

Empowering Rural Indian Women through Financial Inclusion - Challenges and Opportunities

***Monica Mathew**

*Assistant Professor, Department of Commerce Kristu Jayanti College, Bangalore, India.

Abstract

Women's lack of economic empowerment not only impedes growth and poverty reduction, but also negatively impacts education and health outcomes for children. Thus, it is extremely important to ensure that women are economically empowered. In India where women constitute approximately 46% of total population, majority of them are denied to opportunities & rights because of their financial dependence. Through disbursement of funds by various methods of financial inclusion like self-help groups and microfinance by Banks an attempt has been made by the Govt. to provide rural women economic independence & self-confidence, as well as achieve more respect in their socially defined roles. This study attempts to capture the opportunities and challenges faced by them based on secondary data study.

Keywords: *financial inclusion, microfinance, rural India, rural women empowerment*

Introduction

“Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life. While poverty persists, there is no true freedom.

- Nelson Mandela

Financial inclusion has indeed far reaching positive consequences, which can facilitate many people to come out of the abject poverty conditions. Financial Inclusion is *“the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players”*. Around the world, resilient and resourceful rural women contribute in multitude of ways through different livelihood strategies to lifting their families and communities out of poverty. They work as unpaid and own account or self-employed on-farm and non-farm laborers; as on and non-farm wage laborers for others in agriculture and agro-industry; as entrepreneurs, traders, and providers of services; as leaders; as technology researchers and developers; and as caretakers of children and the elderly. Rural women work long hours and many of their activities are not defined as “economically active employment” in national accounts but are essential to the well-being of their households. They also constitute a significant proportion of the labor on their family farms –whether producing for household consumption or for enterprise or both.

Financial empowerment is important as a means for guaranteeing families’ secure livelihood and overall well-being. Rural women’s financial empowerment can have a positive impact on, and is interconnected with, their social and political empowerment, through their increased respect, status, and self-confidence and increased decision-making power in households, communities, and institutions. In general ‘women empowerment indicates an increase in economic, social, spiritual & political strength of women which boosts their self-confidence & self-esteem, decision making power, better access to resources, improved ability to learn skills & a positive attitude above all. By helping women meet their practical needs, microfinance may in fact help women to gain

respect and achieve more in their socially defined roles along with well-being. Investing in women's capabilities empowers them to make choices, which will contribute to greater economic growth and development.

Women and Financial Inclusion

Women's financial inclusion occurs when women have effective access to a range of financial products and services that cater to their multiple business and household needs and that are responsive to the socioeconomic and cultural factors that cause financial exclusion in women and men to have different characteristics.

Financial inclusion, managed properly, can increase the empowerment of women in a number of ways. Firstly, having access to resources on their own account and to the tools that help them to earn a living can increase women's bargaining power within households and their influence over how money and other resources are used. Secondly, financial inclusion can help increase women's opportunities to earn an income or control assets outside the household. Thirdly, it can reduce women's vulnerability by, for example, allowing them to insure against risk or borrow to meet unexpected expenses, such as medical treatments. These are all key factors for economic empowerment and they can also help to empower women more broadly.

However, illiteracy and low income savings and lack of proper banking facilities in rural areas continue to be a roadblock to financial inclusion in many states along with inadequate legal and financial structure. The 'National Policy for The Empowerment of Women' (2000) states that "The women's movement and a widespread network of NGOs which have strong grassroots presence and deep insight into women's concerns have contributed in inspiring initiatives for the empowerment of women." UNDP has identified two crucial routes as imperative for empowerment. These are social mobilization through agencies and economic security. Financial inclusions through microfinance programs & self-help groups have adopted the same routes for providing women financial & nonfinancial assistance to reduce poverty & gender-bias.

Objectives of the Study

1. To study the initiatives taken by RBI regarding financial inclusion of rural India
2. To study the financial opportunities and challenges faced by rural women
3. To find out the impact of participation in self-help groups on empowerment of women members.

Measures for financial inclusion in India by RBI

Several measures have been taken by the RBI and Government for the financial inclusion:

(a) Reach to rural areas of India

(i) Branch expansion in rural areas

Branch authorization has been relaxed to the extent that banks do not require prior permission to open branches in centers with population less than 1 lakh, which is subject to reporting. To further step up the opening of branches in rural areas, banks have been mandated to open at least 25 per cent of their new branches in unbanked rural centers.

In the Annual Policy Statement for 2013-14, banks have been advised to consider frontloading (prioritizing) the opening of branches in unbanked rural centers over a three year cycle co-terminus with their FIPs. This is expected to facilitate the branch expansion in unbanked rural centers.

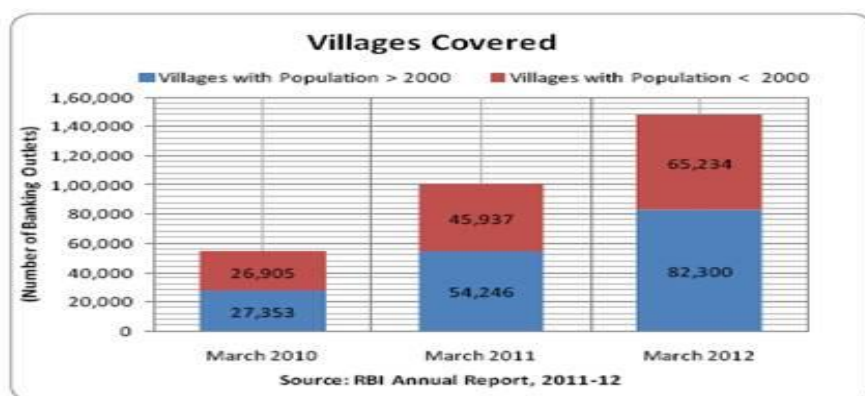
(ii) Agent Banking - Business Correspondent/ Business Facilitator Model

In January 2006, the Reserve Bank permitted banks to utilize the services of intermediaries in providing banking services through the use of business facilitators and business correspondents. The BC model allows banks to do 'cash in - cash out' transactions at a location much closer to the rural population, thus addressing the last mile problem.

(iii) Combination of Branch and BC Structure to deliver Financial Inclusion

The idea is to have a combination of physical branch network and BCs for extending financial inclusion, especially in geographically dispersed areas. To ensure increased banking penetration and control over operations of BCs, banks have been advised to establish low cost branches in the form of intermediate brick and mortar structures in rural centres between the present base branch and BC locations, so as to provide support to a cluster of BCs (about 8-10 BCs) at a reasonable distance of about 3-4 kilometers.

The number of banking outlets in villages with population more than 2000 as well as less than 2000 increased consistently since March 2010



(b) Access to various rural customers across the nation

(i) Relaxed KYC norms

Know Your Customer (KYC) requirements have been simplified to such an extent that small accounts can be opened with self-certification in the presence of bank officials.

RBI has allowed 'Aadhaar' to be used as one of the eligible documents for meeting the KYC requirement for opening a bank account.

(ii) Roadmap for Banking Services in unbanked Villages

In the first phase, banks were advised to draw up a roadmap for providing banking services in every village having a population of over 2,000 by March 2010. Banks have successfully met this target and have covered 74398 unbanked villages.

(c) Products offered for financial inclusion

In order to ensure that all the financial needs of the customers are met, banks advised to offer a minimum of four basic products, viz.

- 1) A savings cum overdraft account
- 2) A pure savings account, ideally a recurring or variable recurring deposit

- 3) A remittance product to facilitate EBT and other remittances, and
- 4) Entrepreneurial credit products like a General Purpose Credit Card (GCC) or a Kisan Credit Card (KCC)

(d) Transactions conducted by banks based on Aadhaar

The recent introduction of direct benefit transfer, leveraging the Aadhaar platform, will help facilitate delivery of social welfare benefits by direct credit to the bank accounts of beneficiaries. The government, in future, has plans to route all social security payments through the banking network, using the Aadhaar based platform as a unique identifier of beneficiaries. In order to ensure smooth roll out of the Government's Direct Benefit Transfer (DBT) initiative, banks have been advised to:

- 1) Open accounts of all eligible individuals in camp mode with the support of local Government authorities.
- 2) Seed the existing and new accounts with Aadhaar numbers.
- 3) Put in place an effective mechanism to monitor and review the progress in implementation of DBT.

Financial Inclusion Plan 2010-13 of RBI

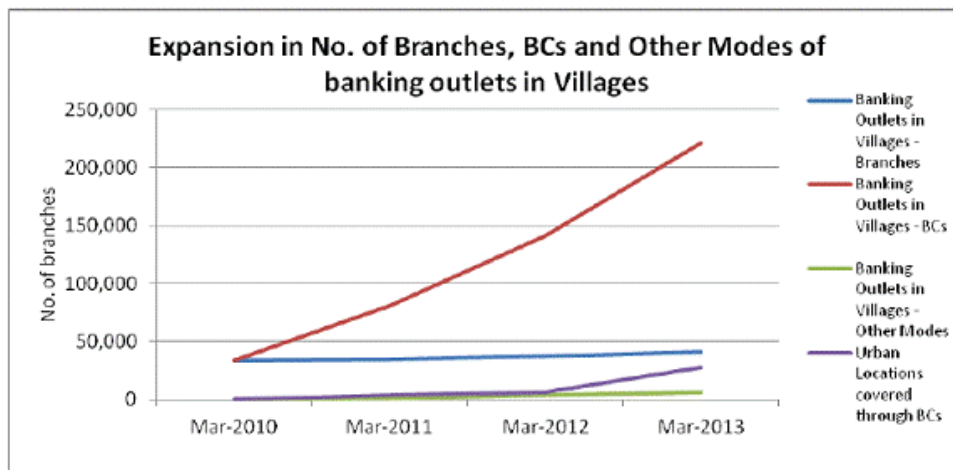
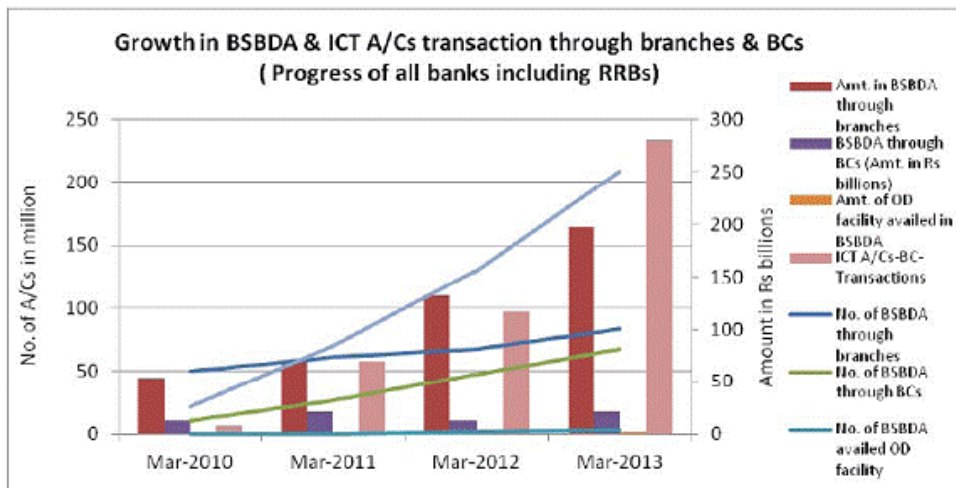
Encouragement to be given to banks to adopt a structured and planned approach to financial inclusion with commitment at the highest levels, through preparation of Board approved Financial Inclusion Plans (FIPs). The first phase of FIPs was implemented over the period 2010-2013. The Reserve Bank has sought to use the FIPs as the basis for FI initiatives at the bank level. RBI has put in place a structured, comprehensive monitoring mechanism for evaluating banks' performance against their FIP plans. Annual review meetings are being held with CMDs of banks to ensure top management support and commitment to the FI process.

The progress made by banks under the FIPs (April 10 – March 13) for key parameters, during the three year period is as under:

- 1) Nearly 2, 68, 000 banking outlets have been set up in villages as on March 13 as against 67,694 banking outlets in villages in March 2010
- 2) About 7400 rural branches opened during this period
- 3) Nearly 109 million Basic Savings Bank Deposit Accounts (BSBDAs) have been added, taking the total no. of BSBDAs to 182 million. Share of ICT based accounts have increased substantially – Percentage of ICT accounts to total BSBDAs has increased from 25% in March 10 to 45% in March 13
- 4) With the addition of nearly 9.48 million farm sector households during this period, 33.8 million households have been provided with small entrepreneurial credit as at the end of March 2013
- 5) With the addition of nearly 2.25 million non farm sector households during this period, 3.6 million households have been provided with small entrepreneurial credit as at the end of March 2013.
- 6) About 4904 lakh transactions have been carried out in ICT based accounts through BCs during the three year period

Financial Inclusion Plan – Summary progress of all banks including RRBs

| SR | Particulars | Year ended Mar 10 | Year ended Mar 11 | Year ended Mar 12 | Year ended March 13 |
|----|--|-------------------|-------------------|-------------------|---------------------|
| 1 | Banking Outlets in Villages - Branches | 33378 | 34811 | 37471 | 40837 |
| 2 | Banking Outlets in Villages - BCs | 34174 | 80802 | 141136 | 221341 |
| 3 | Banking Outlets in Villages - Other Modes | 142 | 595 | 3146 | 6276 |
| 4 | Banking Outlets in Villages -TOTAL | 67694 | 116208 | 181753 | 268454 |
| 5 | Urban Locations covered through BCs | 447 | 3771 | 5891 | 27143 |
| 6 | Basic Savings Bank Deposit A/c -branches (No. In millions) | 60.19 | 73.13 | 81.20 | 100.80 |
| 7 | Basic Savings Bank Deposit A/c - branches (Amt. In billions) | 44.33 | 57.89 | 109.87 | 164.69 |
| 8 | Basic Savings Bank Deposit A/c - BCs (No. in millions) | 13.27 | 31.63 | 57.30 | 81.27 |
| 9 | Basic Savings Bank Deposit A/c - BCs (Amt. in billions) | 10.69 | 18.23 | 10.54 | 18.22 |
| 10 | OD facility availed in BSBDA's (No. In millions) | 0.18 | 0.61 | 2.71 | 3.95 |
| 11 | OD facility availed in BSBDA's (Amt. in billions) | 0.10 | 0.26 | 1.08 | 1.55 |
| 12 | KCCs - (No. in millions) | 24.31 | 27.11 | 30.24 | 33.79 |
| 13 | KCCs - (Amt In billions) | 1240.07 | 1600.05 | 2068.39 | 2622.98 |
| 14 | GCCs - (No. in millions) | 1.39 | 1.70 | 2.11 | 3.63 |
| 15 | GCCs - (Amt In billions) | 35.11 | 35.07 | 41.84 | 76.34 |
| 16 | ICT A/Cs-BC- Transaction -No. in millions | 26.52 | 84.16 | 155.87 | 250.46 |
| 17 | ICT A/Cs-BC- Transactions -Amt in billions | 6.92 | 58.00 | 97.09 | 233.88 |



Opportunities and Challenges:

The current policy objective of inclusive growth with financial stability cannot be achieved without ensuring universal financial inclusion. Past experience and FIP review meetings with banks have highlighted that if the dream of universal and meaningful financial inclusion have to be turned into reality for rural masses, then we would need to focus on the following issues:-

(a) Increasing Reach

- Ensuring coverage of all unbanked villages in next 3 years
- Emphasis on increasing rural branches
- Opening of bank accounts for all eligible individuals

(b) Increasing transactions

- Leveraging on DBT
- Delivery of credit products through BCs
- Hassle free Emergency credit (In built OD)

(c) HR Structure

- Banks to review HR policy in view of FI requirements
- Examining appointing of a separate cadre of staff for cost optimization

(d) Fine-tuning the BC Model

- Stabilizing the BC delivery model
- Encouraging innovations in remittances model
- Review of Cash Management for BC operations

(e) Spreading Financial Literacy

- Implementing National Strategy for Financial Education
- Creating Dedicated Website- Inclusion in School Curriculum
- Organizing Financial Literacy Camps

Rural women in India encounter mobility restrictions in two ways: not only are homes and family farms in rural areas geographically spread out across large areas, but they also face traditional gender norms, which make mobility a challenge for rural women. Financial Inclusion of these unbanked masses is expected to unleash the hugely untapped potential of these sections of the society that constitute the bottom of the pyramid. Poor infrastructure and telecommunications and heavy branch regulation also restrict the geographical expansion of bank branch networks. Microfinance products of financial inclusion can be designed to help such sectors purchase and retain control over assets, such as land, housing, livestock or gold.

Scope of Women's Financial Inclusion in India

Based on the All India Debt Investment survey 2002, 111.5 million households had no access to formal credit. It also showed that 17 million households were indebted to moneylenders. Of the underprivileged sections of the society – farmers, agricultural or industrial laborers, unemployed people, women, children-only 40% had accounts, 20% had taken life insurance products, 0.6% had taken non-life insurance products and only 2% had access to credit cards. The extent of financial inclusion can be studied through the increase in percentage of credit and deposit accounts which may reflect a certain level of financial inclusion.

The SHG – Bank linkage programme, referred to as the Indian Microfinance Model began formally in 1992 with a set of guidelines passed by NABARD and RBI enabling commercial banks to lend to SHGs without collateral. Self Help Groups have evolved both as a viable alternative and a supplement to existing credit facilities. *These are small, voluntary, economically homogeneous groups of women who share a single aim:* they put savings into a common fund, which operate like mini banks, loaning money to group members at low interest rates following unanimous group decisions. Each group has a formal account with the bank and they appoint their representatives to manage the accounts. These foster an ethos of saving and also encourage the underprivileged to engage in viable income generating activities that empowers rural women. The Women of the Self Help Groups can also avail bank loans from their link banks for any business venture.

Table- 1 Number and percentage of SHGs members having Bank account (Dec 2008)

| No. | Parameter | No. of SHG members | Percentage |
|-----|-----------|--------------------|------------|
| 1. | Before | 52 | 17.3 |
| 2. | After | 248 | 82.7 |
| 3 | Total | 300 | 100 |

Table- 2 Progress of SHG bank linkage program in India: (Source: NABARD)

| Parameters | As on | | | |
|---------------------------------|------------|------------|------------|------------|
| | March 1993 | March 1996 | March 2006 | March 2007 |
| SHG Linked | 255 | 4757 | 2238525 | 2924973 |
| % of women groups | 70 | 74 | 90 | 90 |
| Families assisted (million) | 0.005 | 0.08 | 32.98 | 40.95 |
| Banks participating | 14 | 95 | 501 | 498 |
| SHG Promoting partners | 32 | 127 | 4323 | 4896 |
| Districts covered | 26 | 157 | 572 | 587 |
| Cumulative Bank Loan (millions) | 2.58 | 53.32 | 113974.01 | 180407 |

The difference in women’s perception of microfinance has further been analyzed with the help of

Chi Square test and the Null Hypothesis have been formed:

Table- 3 Women’s Perception of Microfinance regarding microfinance services

| Activities | Chi-q Values | H0 accepted/rejected |
|-----------------------------|--------------|----------------------|
| recognition in family | 5.020 | Accepted |
| confidence building | 3.561 | Accepted |
| increase in income | 20.677 | Rejected |
| poverty reduction | 1.174 | Accepted |
| improvement in consumption | 6.660 | Accepted |
| improvement in stats | 12.366 | Rejected |
| increase in decision making | 20.163 | Rejected |
| awareness of social issues | 14.753 | Rejected |

Conclusion

Financial Inclusion is an innovative concept. It is the aim of banking and financial services being brought to unbanked areas. Extending the reach of financial services to the poor through new technologies and simplified branch regulations holds promise. Bringing financial services to rural clients is the biggest challenge in the quest for broad-based financial inclusion. Often the main barrier to financial inclusion in rural areas is the great distances that rural residents must travel to reach a bank branch. Non-banking financial institutions like microfinance institutions help to fill this gap. Even though, in India, the microfinance model extends credit and savings to the poor, the challenges faced by the industry has to be rectified in due course for the effective working of the model. Self Help Groups (SHGs) have been successful in empowering rural women through promotion of micro-enterprises by providing entrepreneurial finance.

Suggestions

- To popularize SHG-Bank Linkage Model, more awareness should be created for cooperative formation.
- More information regarding services of banks and their benefits should be propagated.
- Training should be imparted for procedural education.
- Women entrepreneurship programs should be arranged.
- NGOs should join government efforts of MFI to enhance women empowerment.

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