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**FINANCIAL INCLUSION & WOMEN EMPOWERMENT: A MYTH OR  
REALITY**

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**ABSTRACT**

*Financial inclusion is the expanding outreach of banking or financial services at an affordable cost to a vast section of disadvantaged groups of society which may provide them a financial cushion for their sustenance as well as social empowerment. 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 women economic independence & self-confidence, as well as achieve more respect in their socially defined roles. Considering the importance of financial inclusion for the economy of the country the Government of India (Ministry of Finance), Reserve Bank of India and NABARD are adopting different measures for the financial inclusion & the target is to achieve the cent per cent financial inclusion in the country by the end of 2012. How far this effort been successful in empowering women & what perception do women have towards microfinance has been studied in this empirical paper on financial inclusion & women empowerment*

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## INTRODUCTION

Heading fast towards the status of ‘Economic Superpower’, the Indian economy still bears the stigma of financial exclusion, as 50% of its population lives in poverty & 69% of its masses is disadvantaged & deprived of any sort of financial access. In our country where women constitute approximately 46% of total population majority of them are marginalized & live in utmost poverty. Poverty does not mean just scarcity of financial resources, but has larger connotations like rights denied, opportunities curtailed & voices silenced (CARE, 2005). The patriarchal society of ours has put a check on women’s potential, capabilities as well as self confidence just because of their economic dependence on men folk. The “unsung heroine who works from dawn to dusk”, remains trapped in vicious circle of drudgery & anonymity throughout the life presents a glaring example of gender-bias prevalent in our society. As woman’s practical needs are closely linked to their socially defined gender roles, responsibilities, and social structures, the govt. has tried to address the issue of women empowerment through financial inclusion to bring in socio-economic change in the society. 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.”* ( Rangarajan, 2008, The Committee on Financial Inclusion). In fact an access to savings and credit can initiate or strengthen a series of interlinked and mutually reinforcing ‘virtuous spirals’ of empowerment in society (Mayoux, 2000). Empowerment in its broadest sense is the “expansion of freedom of choice and action” (Narayan, 2002). United Nations (2001) defines empowerment as the process by which women take control and ownership of their lives through expansion of their choices. 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. Naila Kabeer defines women’s empowerment as the process by which those who have been denied the ability to make strategic life choices acquire such ability. This ability to exercise choices incorporates three inter-related dimensions: **resources:** which include access to

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and future claims to both material and social resources; **agency**: which includes the process of decision-making, negotiation, deception and manipulation; and **achievements** : that are the well-being outcomes. Mayoux's (2000) definition of empowerment relates more directly with power, as "a multidimensional and interlinked process of change in power relations". It consists of: 'Power within', enabling women to articulate their own aspirations and strategies for change; 'Power to', enabling women to develop the necessary skills and access the necessary resources to achieve their aspirations; 'Power with', enabling women to examine and articulate their collective interests, to organize, to achieve them and to link with other women and men's organizations for change; and 'Power over', changing the underlying inequalities in power and resources that constrain women's aspirations and their ability to achieve them. These power relations operate in different spheres of life like personal, social & economic. Considering the importance of financial inclusion for the economy of the country the Government of India (Ministry of Finance), Reserve Bank of India and NABARD are adopting different measures for the financial inclusion. Public Sector banks are making use of the services of non-governmental organizations (NGOs/SHGs), micro-finance institutions and other civil society organizations as intermediaries for providing financial and banking services in the second phase of financial inclusion. The target is to achieve the cent per cent financial inclusion in the country up to 2012.

Credit has done more to enrich nations than all the gold mines in the world put together. Commercial banks act as spokes in the wheels for drive to achieve 100 % financial inclusion in India. It is unfortunate that women, especially poor women are not able to access formal financial services. Their business skills & ability to manage the financial resources has been generally doubted by the male chauvinists. Either due to their ignorance or some other reasons they prove to be unsuitable for loans. Experience and research have shown that commercial financial institutions (FIs) in India pose the following problems for poor female clients:

- *Credit is not easily available*: Poor women cannot provide traditional forms of collateral, and are thus excluded from many loan programs. Moreover, illiterate women often find that they cannot cope with complicated loan procedures designed for middle-class clients.
- *Transaction costs of borrowing are high*: Standard loan applications take time to process, and poor women lose precious daily wages trying to obtain loans.
- *Transaction costs of using savings facilities are high*: Transportation to the bank, in addition to wages lost while going to the bank, also pose a cost. Assuming that poor

women use their savings account once a month, an estimated 15 percent of their monthly savings will be spent accessing the account in the first place, according to studies conducted on poor women's use of commercial FIs.

- *Formal features of the banking system clash with women's needs:* The rigidity of loan terms and the lack of timeliness of formal credit, in particular, further negate the effects of low interest rates.

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 inclusion 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**

- To determine whether and to what extent women are participating in self help groups
- To find out the impact of participation in self help groups on empowerment of women members.
- To know about the microfinance services provided by banks and the banker's perception of microfinance.
- To assess women's perception of SHG and microfinance services.
- To study the level of satisfaction of women microfinance clients with respect to such services.

#### **RESEARCH METHODOLOGY**

The present research paper is an exploratory study conducted in the rural areas of three districts of Punjab namely Jalandhar, Patiala and Ferozpur. Secondary as well as primary data has been used in research. Secondary data has been gathered from published reports of self help groups & public sector banks and primary data has been collected through semi- structured questionnaires from women respondents mainly by convenience sampling method. Self -help groups as co-operatives under the 'women empowerment scheme' namely "MAI BHAGO ISTRI SHAKTI SCHEME" & 50 public sector banks branches have been selected for secondary data collection ;whereas 300 women respondents as convenience samples were chosen for collection of first

hand information regarding their perception & satisfaction with respect to these modes of financial inclusion. Five point likert scale, Weighted average scores & Chi square along with percentages & simple frequencies have been used for analyzing & drawing conclusions in the study.

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. A large number of women in Punjab are gaining self reliance with the help of self-help groups (SHGs) operating under the Swarnajayanti Gram Swarozgar Yojana (SGSY), a poverty eradication scheme launched by the Government of India to promote employment opportunities.

"MAI BHAGO ISTRI SHAKTI SCHEME "is the scheme that envisages to strengthen women especially in rural areas in single/ individual capacity or clusters or groups through training at convenient places hassle free credit and assistance. Different income generating activities have been identified at the village level depending upon the area and the activities already being done in that particular village are being strengthened. The following activities have be undertaken:

- Phulkari work,
- Tailoring, stitching and embroider
- Hosiery and knitting.
- Vermi compost fertilizers
- Beauty Parlour, STD Booths and petty shops
- Mushroom growing, Bee keeping, earthen pots
- Vadi papad, Pickles, Murrba, sauce and squash making

- Dairy & Poultry
- Cattle feed making. Poultry feed making
- Making of Soft toys
- Processing of Fruits and vegetables
- Grinding and packing of chilli powder, haldi powder & masala powder
- Computer BPO / Call center Training ( inbound/ outbound calls)
- Soap making
- Notebook, Copy book, Registers etc. making
- Uniform making
- Bakery, Confectionery
- Candle making
- Women groups can also provide lunch to Anganwadi children under the central ICDS scheme & provide meal to school children under the Mid day meal scheme.

The women entrepreneurs have been classified into two broad groups

(a) Women providing consumer items which can be sold through informal markets or PACS( primary agriculture cooperative society) network e.g spices, soap, pickles, bakery etc.

(b) Women producing such products which have to be marketed with the help of State/Apex organizations. They require training, finance, equipment and backward & forward linkages.

Division	Number of Self Help groups	Total Members of SHGs	Collection by members (Rs. Lac)	Loans Advanced (Rs. Lac)
Patiala	29	424	0.55	840.82
Feroze-pur	512	4371	3.06	586.81
Jalandhar	550	6203	5.14	685.52

#### Micro Finance Services by Banks

It has been found that public sector banks in one or the other way are involved in microfinance business as they offer microcredit, micro insurance and microfinance to rural women.

Micro Insurance provides insurance cover in collaboration with some insurance companies. Along with it, these banks have provision of financing to SHGs in comparison to NGOs financing to individuals is also very common in these schemes. Most of the banks have made

provisions for specific schemes designed for women entrepreneurs (27), salaried women (25), women labourers (22) and house wives (19) to carry out small economic activities and self employment ventures.

Whereas, banks are extending financial help to their clients who were earlier denied access to the financial market, they have little contribution in context with advisory services or training campaigns. The lack of proper guidance and market intelligence is creating a huge a gap in potential utilization and possible business opportunities.

### **Banker's Perception towards Microfinance**

To determine the level of agreement with respect to banker's perception of microfinance services, a list of ten variables was given to the bankers to rank them on a five point scale ranging from strongly agree to strongly disagree and then weighted average scores were used to find out the perception of bankers by classifying them as the variable of highest agreement, moderate agreement and variables of low agreement.

It was found that for welfare activities and reduction of poverty the average scores were highest that is 4.53 and 4.31. The cheaper finance at affordable terms was also counted at 4.19. The confidence and self respect enhancement variable was also rated 3.87 but the variable like benefit does not reach the people to whom it is supposed to reach was also 3.27 which shows that only a minority of women receiving credit from poverty oriented microfinance programs are controlling their loans. Many women are merely post boxes passing on the full amount of their loans directly to their husbands or sons and have little access to the income generated and received back only enough money to make weekly loan repayments.

### **Women's Perception of microfinance Services**

150 samples were contacted to find out the benefits of microfinance and 9 activities namely recognition in family, confidence building, increase in income, poverty reduction, improvement in consumption, improvement in stats, increase in decision making, awareness of social issues and improved communication skills were recorded on 5 point Likert's scale.

Weighted average scores were given :

Activities	Weighted Average Score	Rank
recognition in family	4.13	1
confidence building	4.09	2
increase in income	3.84	3

poverty reduction	3.76.	4
improvement in consumption	3.59	5
improvement in status	3.43	6
increase in decision making	3.37	7
awareness of social issues	2.83	8
improved communication skills	2.24	9

The difference In women's perception of microfinance has further been analysed with the help of Chi Square test and the Null Hypothesis has been formed: There is no difference in Women's Perception of Microfinance whether availing microfinance services or not.

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
improved communication skills	14.402	Rejected

#### **Level of satisfaction amongst women using microfinance services**

A separate questionnaire containing ten variables from these 300 respondents indicated from weighted average score for each variable that only 2 variables i.e. amount of loan availed and suitable products availability were under the category of high satisfaction with WAS more than 4.10. But other factors like duration, rate of interest, demand of collaterals, repayment policy and convenient procedures were in the category of low satisfaction, perhaps because of ignorance of women clients of microfinance.

#### **CONCLUSION:**

The study reveals 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. Lack of awareness, inconvenience, procedural formalities and difficult repayment terms are certain areas where banks have to work upon to reap the benefit of this financial inclusion step of the government.

**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.

Their analysis indicates that on average there is a significant increase in women's empowerment of the SHG members group. No significant change is observed on average for the members of the control group, i.e. individual clients of micro credit. The elegance of the result lies in the fact that even though the degree of change and the pace of empowering women are likely to vary the group of SHG members experience a significant and higher empowerment.

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