

Financial Inclusion: A Strategic Precursor to Women Empowerment and Social Development

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Abstract—A huge mass of India's population exists on the margins of India's financial systems and hence since years there has been a growing concern about people being 'under-banked'. Financial inclusion has become important priority of the country in terms of economic growth and development of society. It ensures financially excluded people to access financial services from formal financial system with ease, which help them not only to grow economically but also helps them in building a better future. It also enables to reduce the gap between rich and deprived class by channelizing the money-flow to the economy. Despite continuous efforts made by the governments since decades there is still a large populace outside the reach of formal financial ambit, they are in pitiable conditions and needs easy and cheap financial access to grow themselves, which clearly reflects that there are still some existing barriers that hinder poor to access formal financial services and hence act as a barricade to entry to economic activities for the rurban poor especially women. Women face social, cultural impediments in coming out of their homes to do business as men do. So now a huge challenge lies before the government is how to ensure financial deepening of the rural poor women so that they can be financially empowered and can further boost social development.

The objectives of this paper are:

- [1]. To study the role and importance of financial inclusion.
- [2]. To study how financial inclusion leads to women empowerment and how it positively impacts the society.
- [3]. To study the challenges women have to confront in rural areas and to identify some key issues that keep them financially excluded.

Research Methodology:

The study is descriptive in nature based on secondary sources of data collection. The data has been collected from government reports, government websites, journals and newspapers.

Keywords: Financial Inclusion, Inclusive Growth, Women Empowerment, Social Development.

1. INTRODUCTION

Today the concept of Financial Inclusion is the most sort-after and much cherished goal for us in India and also our economic policy has always been focusing an underlying intent of a sustainable and inclusive growth.

“Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players”.

As stated by Shri S. S. Mundra, Deputy Governor (RBI) September 19, 2016 at the BRICS Workshop on Financial Inclusion in Mumbai.

The Efforts on financial inclusion are not new. Our Government and Reserve Bank of India have been consistently focussing and pursuing this goal for over the last several decades through some policies like:

- building of the rural cooperative structure in the 1950s
- the social-contract with banks in the 1960s and
- development of bank branch networks in the 1970s and 1980s.

These early initiatives had paid off in terms of a network of branches across the country. (Source: Financial Inclusion, Challenges and Opportunities: Dr. D Subba Rao :RBI Bulletin, January 2010)

Through the financial inclusion initiatives the government had been continuously focusing to ensure inclusive growth so that the access of financial service will reach to the mass population. Thus the essence of financial inclusion is to ensure that a range of appropriate financial services is available to each every individual and help them to understand and access those services.

India ranks second in the world in terms of financially excluded households after china. A vast population doesn't have formal financial access and this exclusion weighs more heavily on women. For the inclusive growth process of economy the central bank has provided high importance to the financial inclusion and by regulating different policies and programs since decades is trying to bring financial stability

among all the sections of the society and to reduce gender discrimination.

Women who are just half of the men population in any nation should also be financially strong if we want our nation to be comprehensively economically stable.

Majority of women especially rural women suffer not only from economic poverty but also from 'information & freedom poverty'. Rural women are critically productive workers in India's national economy and hence they should be financially independent. Financial Inclusion (Global Findex1) Database suggested that only 26% of female adults in India have an account with a formal financial institution compared to 44% of male-adults (according to World Bank Report 2014). A Reserve Bank of India, report shows that women's credit outstanding from commercial banks accounts for only 5% of all credit outstanding (RBI 2013).

Financial empowerment is the need of the hour for women as empowering women financially will also lead to social development, progress of the economy and nation at large.

"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.

Sometimes it falls upon a generation to be great. You can be that great generation. Let your greatness blossom. Of course, the task will not be easy. But not to do this would be a crime against humanity, against which I ask all humanity now to rise up."

-Stated by *Nelson Mandela*

2. OBJECTIVES

1. To study role and importance of financial inclusion
2. To study how financial inclusion leads to women empowerment and how it positively impact the society.
3. To study the challenges women have to confront in rural areas and to identify some key issues that keep them financially excluded.

3. FINANCIAL INCLUSION IN INDIA

India a country of diversities had attained independence in 1947, and since that time the govt. is making efforts the improve the economic conditions of the poor but a wide gap still exist between the rural-urban and the rich-poor still segregate the nation. There are 6, 40,867 villages in India and 68.84% of its population resides in villages and India would continue to have the largest rural population in the world until 2050, according to "2007 Revision of World Urbanisation Prospects" by the United Nations, (Hindustan Times, 28.2.2008). A vast population

As per 2011 census, the total literate populations of rural women are 58.8 per cent on records but still there is a wide

spread of illiteracy, unawareness of rights, govt. policies and programmes that are designed for their upliftment. There are several issues which are creating difficulties in the lives of Indians, especially rural people and where women are more prone to crimes, injustice and nepotism in society. Women in rural areas are vulnerably poor and are surviving in pathetic conditions, even though rural poor women are earning money but many have no accounts or if they have they lie dormant.

Our Government and RBI had made many serious efforts ever since 1960 to promote financial inclusion with the basic objective of reaching and penetrating the financially excluded sections of the society.

- Nationalisation of banks
- Expanding branch networks of Scheduled Commercial Banks, Co-operatives and Regional Rural Banks (RRBs)
- Lead bank schemes
- Introduced priority sector lending
- Formation of Self Help Groups
- Authorising Banking Correspondents to provide people banking services at their door step.
- Facilitating to open zero balance accounts, Jan Dhan Yojana the latest to help poor lower income people to own Basic Savings Bank Deposit Accounts.

The above efforts had been taken by the Indian government from time to time to bring the population under the ambit of Banking Umbrella and to help grow the nation's economy but according to World Bank 'Financial Access Survey' Results (as shown in the table below) it would be observed financial inclusion which in India is measured in terms of density of Bank Branches and ATMs, Bank deposits to GDP and bank credit to GDP is quite low when compared to most of the developing nations of the world.

Table 1: Select Indicators of Financial Inclusion, 2011

S.No	Country	Number of Bank Branches Per 1000 KM	Number of ATMs	Number of Bank Branches Per 0.1 Million	Number of ATMs	Bank Deposits as % to GDP	Bank Credit
1	India	30.43	25.43	10.64	8.9	68.43	51.75
2	China	1428.98	2975.05	23.81	49.56	433.96	287.89
3	Brazil	7.93	20.55	46.15	119.63	53.26	40.28
4	Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
5	Korea	79.07	...	18.8	...	80.82	90.65
6	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
7	Mexico	6.15	18.94	14.86	45.77	22.65	18.81
8	Philippines	16.29	35.75	8.07	17.7	41.93	21.39
9	South Africa	3.08	17.26	10.71	60.01	45.86	74.45
10	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
11	Thailand	12.14	83.8	11.29	77.95	78.79	95.37
12	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
13	UK	52.87	260.97	24.87	122.77	406.54	445.86
14	USA	9.58	...	35.43	...	57.78	46.83
15	Switzerland	84.53	166.48	50.97	100.39	151.82	173.26
16	France	40.22	106.22	41.58	109.8	34.77	42.85

Source: Financial Access Survey, IMF; Figures in respect of UK are as on 2010

The low financial inclusion is the cause of many aspects but the major seen are: Illiteracy, Lack of awareness, Inappropriate Technology, Inappropriate and inefficient delivery model, inappropriate administration at the grass root level. To remove these barriers our govt. is continuously making efforts so that our nation could reap the benefits of financial inclusion and inclusive growth.

4. EMPOWERING WOMEN

In rural areas there persist a negative attitude in the families towards educating a girl child and as a result rural women in India are less literate than rural men. Women are looked upon merely as somebody to look after the house hold chores, families and all other homely duties apart from earning money (wages) from doing work outside. Small girls are not allowed to go schools as they are given the responsibility of looking after the younger siblings when both the parents go for work is the basic reason behind the high drop-out rate of girls from schools and as a result women are illiterate, poor, vulnerable and dependent on husband as they are financially excluded.

Through the flagship schemes many women for the first time have come under the banking umbrella and have their own saving deposit account, they are engaging more in decision making regarding spending of money.

Many women have joined the self help groups and are getting financially empowered and independent and are also getting socially empowered.

5. IMPACT ON SOCIETY

Through the financial inclusion initiatives financial deepening and outreach on rural poverty is possible. There are many benefits that people are taking advantage out of the financial inclusion initiatives for instance: No frill Bank accounts, Micro Credit and Savings products, Remittances & Payment services, Insurance – Healthcare, Mortgage, Financial consultative services, Entrepreneurial credit, Pension for old age, Business correspondence & self help group, Branchless banking, Micro finance & micro credit facility.

Without the formal financial access the poor take financial help from informal sources that comes attached with many terms and conditions, with high rate of interest which prove to be burdensome and further dampening the demand for these services and as a result lack of finance keeps them vulnerable, also the lack of financial literacy make them highly prone to making wrong choices, avail and invest in informal source for example Saradha Chit Fund and are exposed to excessive financial risk like Saradha Scam, Ketan Parekh, Satyam Scam.

6. CHALLENGES WOMEN FACE IN RURAL AREAS

Women from rural areas face financial (low level of earned income), literacy (fear in depositing their savings to banks),

geographic(distance to banks) and social (women are not allowed to be financially independent) and cultural (in many places the women movements are restricted) barriers when they wish to open a bank account. Even today many rural women face difficulty in producing the identity verification documents.

Women earn less, work more and have many financial problems. Unless financial inclusion

initiatives are designed to specifically address these constraints, the initiatives will continue to exclude women. It's very vital first to change the mindset of the poor illiterate people towards the female counterparts.

Some other factors too play an imperative role towards financially inclusive growth like affordability, adequacy, timeliness, convenience of women, less procedural hassles. Because of these factors according to World Bank Data approximately 43% of India's bank accounts are lying dormant showed no deposit, transaction etc. The biggest challenge is to build their trust in Banking for which the government, banking employees, BC's and other financial services agents will have to work together for the same cause.

7. CONCLUSION

The government has made significant strides in improving access to financial- products and services. Through the latest flagship scheme of PMJDY the government has given a good boost to increase the number of people having basic banking accounts, it could be said a good positive start but more needs to be done mere chasing the numerical targets so that the meaning of financial inclusion could become more feasible, meaningful for the poor and the disadvantaged people in the long run.

The well functioning financial inclusion mechanism has the knack to empowers every individual and families, especially women and the poor and when the women the pillars of the house/family is strengthened financially it leads in the social development which at large leads towards development and enrichment of the whole nation.

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