

## FINANCIAL INCLUSION AND WOMEN EMPOWERMENT IN INDIA

Pratibha Maurya

### Abstract

Women account for half of human population but there is discrimination in status in terms of birth, education, health, employment rights and remuneration. Over the past decade, women empowerment is a matter of great decade in India. Women empowerment is the process of creating an environment where women can take their own decision for their benefits. Financial soundness and financial literacy of a female is one of the major indicators influencing the decision of women. This paper argues about the role of financial inclusion towards women empowerment in India. The objectives of this paper therefore, are to (i) examine the goal and policies adopted by government under the scheme of financial inclusion, (ii) To discuss the weightage of government policies and various schemes contributing in financial inclusion and (iii) To assess the contribution of all these policies and schemes for promoting financial literacy and women empowerment in India.

**Keywords:** Financial Inclusion, Women Empowerment, Financial literacy.

### Introduction

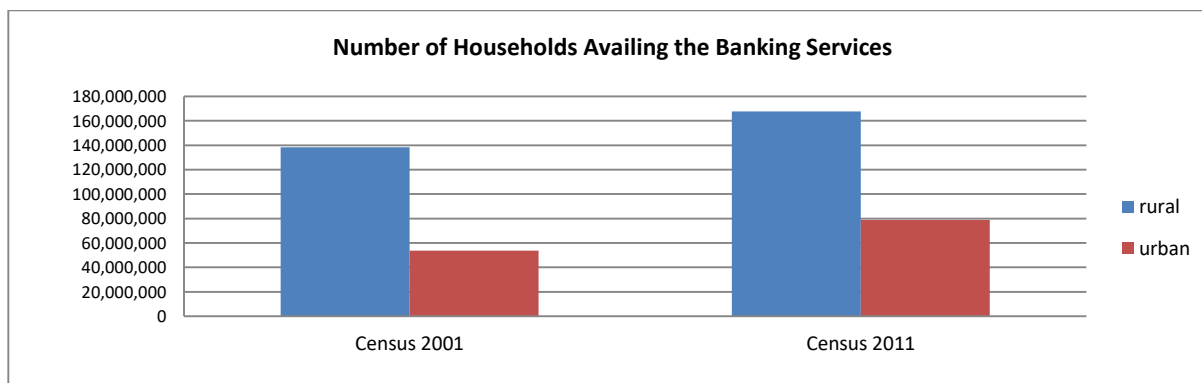
Khan Commission was set up by Reserve Bank of India in 2004 to look into the ignited matter of Financial Inclusion and the recommendations of the commission were incorporated into the Midterm review of the policy (2005-06). With an ambitious initiative in response to the committee report, Reserve Bank of India has planned to

solve the complexity of financial literacy and tried to diminish the stigma financial exclusion.

*"To eradicate poverty, we must end financial untouchability,"*

-----Said the Prime Minister  
(Narendra Modi)

Arun Jaitley Finance Minister of India presented the Union Budget 2014-15, he listed several steps which should be taken and will go a long way in boosting financial inclusion in a country where about 60 percent of the population does not have bank accounts.



Source: Publications of Ministry of Finance.

According to censuses 2001, only 30 % of rural households were availing banking services, this percent increased to 54 % in the census 2011. Whereas, in case of urban area the condition is much better where the percent increased to 67 % from 49 %, reveals the census 2001

and 2011 respectively. CRISIL-Inclusix reports reveals that 73% of farmer households have no access to formal sources of credit.

In the year 1969, Indian banks were nationalized and India took a major step toward financial inclusion. Some of the

major milestones of financial inclusion are; Establishment of priority Sector Lending Banks in 1971, Establishment of Regional Rural Banks in 1975 to provide sufficient banking facility to agriculture and other sector, Establishment of NABARD in 1982-

Apex development Bank in India for agriculture, Launching of the Self Help Groups bank Linkage Program in the year 1992, NABARD in 1998 sets a goal for linkage one million SHGs by 2008, Establishment of SIDBI foundation for Micro Credit 2000, One million SHG linkage target in the year 2005, committee on Financial Inclusion, Proposed Bill on Micro Finance Regulation introduced in parliament in 2007, etcetera.

Inclusive financing aimed at providing financial services at affordable cost to each and every segment for the society; especially low-income segments. Thus, banks allocated villages of various district under financial inclusion programs to promote rural and poor population. Mangalam Village became

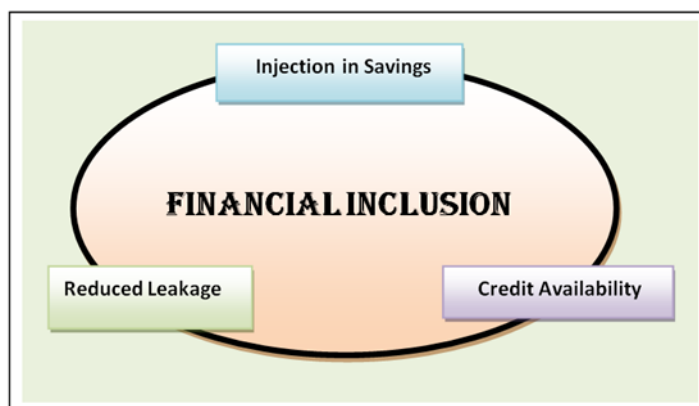
the first village in India where all households were provided banking facilities.

Ample of programs and yojanas were formed especially for women to promote participation of females and few of the schemes are: Rastriya Mahila Kosh, Dhan Lakshami Yojana, Indira Gandhi Matritva Sahyog Yojana, Pradhan Mantri Jan Dhan Yojana, special bank for women-baharatiya Mahila Bank.

#### Financial Inclusion Plan Of Banks

The Reserve Bank had advised from 2010 to 2013, all public and private sector banks to prepare and submit their board approved financial inclusion plans (FIPs). These FIPs contained self-set

targets in respect of opening of deployment of business correspondents (BCs), rural brick and mortar branches, coverage of unbanked villages through various modes, Kisan Credit Cards (KCCs), opening of no-frills accounts and General Credit Cards (GCCs) to be issued etc. The government of India announced "Pradhan Mantri Jan Dhan Yojna," in the year 2014, a national financial inclusion mission which aims to open bank accounts to at least 75 million of population by January 26, 2015. To achieve this target, it's important for both service providers and policy makers to have readily available information outlining gaps in access and interactive tools that help better understand the context at the district level.



#### Financial Inclusion And Women Empowerment:

Government of India has always listed women empowerment in priority area. The policy makers have also paid their special attention toward it. The statistics of financial exclusion is much stronger than financial inclusion of women in India. In India only 26 percent of women have their account in any financial institution compared to 46 percent of men. There are multiple reasons which are responsible for this skewed data and the government is continuously trying to reduce this lag and make the difference minimum with maximum efforts. With the passage of time, India has also improved its statistics and produced several accomplished women. A recent global survey of top 50 women business leaders in the world includes only 4 Indian businesswomen. There is a wide diverse area of science, medical, business, sports, policies where Indian females fixed milestones of their success with prominent role from being

freedom fighter, queen of forts to Prime Minister and speaker of Lok-Sabha. On the other hand, the story is completely different; there is a poor India where females in Rural India are working hard to earn to meet their basic necessity of life. There are several maid servants, women vegetable vendors and other doing small business which are compelled to pass their earning either to their families or to the male members than to spend according to their necessities. These women do not have their own account in any financial institution. They are completely financially excluded. Government is trying hard to achieve the target of complete financial inclusion by including marginalized people. The main aim of this paper is to check that there is any improvement in the status of women by the scheme and policies specially made for women. Some policies focusing on females are discussed below providing the evidence of women empowering by the program of financial inclusion or not.

#### Literature Review:

**Massey, (2010)** analyzed that; role of financial institutions in a developing country is decisive in promoting financial inclusion. The role of government in the promotion of financial inclusion can be more improved by active participation of the capital market players as well as the financial institutions, as financial institutions have a very fundamental and a wider role to play in development of financial inclusion.

**Alfred Hannig and Stefan Jansen, (2010)** advocated financial inclusion attracts abundance of opportunities to enhance financial ability. This study also shows a more significant positive impact of savings accounts for women than for men. The paper also exposes the risk associated with financial inclusion tends to financial crisis. Stronger social cohesion helps prevent political instability and permits undivided attention to crisis

management. Social safety nets can concurrently enhance financial inclusion when benefits are delivered through basic bank accounts in the formal financial sector. With the subprime meltdown illustrating the dangers of reckless lending practices, consumer protection has surfaced on the policy agenda.

**Amtul Waris and B. C. Viraktamath (2013)** worked on the gender gap in India and checked the literacy rate, sex ratio, work participation, type of works having gender gap and founded that the policies need to be improved for women.

**V.Ganeshkumar, (2013)** explained that branch density in a state actually a strong measures of the opportunity for financial inclusion in India. Literacy is a precondition for creating investment awareness, and hence spontaneously it seems to be important tool for financial inclusion. Still the observation states that the literacy alone can never be a suitable guarantee of the high level of financial inclusion in a particular state. Branch density has significant impact on financial inclusion. It is not possible to achieve financial inclusion only by creating investment awareness, without significantly improving the investment opportunities in an India.

**Anju Batra, (2013)** revealed that in districts of Punjab, microfinance services have been offered largely as there are enough provisions made by the banks. But, women are using around 31% of the aforesaid services. On the contrary, the performance of SHGs is remarkable with respect to credit availability, employment generation, income generation and training, marketing linkages, confidence building and women empowerment.

**Apurva & Chauhan, (2013)** concluded that India is at moderate level regarding financial inclusion as compared to other countries regarding number of branches, ATMs, bank credit and bank deposits. RBI have adopted various strategies such as no-frill account, use of regional languages, simple KYC norms etc to strengthen financial inclusion. By looking at the various milestones achieved by Axis bank regarding financial inclusion, it can be said that the banking sector plays a crucial role in promoting financial inclusion. To cope up with the challenges to spread financial inclusion, there is a need of viable and sustainable business models with focus on accessible and affordable

products and processes, synergistic partnerships with technology service providers for efficient handling of low value, large volume transactions and appropriate regulatory and risk management policies that ensure financial inclusion.

**Arulmurugan, Karthikeyan & Devi (2013)** analyzed that access to financial services such as savings, insurance and remittances are extremely important for the poverty alleviation and development of a country. With the intention of achieving the target of total financial inclusion, policy makers, MFIs, NGOs and regulators have to work together. The issue of financial inclusion has acknowledged large importance in India during the recent years. The study explored a fact that that India had invested a huge amount of its resources in the expansion of the banking networks with the aim of reaching to the target people. During the last 50 years huge infrastructure has been created in the banking sector. However, this large infrastructure that has pampered even remote rural areas has been able to serve only a selected part of the prospective regular customers

**Arpita Manta, (2014)** studied the extent to which financial inclusion for women has been taken place in India and the period of study was from 1996 to 2006. There are unlimited opportunities to enhance the potential of women toward the direct contributors of economic growth but they are still the financially excluded lots and the northern region needs more attention.

**Need/Importance Of Study:** Financial Inclusion is inversely related to poverty and poor people in general are financially excluded. In developing countries like India the frequency of women are more excluded. Women's using the financial products and services can better serve the purpose of financial inclusion in India. Significant increase in the contribution toward GDP and economic growth by women financial inclusion has been noticed in recent years. The study emphasizes the financial deepening of inclusive growth for women through the usage of financial products and services. This will provide a stable and strengthen environment in term of finance. The importance of financial access for women has been realized as male and female both have different economic as well as social conditions.

### Objectives of the study:

- To discuss the weightage of government policies and various schemes contributing in financial inclusion.
- To assess the contribution of all these policies and schemes for promoting financial literacy and women empowerment in India.

**Methodology:** To meet the objectives, secondary data has been collected from different secondary sources i.e. websites of the Reserve Bank of India, Publications of Ministry of Women and Child Development and also taken from various committee reports submitted to Government of India on Financial Inclusion. Addition to this the published articles, journals, news papers, reports, books and websites have also been taken into account.

### Strategies Adopted By Rbi Strengthening Financial Inclusion

In India, RBI has initiated several measures to achieve greater financial inclusion. These schemes are made for the whole population but play a vital role in providing financial stability especially to the low income group women in rural area.

- **Simple KYC norms:** One of the major constraints faced by the public in getting linked to the formal and strict financial system was the Know Your Customer (KYC) norms approved for opening bank accounts. Relaxing KYC norms has reduced the burden and hesitation of females. Because the literacy rate of female is lower than of male in India, women feel uncomfortable by strict norms. With the simple norms of KYC they are coming forward and there is a hike in number of females availing banking services. But relaxing norms of KYC can also invite a fraudulent activity from the customer. Hence, the scheme should be relaxed in a balanced way
- **No-Frill accounts:** No-Frill scheme allows the customer to open a savings account which requires no or negligible balance leading to lower costs which enables excluded people to open a savings account. This scheme accommodates those unbanked rural people whose income is very low to get account opened earlier.

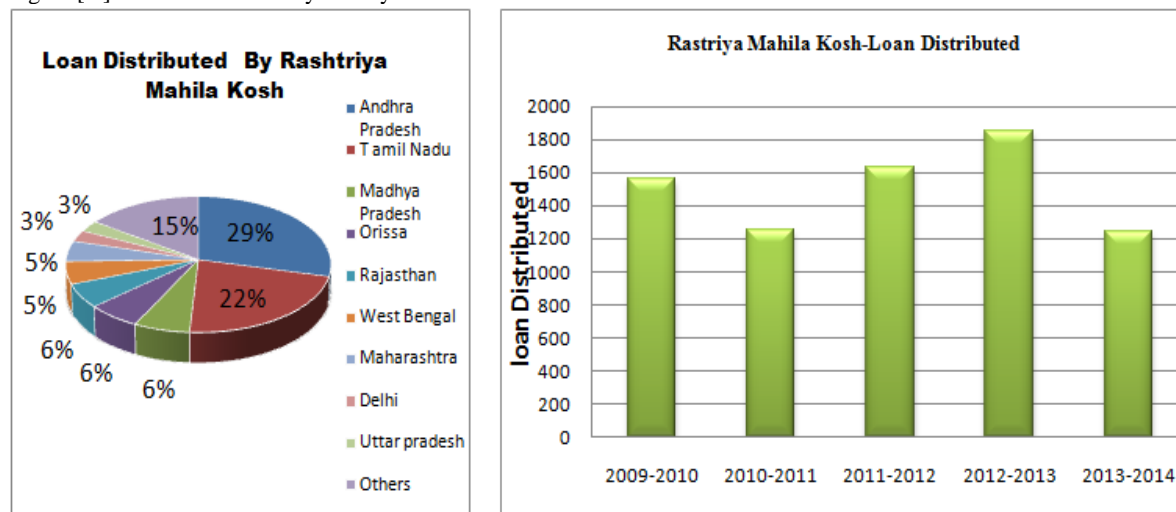
- **Easy credit facilities:** Easy credit facility will promote women entrepreneurship. RBI asked banks to consider introducing General purpose Credit Card (GCC) facility up to Rs. 25,000/- at their rural and semi urban branches. Various small and micro-loans helps the women to concentrate and focus on their work. GCC is in the nature of rotating credit entitling the holder to withdraw up to the limit sanctioned. The interest rate on the facility is entirely deregulated. But when a bank eases the credit facility the danger of Non-Performing Assets increases which is a bane for any bank. Therefore, the ease should be at its equilibrium.
- **Other rural intermediaries:** Banks were permitted in January 2006, to use other rural organizations like Nongovernmental organizations, self-help groups, microfinance institutions etc for furthering the cause of financial inclusion.

- **Simplified branch authorization:** To address the issue of uneven spread of bank branches, in December 2009, domestic scheduled commercial banks were permitted to freely open branches in tier III to tier VI centers with a population of less than 50,000 under general permission, subject to reporting. Females in rural as well as sometimes in urban areas unable to travel very long distance for banking facilities due to various reasons, even sometimes their health or family members does not allow so. So, the bank's branches are expanding with an objective to reach at every corner.

**Government Achievements Towards Women Empowerment Under Financial Inclusion:** There were various schemes which just extended the financial services and became the medium of empowering the women. This scheme played an important role to push unbanked women to use the financial services at affordable cost.

- **Rashtriya Mahila Kosh:** It was established way back in 1993 under the Ministry of Women and Child Development to provide micro-loans to bring socio-economic upliftment of lower income group women in India. As per annual report of Ministry of Women and Child Development the scheme started with the initial corpus of 31 crore which has grown over 186 crore with the help of additional budgeting allocation of 69 crore to fulfill the credit need of poor and asset less women in informal sector. Various schemes have been introduced for promoting small loan with a maximum limit of 10 lakh to make the females potentially capable and self dependent. A facility of 100% refinance to Mahila Urban Co-operative banks, gold credit passbook scheme, housing loan scheme have also been provided.

Figure [ 1]: Loan Distributed by Rashtriya Mahila Kosh.



Source: Compiled by author from Annual Report, Ministry of Women and Child Development, Government of India.

State wise distribution of financial support by Rashtriya Mahila Kosh is most popular in Andhra Pradesh Followed by Tamil Nadu, M.P, Orissa, Rajasthan and many states. Theory also reveals that the females are more empower in these states as compared to other states.

- **Conditional Cash Transfer (CCT) Scheme for girl child with insurance cover (Dhanlakshmi):** Conditional Cash Transfer (CCT)

Scheme for girl child with insurance cover scheme was launched in the year 2008 with an objective to provide financial incentives to promote families to retain and educate girl child. This is a Central Sector scheme being implemented on a pilot basis in 11 blocks of 7 States viz, Andhra Pradesh, Bihar, Jharkhand, Uttar Pradesh, Punjab, Chattisgarh and Odissa. The target of dhanlakshmi scheme was to

eliminate the discrimination against girl child. Direct cash transfer was provided to the family (head) of the girl child preferably to the mother of that girl child provided on the conditions of registration at time of birth of the girl child, immunization, enrolment to school and retention in school.

At Birth and registration of girl child direct cash Rs. 5000 will be transferred under this scheme with additional Rs. 1250 for

Immunization. From life Insurance Corporation of India, Rs 1 lakh will be given to families that guarantee their girls reaching the age of 18.

➤ **Financial assistance and support services to victims of rape:**

The Hon'ble Supreme Court as per Article 38(1) has directed National Commission for women to evolve a "scheme so as to wipe out tears of unfortunate rape victims". Under this scheme a financial support of Rupees two lakh is to provide to the rape victim. The amount of money is given to the women or the girl. In case of Injuries compensation upto rupees 1 lakh (subject to maximum limit three lakh) transferred to the rape victim by Ministry of Women and Child development under "State Criminal Injuries Relief and Rehabilitation Board".

➤ **Indira Gandhi Matritva Sahyog Yojana (IGMSY) – a Conditional Maternity Benefit (CMB)**

**Scheme:** IGMSY is a centrally sponsored scheme for state government and union territories. It was introduced in the year 2010-2011 featured by maternity benefit scheme and the pregnant and lactating women. Under this scheme pregnant and lactating women 19 year and above for their first two live birth will get the direct cash transfer of rupees 4,000/- in three installments (1,500 rupees at the registration within four months of pregnancy, 1,500 rupees transferred after three month of delivery for child registration, immunization and counseling session and remaining 1,000 rupees transferred to the beneficiary's account after six months of delivery). The scheme targeted to address short term income support objectives with long term objective of behavior and attitudinal change.

➤ **Mahila Samakhya Programme (MSP):** MSP launched in 1989, which was a mean for education women equality under Ministry of Human Resource and Development in the states of U.P., Gujrat, Karnatak, etc. This scheme has been particularly targeting out the school girls by working with community to create learning

opportunities in alternative centre and early childhood development. It strives to make women aware, empowered, capable and self reliant. As per report of Mahila Samakhya Program- A National Review, MSP coverage exists across 42,398 villages in 126 districts of 10 states and planned to expand for 60-65 new districts.

➤ **Pradhanmantri Jan Dhan Yojana:**

As the financial inclusion program is a gateway to empowerment of public, particularly women and people belonging to below poverty line. PMJDY is recently announced scheme with an objective of providing universal access of banking accounts with an overdraft facility and Ru-Pay Debit card to all household. This was a fully loaded scheme with technological innovations like Ru-Pay, mobile banking, etc.

- A bank supposed to be for women of the country, where men can't only be employee, but also have an account opening facility. Promoting financial inclusion plus empowering women with a single tool adopted by the government. Starting with seven branches BMB extended its work and at present the number of branches reached to 20. BMB started various schemes open fixed deposits, recurring deposits, tax savings products through online and some special schemes such as Komal Kali for bank's unique recurring deposit product for girl children can also be opened through BMB smart banking, addition to this bank has also designed and developed special products like BMB Parvarish, BMA Annapurna and so on.

➤ **Discounted Home loan for women:**

Few of the country's leading banks like SBI and HDFC have discounted their interest rates for females on both individual and joint loans where women are the first borrower. SBI offered 5 basis point concessions to the women borrower. Of, course such schemes will magnetize the attention of public to have women in the priority list to participate in financial activities.

- **Bharatiya Mahila Bank:** BMB was launched in November, 2013 and the bank has opened 23 branches to support and empower women folk who want to become entrepreneurs. The BMB has also launched special programs for women listed in Table [ ].

**Conclusion:**

Financial inclusion for women remains a complex and puzzled area for research. Financial inclusion in India is an ignited issue involving the new concepts and ideology with a considerable scope for development of better products, technologies and models. However women empowerment through financial inclusion attracted the attention of researchers and policy makers but still more research needed to broaden the study the scope of financial inclusion of women in India.

There are unlimited opportunities to tap the potential of women as direct contributors of economic growth and are still the financially excluded lots (Manta, 2014). Schemes under Financial Inclusion have been identified which plays an important role in empowering women. Home loan at discounted rate for women will provide a financial stability and empowerment. These regions need special attention in terms of financial access from all the government, financial institution, Self Help Groups and the community at large.

Various strategies adopted by RBI in relaxing the norms by RBI have also been studied. State wise analysis have also been done and the result shows that Andhra Pradesh, Tamil Nadu, M.P, Orissa, Rajasthan, West Bengal are quite satisfactory, but other states needs special attention in terms of financial access to women in India. The trust deficit between financial sectors and women population should be looked into. Building trusting relationships is the crux of financial inclusion to be adopted for women.



Table [ 1]: Schemes run especially for Females by Bharatiya Mahila Bank.

Schemes	Features
BMB Shringaar – Loan for Beauty Parlour /Saloon/Spa	<ul style="list-style-type: none"> <li>✓ For assisting women to establish their own parlor.</li> <li>✓ For purchase /construction of shop purchase of tools and equipment, meeting day to day expenses of business.</li> <li>✓ Collateral free to be covered under CGTMSE</li> <li>✓ Tie up with Naturals, Cavin Kare and Lakme Ltd.</li> <li>✓ Loan repayment in 7 years</li> <li>✓ Age of applicant min 20 years and max 60 years</li> </ul>
BMB Annapurna Loan – Food Catering	<ul style="list-style-type: none"> <li>✓ For assisting women to establish food catering unit for selling tiffin/lunch packs</li> <li>✓ Nature of loan-Term Loan</li> <li>✓ Age of applicant min 18 years and max 60 years</li> <li>✓ Collateral Free to be covered under CGTMSE</li> <li>✓ Loan repayment in 3 years</li> </ul>
BMB Kitchen Modernization Loan	<ul style="list-style-type: none"> <li>✓ For working women and housewives</li> <li>✓ For renovation of kitchen</li> <li>✓ For purchase of kitchen electronic items, kitchen furniture &amp; utensils etc</li> <li>✓ Loan repayment in 7 years</li> <li>✓ Age of applicant min 21 years and max 60 years (for salaried) 55 years (for others )</li> <li>✓ Minimum Rs. 50000/-, Maximum Rs. 5.00 Lacs</li> </ul>
BMB Parvarish – Loan for Day Care Centre	<ul style="list-style-type: none"> <li>✓ To assist women to establish Child day care centre, for purchase of utensils, equipment etc</li> <li>✓ Collateral Free to be covered under CGTMSE</li> <li>✓ Loan repayment in 5 years</li> <li>✓ Age of applicant min 21 years and max 55 years</li> </ul>

Source: Compiled data of Bharatiya Mahila Bank by author.

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