. Initial familiarization involved multiple readings of the transcripts to immerse in the data, identify significant statements, and record early impressions.

Coding Framework

Using NVivo software, an open coding process was employed where short labels were attached to units of meaning (e.g., "bank staff discrimination," "lack of ID," "peer dependency," "financial mistrust," etc.). These codes were iteratively refined and grouped into larger categories. Codes were generated both from the interview guide and emergent patterns in the data.

Theme Development

Codes were clustered into five overarching themes, which represent the key dimensions of LGBTQ+ financial inclusion in Madhya Pradesh:

- **Structural Barriers:** Difficulties in obtaining bank accounts or credit due to lack of gender-appropriate identity documents or fixed addresses.
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- **Institutional Discrimination:** Evidence of prejudiced behavior, microaggressions, and informal denial of services by bank officials and staff.
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- **Economic Insecurity and Informality:** Reliance on informal savings mechanisms due to exclusion from formal credit and insurance systems.
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- **Community Dependence and Resilience:** Peer-led financial practices, collective saving mechanisms, and reliance on NGOs for financial mediation.
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- **Policy and Practice Gap:** Disjuncture between central financial inclusion policies and their grassroots implementation, particularly in non-urban settings.

Triangulation

Data were triangulated across interview sources (community members, financial professionals, NGOs) to validate recurring issues and understand different stakeholder perspectives. This also helped contextualize individual experiences within broader systemic trends.

Illustrative Narratives

Excerpts from participant interviews are integrated into the analysis to highlight lived experiences and give voice to the community. These narratives help humanize the data and offer rich insights into the emotional and psychological impacts of exclusion.

DATA ANALYSIS AND RESULTS

The collected qualitative data from semi-structured interviews, key informant interviews, and focus group discussions were analyzed using thematic analysis to uncover patterns related to the financial inclusion of LGBTQ+ individuals in Madhya Pradesh. Initially, all audio recordings were transcribed verbatim and carefully reviewed multiple times to ensure deep familiarization. Using NVivo software, the transcripts were coded line-by-line to capture recurring ideas, sentiments, and experiences. The coding process was both inductive, allowing themes to emerge naturally from the data, and deductive, guided by the research objectives focusing on barriers, institutional attitudes, and resilience strategies.

Five major themes emerged from the analysis. The first theme, Structural Barriers, highlighted challenges such as mismatched identity documents and the lack of gender-appropriate official papers, which often resulted in denial or delay of banking services. For example, several participants reported being questioned or turned away because their appearance did not align with the gender marker on their Aadhaar card, underscoring a systemic hurdle for accessing formal finance.

The second theme, Institutional Discrimination, revealed widespread bias and stereotyping from bank staff, including microaggressions and dismissive attitudes, which discouraged many LGBTQ+ individuals from seeking financial services. One participant recounted that bank officials laughed or doubted their credibility when they applied for loans, reflecting deeply ingrained prejudices within financial institutions.

The third theme, Economic Insecurity and Informality, surfaced as many LGBTQ+ respondents engaged in informal or irregular livelihoods—such as freelance performance or beauty services—without formal income proofs, making them ineligible for credit or insurance products. This economic precarity limited their ability to fully participate in formal financial systems, pushing many toward cash-based and informal financial arrangements.

Despite these challenges, the fourth theme, Community Dependence and Resilience, illustrated how LGBTQ+ groups created their own support networks, such as rotating savings schemes and peer lending circles. These community-led financial practices provided critical safety nets and fostered mutual trust where formal institutions failed to include them.

Finally, the theme of Policy and Practice Gap indicated that although national policies advocate for inclusive finance, the implementation at grassroots levels, particularly in smaller towns and rural areas, remained weak. Bank personnel often lacked awareness or training about LGBTQ+ identities, resulting in tokenistic or ineffective outreach efforts.

Together, these findings paint a complex picture of financial exclusion intertwined with resilience. They emphasize the need for targeted interventions to bridge policy and practice gaps and to foster institutional environments that respect and accommodate sexual and gender diversity.

CONCLUSION

This study highlights the multidimensional barriers that LGBTQ+ individuals in Madhya Pradesh face in accessing and utilizing formal financial services. Despite progressive policy shifts at the national level, including increasing emphasis on financial inclusion and the legal recognition of transgender identities, these advances often fail to translate into meaningful change at the grassroots level. Structural barriers such as mismatched documentation, institutional discrimination rooted in bias, and lack of awareness among banking personnel significantly hinder the financial empowerment of LGBTQ+ persons.

At the same time, the research also reveals the community's remarkable resilience. Peer-supported financial practices, reliance on NGOs, and informal networks of trust serve as coping mechanisms in the face of exclusion. However, these are not substitutes for systemic inclusion; they are adaptive responses to institutional failure. A key takeaway is the urgent need for intersectional and localized financial inclusion strategies that recognize gender and sexual diversity, especially in non-metropolitan areas.

Financial institutions, policymakers, and civil society must move beyond tokenistic outreach to develop concrete, rights-based frameworks that promote trust, dignity, and agency for LGBTQ+ individuals within the financial ecosystem. Ultimately, true financial inclusion cannot be achieved until it is equitable, accessible, and attuned to the lived realities of all individuals—irrespective of gender identity or sexual orientation.

Future Research Directions

This study opens several avenues for further investigation into the financial inclusion of LGBTQ+ individuals in India, particularly in under-researched regions. Future research may consider the following directions:

1. **Comparative Regional Studies**

Expanding this research to include comparative case studies across different Indian states—especially those with varied levels of urbanization, literacy, and policy implementation—could provide a richer understanding of regional disparities and best practices in inclusive finance.

2. **Quantitative Assessments**

While this study offers qualitative insights, future work could involve large-scale surveys to quantify the extent of financial exclusion among LGBTQ+ individuals and assess correlations with variables such as income, education, caste, and urban/rural location.

3. **Transgender Inclusion in Formal Credit and Insurance**

A focused study on the experiences of transgender individuals in accessing credit, insurance, and entrepreneurship support (such as Mudra loans) could help assess the effectiveness of gender-inclusive policies on the ground.

4. **Role of Fintech and Digital Banking**

Investigating whether digital platforms and fintech innovations offer greater inclusion or merely replicate traditional biases in new forms is another critical area of exploration.

5. **Longitudinal Studies on Impact of Inclusion Initiatives**

Research that tracks the long-term economic and social outcomes of LGBTQ+-inclusive financial policies or interventions—such as sensitization training for bank staff or community credit schemes—can offer evidence-based policy feedback.

6. **Intersectionality with Other Marginalized Identities**

Future studies could explore how financial inclusion is influenced when sexual and gender minority status intersects with other marginalized identities, such as Dalit, Adivasi, or religious minority status.

These directions can contribute to a deeper, data-informed understanding of inclusive development and support the formulation of policies that are both progressive and pragmatic.

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