

Financial Inclusion & Women Empowerment

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Abstract

In India financial inclusion has been given top priority in recent years in the philosophies and plans of both financial development and economic growth. Financial inclusion is the delivery of banking services at an affordable cost to the vast section of the disadvantaged and low-income group. It intends to provide finance to the weaker sections of the society enabling better social development which in turn facilitates investment and economic growth in the country. Inclusive growth is meaningless without including the marginalised sections of society. Excluding women, who represent half of the population, makes development process and outcomes unjust and unacceptable. Studies show that over 70 percent of beneficiaries of the financial inclusion agenda are women. SHGs are one of the essential means to include women in the process of financial inclusion, and they are the prime driver for the financial movement in India.

Keywords : Banking services, education, financial inclusion, SHGs, women empowerment

Financial inclusion is the process of ensuring access to financial products and services needed by vulnerable groups at an affordable cost in a transparent manner by institutional players. It aims to include everybody in society by giving them basic financial services regardless of their income or savings. It focuses on providing financial solutions to economically underprivileged. The term is broadly used to describe the provision of savings and loan services to the poor in an inexpensive and easy-to-use form. It aims to ensure that the poor and marginalised make the best use of money and attain financial education, with advances in financial technology and digital transactions, more and more startups are now making financial inclusion simpler to achieve.

Financial Inclusion in India

In the Indian subcontinent, the concept of financial inclusion was first familiarised in the year 2005 by the Reserve Bank of India by releasing the Annual Policy statement. Soon the concept started to spread in every part of the nation. It was chiefly introduced to touch every corner of the country without ignoring any remote area. The concept addressed the absence of a formal financial system and banking system for catering to the monetary requirements of the poor people.

In the year 2005, the Khan Committee report was released which mainly discussed rural credit and micro finance. It spoke about how many people in the nation are missing out the benefits of a professional and licensed banking system. The Khan Committee report laid an emphasis on providing access to essential financial services by helping them to open a bank account that does not come with any frills or complicated elements. All banks were asked to minimise regulations regarding account creation processes for the economically weaker sections of the society. Several banks were asked to work together towards 100% financial inclusion by taking part in campaigns started by the RBI.

The Indian government also initiated the 'Pradhan Mantri Jan Dhan Yojna' with the sole purpose of motivating and encouraging poor individuals to open bank accounts. This programme targeted at least 75 million individuals to open bank accounts by the year 2015.

Financial inclusion strengthens the availability of economic resources and builds the concept of savings among the poor. Financial inclusion is a major step towards inclusive growth. It helps in the overall economic development of the underprivileged population. In India, effective financial inclusion is needed for

the upliftment of the poor and disadvantaged people by providing them with the modified financial products and services. Many poor people are unable to open bank accounts or apply for a loan as they do not have any identity proof. There are so many people who live in rural areas or tribal villages who do not have knowledge about documents such as PAN, Aadhaar, Driver's License or electoral ID. Hence, they cannot avail many of the services offered by governmental or private institutions. Due to lack of these documents, they are unable to avail any form of subsidies offered by the government that they are actually entitled to. Further, by bringing low income groups within the perimeter of formal banking sector ; financial inclusion protects their financial wealth and other resources in exigent circumstances. Financial inclusion also mitigates the exploitation of vulnerable sections by the usurious money lenders by facilitating easy access to formal credit

Women and Financial Inclusion

Increasing women's financial inclusion is especially important as women disproportionately experience poverty, stemming from unequal division of labour and lack of control over economic resources. Many women remain dependent up on their husbands. Most of the married women from developing countries have no control over household spending on major purchases. Women are not consulted about the way their own earnings are spent. In addition women often have more limited opportunities for educational attainment, employment outside of the household, asset and land ownership and the inheritance of assets. Despite important advances in expanding access to formal financial services in the developing world in recent years, a significant access gap remains between men and women. Globally only 58percent of women hold an account in a formal financial institution, compared to 65percent of men. Providing low income women with effective and affordable financial tools to save and borrow money, make and receive payments, and manage risks is critical to both women's empowerment and poverty reduction.

There are varied reasons for low financial inclusion and literacy among women. Many conservative people in India believe that women are not capable of handling money. With the help of financial inclusion, the government as well as non-governmental agencies intend to get rid off this mentality. Financial inclusion is encouraging women to take up more employment opportunities and be financially independent. It also explains that women will not have to rely on men for money. They also do not have to wait for men's permission to do anything. A majority of women in India, especially in rural areas, are home makers, which is a full time job with no payment. Lower participation in work force and wide gender pay gap are other constraints.

As per the National Sample Survey 2011-12 the work force participation rate at an all India level is 25.51% for females as against 53.26% for males. Wage gap between men and women results in weak economic and decision making power for them within the household. Usually, women in the rural areas do not possess any assets other than gold. Land and other assets are hardly bought in their name. Absence of assets leaves women with fewer opportunities to avail institutional credit .To solve this, women need to be educated on the importance of institutional savings, avenues of subsidiary income and ways to avail institutional credit for micro activities.

Financial literacy can empower women to develop a financial identity even with their small and micro household savings, and help them to get access to formal credit for gainful occupation giving them economic freedom and power. Embedding financial literacy in programmes where women have significant representation could be a good starting point. For example, the Self Help Group – Bank Linkage Program (SHG-BLP) Program, which is the largest micro finance program in the world in terms of client base and outreach, provides SHGs access to institutional lending. More than 86% of the groups under this program comprise exclusively of women. We also need to innovate and use technology to deepen financial literacy amongst women. Physical distance from the financial literacy contact centres and the socio cultural contexts are major obstacles in extending financial literacy to women. Therefore there is a need to use interfaces that allow women to access financial literacy easily, conveniently and without disturbing their contexts.

Financial inclusion is making many women to get mobile phones for their own usage. In several parts of the nation, only men had their own mobile phones and women had to depend on these men. Over the past few years, women have started to own mobile phones and have started to use them for work purposes, business purposes and financial requirements. Many of them have started to utilise digital modes of payment and other financial operations with the help of mobile phones. This has simplified and quickened their transactions.

Some of the initiatives under taken by the current government to improve financial inclusion are given below.

1. Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched in august 2014 to extend universal banking services to unbanked households.
2. Atal Pension Yojana was relaunched in May 2015 to provide pensions for employees in the unorganised sector
3. Pradhan Mantri Suraksha Bhima Yojana was launched in May 2015 to provide financial coverage to people in cases of death or disability due to accidents.
4. Bharat Interface for Money (BHIM), a mobile payment app was launched in December 2016 and facilitates digital payments.

Special Financial Products offered for Attaining Financial Inclusion

Low income people living in rural and urban areas have very limited access to financial products and services. So scheduled commercial banks have been asked by the Reserve bank of India to design and offer exclusive financial products to the economically weaker sections of the society. Many of them are only aware of basic financial services such as savings schemes, savings accounts, personal loans, crop loans, micro finance etc. They do not know anything about credit cards or debit cards. However, due to their lack of access to instant credit facilities, banks were instructed to issue cost-efficient credit cards to the low income groups of the society. Some of the Special financial products provided to them include ;

- ❖ General Credit Cards (GCC)
- ❖ Kissan Credit Card (KCC)
- ❖ Information and communication technology (ICT) – Based accounts via business correspondents (BCS).
- ❖ Increase in ATM

Over the past few years, financial inclusion has become a very prominent public policy in order to develop the economy in a sustainable manner. Banks can enjoy excellent stability when financial inclusion is attained. It also helps in minimising the distance between financial institutions and customers. This is very helpful to maintain a healthy relationship. With financial inclusion, every economic agent in the nation will have the ability to make use of formal financial services and move towards the overall development of the economy.

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