FINANCIAL INCLUSION IN WOMEN EMPOWERMENT

* **Dr. D. GOMATHI**, M.Com, MBA., M.Phil, PGDCA, Ph.D.,
HEAD, ASSOCIATE PROFESSOR
DEPARTMENT OF COMMERCE
PSG COLLEGE OF ARTS &SCIENCE, COIMBATORE
gomathi77.gs@gmail.com
9344113585

** **Dr. B. GAYATHRI**, M.Com, M.Phil, PGDCA, Ph.D.,
ASSISTANT PROFESSOR
DEPARTMENT OF COMMERCE
PSG COLLEGE OF ARTS &SCIENCE, COIMBATORE
gayabalu22@gmail.com
9442754371

ABSTRACT

Financial inclusion is making available banking facilities at inexpensive cost to the large section of low income group people. Financial inclusion mainly focuses on the poor who do not have formal financial institutional support. Financial access is necessary for sustaining equitable growth as “fortune lies at the bottom of the Pyramid." RBI has launched a financial inclusion drive targeting one district in each state for 100% financial inclusion. it is expected that about 500 million new customers would be brought under financial inclusion. Banks have been permitted to appoint business correspondents and business facilitators to expand their outreach in rural areas.

In 2006, RBI permitted banks to use the services of non-government organizations, micro-finance institutions, retired bank employees, ex-servicemen, retired government employees, and other civil society organizations as business correspondents in providing financial and banking services. RBI has further enlarged the scope of the Business Correspondents model by permitting banks to appoint individual kirana/medical/fair price shop owners, individual Public Call Office (PCO) operators, agents of Small Savings schemes and insurance companies, individuals who own petrol pumps, retired teachers and self- help groups linked to banks as Business Correspondents (BC).

The correspondents are permitted to carry out transactions on behalf of the bank as agents. The business facilitator refer clients, pursue the clients' proposal and facilitate the bank to carry out its transactions, but finally the responsibility of putting through transactions rest with the bank staff. This paper examines women empowerment associated with financial inclusion. It will study the measures taken by banks in rural areas to uplift the weaker segment and study the perception of the target segment.

INTRODUCTION

In India it has been observed the weaker section has always been kept away from the banking fold up because of their lower income and poor banking awareness. The weaker section is always in lack of credit facilities at affordable cost and at the time of their need. The Indian Financial System is considered to be one of the best in the world yet the financial awareness and the availability of financial services is very less in the rural parts of India and especially to the weaker section, globally referred to as ‘bottom of Pyramid’. This segment needs financial assistance in order to sail them out of their conditions of poverty. Financial inclusion is intended to connect people to banks with consequential benefits. Financial Inclusion includes credit facilities, financial awareness, and knowledge about banking facilities and most importantly makes them financially literate.

MEANING

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs transactions, payments, savings, credit and insurance delivered in a responsible and sustainable way. The inclusion helps individuals to make daily payments reliably. It helps them to access credit which can be invested in their small-scale income-generating activities. It also helps people save their cash so that they can make future investments

DEFINITION

Financial inclusion is defined as “the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable group such as weaker sections and low income group at an affordable cost”- **Rangarajan 2008**

“Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable group such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by main stream Institutional players”- **Chakrabarty-2013**

WOMEN EMPOWERMENT

By empowering individuals and families to cultivate economic opportunities, financial inclusion can be a powerful agent for strong and inclusive growth. With women constituting half the population, their equal participation in society is essential for sustainable development.

HISTORY OF FINANACIAL INCLUSION IN INDIA

The concept of Financial Inclusion can be traced back to the year 1904 when 'Co-operative Movement' took place in India. It gained momentum when 14 major commercial banks of the country were nationalized in 1969 and bank scheme was introduced thereafter. Branches were opened in large numbers across the country and even in the areas which were previously being neglected and those which needed quick recovery to escape the close cycle of poverty. There are only a meager number of such banks which are actually functional and really fulfilling the aim of bringing about financial equality and stability in the system. There is an immediate need for increased interaction and greater participation from state, banks and Self-Help Groups. The enactment of the Regional Rural Bank's Act in the mid 1970s was the first step toward Financial Inclusion. It had lead to the geographical expansion of the credits and has made financial services accessible to the rural poor. In India the financial coverage of the rural communities by the commercial banks and the regional rural banks is only 29% and only about 17 % by the long-term and short-term rural credit co-operative societies. Presently each branch office of the Scheduled Commercial Banks services only 20 villages and the Primary Agricultural Credit Societies up to 6.4 villages. In fact, there is a severe gap in financial access which needs special attention.

OBJECTIVES OF FINANCIAL INCLUSION

- ✓ Equitable growth of the society which implies integrating everyone in the development process
- ✓ Mobilization of savings towards the needy
- ✓ Larger markets for financial systems so that loans are available to the unprivileged class easily

While the Social and Political objectives comprised of poverty elevation for the welfare of the general people sustainable development programs to be implemented channelizing governments programs in the right direction. Thus to bring about an all round development in the society we need to have a strong financial structure. It is only possible with both government interventions and also community participation. They have to come together and collaborate with the banks and take part in their initiatives to promote financial inclusion.

FINANCIAL INCLUSION IN ECONOMIC DEVELOPMENT

Financial inclusion enables poor people to save and to borrow allowing them to build their assets, to invest in education and entrepreneurial ventures, and thus to improve their livelihoods. It is likely to benefit disadvantaged groups such as women, youth, and rural communities.

Financial Inclusion in India

In order to achieve inclusive development and growth, the expansion of financial services to all sections of society is important as global trends have shown. Financial exclusion results in widespread inequality in incomes and earning opportunities.

Challenges to Financial Inclusion

- ✓ The Need to Improve Financial Literacy
- ✓ Lack of Formal Identification Documents
- ✓ Consumer Protection
- ✓ The Rural Poor and Gender Inequality
- ✓ Promoting the Use of the Transaction Account.

Types of Financial Institutions

1. Central banks are the financial institutions responsible for the oversight and management of all other banks.
2. Internet Banks.
3. Credit Unions.
4. Investment Banks and Companies.
5. Brokerage Firms.
6. Insurance Companies.

Role of Banks

- ➢ Banks were not willing to open up branches due to the poor economic conditions
- ➢ Commercial banks came forward and started working with the Self Help Groups (SHGs), Micro Finance Institutions (MFIs) and NGOs.
- ➢ Bank of India was the first to take such initiatives

- It was profitable for the banks to enter into an agreement with the clients and the village co-operative milk-collection centre
- Already public banks had existing branches
- Most people were economically aware and active

FINANCIAL INCLUSION: A WAY TO WOMEN'S EMPOWERMENT

Financial inclusion is one such enabler that provides a level playing field to women. It often leads to a broader social inclusion and gains for the economy. **Christine Lagarde**, Managing Director of the International Monetary Fund said, "When women do better, economies do better. Each year, in the month of March celebrates contributions of women to events in history and society as well as efforts towards gender equity. This is smart economics." Against this backdrop, it is worth exploring, the Reserve Bank of India's and Government of India's concerted efforts to empower women.

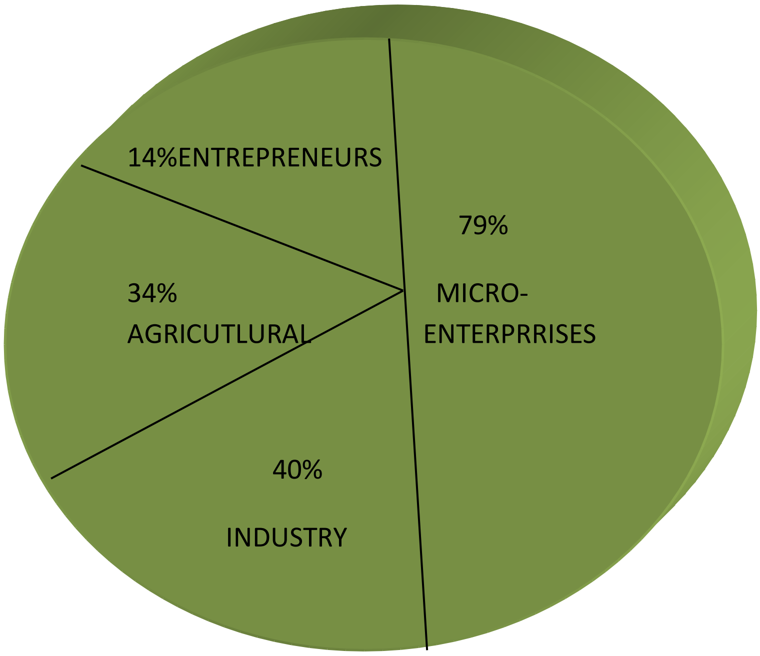
RBI has adopted a bank-led model for achieving financial inclusion such as Self-Help Groups-Bank linkage, growth of Non-Banking Financial Corporations-Micro Financial Institutions', bank credit to Micro Small Medium Enterprises. In 2000, RBI instructed public sector banks to maintain data of women's share of credit in their total lending portfolio. This led to a structural shift in the then existing system. The gender sensitive reporting helped policy makers and financial institutions to access gaps and devise solutions.

The Government of India too has enabled women's access to capital. Stand-Up India supports entrepreneurship with a special focus on women and Scheduled Caste/ Scheduled Tribe communities. The Trade related Entrepreneurship Assistance and Development (TREAD) is another program aimed at economic empowerment of women entrepreneurs in non-farm activities. In order to enable entrepreneurs manage the costs, the Micro and Small Enterprises Cluster Development Programme (MSE-CDP) contributes up to 90% of the cost of projects owned and managed by women entrepreneurs.

In the context of the requirement of a collateral deposit (property) with the bank or financial institution for borrowing credit, it is worthwhile to note that as per World Economic Forum's annual meeting 2017, women own less than 20% of the world's land. Also, three quarters of the world's population cannot prove they own the land on which they live or work. The Credit Guarantee Fund Trust for MSEs set up in year 2000 alleviates this constraint. The CGTMSE provides collateral free funding up to Rs. 1 crore. A guarantee cover up to 80% is offered on loans extended for MSEs operated and/ or owned by women up to Rs. 50 Lakhs.

These schemes and policies devised by the RBI, Government of India, and the public sector banks have enabled a helpful environment for financial inclusion. The change in perception from women being viewed as vulnerable and not creditworthy to being considered as potential bank clients is captured by the World Bank's triennial 2014 Global Findex database, which says that the penetration of female account (aged 15 years or over) with a bank or a financial institution has increased from 26.50% in 2011 to 42.60% in 2014. Also, as per the five year plan devised by RBI's expert Committee on Medium-term Path on Financial Inclusion in India, 2015 access to finance in India is higher as compared with its emerging market and developing economy peers.

ROLE OF WOMEN –LED BUSINESSES IN INDIA



SOUCES: **Sixth Economic Census, Ministry of Statistics and programme implementation, 2014**

However, close to one-third of adults – 1.7 billion – are still unbanked, according to the latest Findex data. About half of unbanked people include women poor households in rural areas or out of the workforce. The gender gap in account ownership remains stuck at 9 percentage points in developing countries, hindering women from being able to effectively control their financial lives. Countries with high mobile money account ownership have less gender inequality.

- Financial inclusion has been identified as an enabler for 7 of the 17 sustainable Development goals.
- The G20 Committee to advance financial inclusion worldwide and state strongly it Committee to implement the G20 High- level principles for Digital Financial Inclusion
- The World Bank Group considers financial inclusion a key enabler to reduce extreme poverty and boost shared prosperity, and has put forward an ambitious global goal to reach Universal Financial Access by 2020.

Since 2010, more than 55 countries have made commitments to financial inclusion, and more than 60 have either launched or are developing a national strategy. When countries take a strategic approach and develop national financial inclusion strategies which bring together financial regulators, telecommunications, competition and education ministries, our research indicates that when countries institute a national financial inclusion strategy, they increase the pace and impact of reforms.

FACTORS DETERMINING FINANCIAL INCLUSION IN RURAL AREAS

Global Findex Report 2014 has analyzed the self-reported barriers for accessing account in financial institutions they are listed below:

- Religious reasons
- Lack of trust
- Cannot get an account
- Lack of necessary documentation
- Distance of financial institutions
- Expensive accounts
- Family members already has an account
- Do not need an account
- Not enough money

SELF- REPORTED BARRIERS TO USE OF AN ACCOUNT AT FINANCIAL INSTITUTION -2014

Source: Global Findex database

The barriers for implementing financial inclusion into three different types which are listed below:

Human Barriers

Financial status, absence of legal identification proof, high transaction cost and level of financial literacy among rural people.

Institutional Barriers

Absence of coordination between Government of India and Reserve Bank of India, inadequate production for bank clients, Scarcity in grasping customer requirements, insufficient regulatory framework and inadequate quality in services.

Infrastructural Barriers:

Information and Communication Technology Services for making banking transactions, position, distance from bank branches and inadequate inducements to Business Correspondents (BCs).

BENEFITS OF FINANCIAL INCLUSION

India needs strong measures for the financial inclusion of the poor and the marginalized.

The main reasons for financial exclusion in India, from the demand side are lack of awareness, low income, poverty and illiteracy while from the supply side is distance from branch, branch timings, cumbersome documentation and procedures, unsuitable products, language, staff attitudes etc. Thus there is an immediate need to improve on the status of Financial Inclusion in our country and this has to start from the base levels. Financial Inclusion contributes to an all round development of the society.

The benefits of financial inclusion and inclusive growth are clearly established. Access to financial services opens doors for families, allowing them to smooth out consumption and invest in their futures through education and health.

Gandhi had once had once remarked, “India lives in her seven and a half lakh of village” Thus to build a strong India it becomes very necessary to strengthen and build its villages. The banking and financial services in our country had been limited to a section of elite population. The population in these regions has to depend on the informal sector like the local money-lenders for availing finance. Thus there arises the need for “Financial Inclusion”.

By Financial Inclusion we mean the easy delivery of financial services to large sections of the unprivileged society. It also means availing loans to the disadvantaged society at affordable cost.

LIMITATIONS OF **FINANCIAL INCLUSION**

Despite Government of India’s initiatives to improve access to financial products and services in India, research indicates that women are largely financially excluded in comparison to men. The Global Financial Inclusion Database suggests that only 26% of female adults in India have an account with a formal financial institution compared to 44% of male adults. A Reserve Bank of India report (RBI, 2017) indicates that women’s credit outstanding from commercial banks accounts for only 5% of all credit outstanding. Some of limitation as follows:

Absence of legal identity and gender biasness

Minorities, economic and political migrants, refugee workers and women's are excluded from accessing financial services due to lack of legal identities such as original birth certificates and identity cards. It is generally difficult to access credit facilities for those females.

Limited knowledge of financial services

Incomplete basic education and financial literacy is the major hurdle in order to access various financial services to the individuals. They do not Know the significance of different financial products .If people having proper financial literacy, it boost up the use of many financial products by different economic agents like Business Correspondents, NGOs and MFIs and etc.

Lack of formal ownership of material assets constraints credit access

Financial inclusion initiatives are targeted towards the general population including women; most initiatives are introduced without comprehensive understanding about women's socio-economic conditions, intra-household bargaining position, and restrictions on mobility. In a recent study that we conducted in rural areas of Central India, we interviewed 3,220 women, and found that women have limited rights to their family's material assets. Nearly all women (91%) reported that their names are not included on the land title. Likewise, names of women are also excluded from the house title for a majority of women (67%).

Limitations of microcredit via SHGs and MFIs

Public and private banks do offer financial products designed especially for women. Self-Help Group (SHG) lending and microcredit lending by Microfinance Institutions (MFIs) have seen an unprecedented growth in enrolling women clients in recent years. Starting with a small number of 620 SHGs linked with banks in the early 1990s, banks had disbursed credit to over 2.23 million SHGs cumulatively by 2006 and to 4.78 million SHGs by 2011. However, not all women from India have access to these services; data indicates that outreach is mostly restricted to the southern parts of India.

CONCLUSION

To conclude, financial inclusion is the key to a holistic and sustainable growth for India in the years to come. High GDP growth in India, triggered by an open economy has created job opportunities in urban and semi-urban India and it will go further into rural India, increasing the potential for growth to vast sections of disadvantaged and low income groups. Financial access will attract global market players in India and that will result in increasing employment and business opportunities. Inclusive growth will act as a source of empowerment and allow people to participate more effectively in the economic and social process.

In addition, maximum use of IT, mobile banking, and providing services that enable financial literacy will increase transparency, provide better user experience and help women to make informed decisions. These measures are a step forward to achieving RBI's vision 2020 —to bank the unbanked. These can be effectively implemented only through private-public partnerships powered by everywhere technologies.

Hence, the study observed that financial inclusion is strongly associated with the progress and development of the economy. In spite of this there should be a need for proper financial inclusion regulation in the country to access financial services and customer awareness E- banking training and financial literacy programmers' should be organized. Thus, financial inclusion is a big road which India need to travel makes it completely successful.

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