

# FINANCIAL INCLUSION AND EMPOWERMENT OF WOMEN THROUGH SHGS

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## ABSTRACT

*Empowerment of women has evolved as an important issue in India in recent years. Excluding women makes the development process is unjust and incomplete. In India, women constitute about 48.46 per cent of the population (2011 Census), but their participation in economic activity is only 34 per cent. To improve the status of women, they must be empowered economically, politically and socially. Microfinance is performing the function of providing financial services to these excluded sections of the population and is a critical empowerment tool today. Among several subsidised programmes launched by the government for financial inclusion and rural development, microfinance has emerged as a catalyst for rural development. Microfinance and SHGs are effective in (a) reducing poverty, (b) empowering women and (c) creating awareness which finally results in the sustainable development of the nation. The impact of microfinance programme through self-help groups (SHGs) has been useful in making positive social changes to all members, irrespective of the direct borrowers of the microcredit. They assist SHGs in income-generating activities. The Self-Help Group (SHG) movement has made the mission of women empowerment powerful. This paper identifies the SHG movement's role in the financial inclusion and empowerment of women. It also probes into the significant hurdles in the path of women empowerment, education and employment. Finally, the paper attempts to look for measures to overcome the problem of women excluded and direct them to the path of empowerment. We strongly feel that more initiatives, innovations and interventions in the arena of SHGs will augur well in strengthening the agenda of development.*

**Keywords:** Empowerment, financial inclusion, SHGs, Women

## Introduction

The country has been politically free since 1947. In India, women have not been given any choice or freedom of their own. They are compelled to depend on males though they contribute equally to society and the economy. Women have various barriers to overcome namely negative cultural attitudes, legal obstacles, practical barriers, external barriers, lack of education and personal difficulties etc. Only then we can realise empowerment.

Empowerment of women has evolved as an important issue in India in recent years. Nearly half of Indian population consists of women, but their work participation is less than that of men. Women's role in the development of the nation cannot be neglected. To improve the status of women, they must be empowered economically, politically and socially. Women, particularly in rural India live in virtual isolation, unable to access some of the basic services. Financial inclusion alone can guarantee economic security to poor women.

The Indian Government and RBI have introduced a policy of "financial inclusion". Accordingly, the Indian banks are required to lend to "priority sectors", one of which is rural women. Out of the several subsidised programmes launched by the government, microfinance has emerged as a catalyst of rural development.

Microfinance and SHGs are effective mechanisms in reducing poverty, empowering women and creating awareness which finally results in the sustainable development of the nation.

The impact of microfinance programme through SHGs has been effective in making positive social changes to all members, irrespective of the direct borrowers of the microcredit. Banks and cooperatives assist SHGs in income-generating activities. Empowerment of women, however, is not an automatic process. Other supportive measures also need to be taken. With the formation of women SHGs, women have achieved social and physical mobility.

## Purpose and Plan of the Study

- To understand empowerment
  - To identify the role of SHGs in empowering women
- To analyse the constraints or obstacles in women empowerment
  - To suggest recommendations to speed up the agenda of financial inclusion and empowerment through SHGs.

## Methodology

This paper is based on the secondary data obtained from various published work such as books, reports, articles, magazines, periodicals, electronic web materials. In addition to this, the researchers have made use of the data and other information about microfinance, the growth of SHGs, and performance of SHG-Bank Linkage from NABARD Annual Reports.

## Conceptual and Operational Framework

Human development is a process of widening the choices of all people, not just of one section of society. Excluding women makes development process unjust and incomplete. In India, women constitute about 48.46 per cent of the population (2011 census), but their participation in economic activity is only 34 per cent. Education of women is the most powerful tool to change the position of women in society. Education reduces inequalities and functions as a means of improving their status within the family. With the change in time women are identified as critical elements of sustainable development. The role and contributions of women in the family, and the economic development, as well as social transformation, is pivotal. In modern days economic development has changed the scenario of social and cultural environment for women within the nation. Development cannot be accomplished without the empowerment of women particularly in rural India. Financial Inclusion is the key to the empowerment of rural women in every society.

## Financial Exclusion

Generally, there can be two types of financial exclusions namely (a) people who do not have any access to any financial institution and (b) people have limited access to banks and other financial services. Lack of banking habits, insufficiency of financial knowledge on banking products, high transaction cost etc. prevents the unbanked people from knocking the doors of banks. The financially excluded section mostly includes marginal farmers, landless labourers, unorganised enterprises, socially excluded minorities and women. Large size and diversity of Indian population necessitated the commercial banks to take the assistance of various social and financial entities like co-operative banks, where self-help groups (SHGs) are popular and play a significant role in financial inclusion. Microfinance is performing the function of providing financial services to these excluded sections of the population. MFIs should tie up with NGOs, and it must take the initiative of making education compulsory for SHG members. MFIs are motivating women to become self-employed by providing them loans, subsidies and marketing of goods manufactured by SHGs. Self-Help Groups are one of the essential elements which play a very positive and constructive role in women development and empowerment.

## Financial Inclusion

It has been decades since inclusive growth became a philosophy and paradigm in the Indian economy, but the penetration has been low. In 2011 according to the Index of Financial Inclusion (IFI) based on three variables, namely penetration (number of adults having a bank account), availability of banking services (number of bank branches per 1000 population), and usage (measured as outstanding credit and deposit) Kerala, Karnataka and Maharashtra had achieved high financial inclusion ( $IFI > 0.5$ ), While Tamil Nadu, Punjab, Andhra Pradesh, Himachal Pradesh, Sikkim, and Haryana had medium financial inclusion ( $0.3 < IFI < 0.5$ ). Also, in our country, financial exclusion measured in terms of bank branch density, ATM density, bank credit to GDP and bank deposits to GDP is quite low as compared with most of developing countries in the world. For example, India had 25.4 ATM branches per 1000 population while China had 2975.05.

## Women Empowerment

The "empowerment" of women has become one of the most critical concerns of the 21st century not only at the national level but also at the international level. Government initiatives alone would not be sufficient to achieve this goal. Society must take the initiative to create a climate in which there is no gender discrimination and women have full opportunities of self-decision making and participating in the social, political and economic life of the country with a sense of equality (Suceena, 2016).

Women empowerment and their full participation in all spheres of society are essential for sustaining the economic growth of the nation. A necessary pre-requisite for women empowerment is their economic empowerment.

Entrepreneurial activities by Indian women can immensely contribute to making them economically independent and self-reliant. Small loans can make good business sense among women as it has been seen that particularly women gain much from micro-finance because it gives them means to become independent generate income and attain self-reliance. Entrepreneurship is globally accepted as an index of development. Entrepreneurship is the key to the economic sustainability of the nation as it not only employs the entrepreneur but also to many others. Before the 1990s, credit schemes for rural women were almost negligible. The concept of women's credit was born by the insistence of women-oriented studies which highlighted the discrimination and struggle of women in having access to credit. Financial institutions and banks have initiated schemes in this direction focusing on women, yet the growth of women entrepreneurship has not been substantial.

Empowerment is a positive concept which has evolved as an important issue in recent times. Empowerment includes higher levels of literacy, educational attainment, awareness of rights and responsibilities, active participation in economic activities, better healthcare and equal access to productive resources and improvement in the standard of living. The SHG movement made the mission of women empowerment successful everywhere. The most identified SHGs' role in the empowerment of women are –

- i. The SHGs provide poor women with access to economic resources like money and thereby enable women to spend them on productive and useful consumption needs.
- ii. The SHGs enable women to participate in decision making on economic and financial issues like family income, consumption pattern, rising of loan, sale and mortgage of assets etc.
- iii. The SHGs enhance the economic and social status of women at the family and society level.
- iv. The groups give the women the opportunities of self-development through imparting them education, training and practical knowledge. Working in the group is an opportunity for women to develop her.
- v. The SHGs enable the women to participate in socio-political decision making at the local level through Village Gram Sabha, Panchayat meetings and political activities.
- vi. The SHGs change women from house-keeper to organiser, manager and decision-maker. Women learn skills and ability from the group.
- vii. The groups change the outlook of women. As it brings unity and integrity among the members, it avoids or removes any disparities like caste, religion, language, age etc. It improves the general welfare of the family and community.
- viii. Most people manage to mobilise resources to develop their enterprises and their dwellings slowly over time. Financial services could enable the poor to leverage their initiative, and accelerate the process of building incomes, assets and economic security.
- ix. Lastly, the most critical change that the SHG culture has brought in the country is to change the gender dynamics of power within a family and ultimately the society at large. They now have a greater say in the family matters and also are seen as stakeholders and partners in taking the community forward (SEWA International, 2018).

SHGs are necessary to overcome exploitation, create confidence for economic self-reliance in poor, particularly women who are mostly invisible in the social structure. SHGs become the basis for change and build a relationship of mutual trust between the promoting organisation and the rural poor through constant contact and genuine efforts.

### **Financial Literacy, Education and Employment**

The financial tripod consists of financial education, financial inclusion and financial stability. Financial literacy can empower women to develop a financial identity even with their household savings, and help them get access to formal credit for gainful occupation, giving them economic freedom and power (Dharmarajan, 2018). Financial literacy is a critical ingredient of financial outreach because it enables individuals to make informed decisions about their financial choices. The net result of higher outreach is reflected in better human development. Lack of financial literacy is one of the significant reasons behind large scale financial exclusion in India. SHGs have disproved that women cannot save and are not bankable. A long journey starts from a small, single step. So was the journey of the Self Help Group-Bank Linkage Programme – from linking a pilot of 500 SHGs of rural poor two decades ago, it now boasts of the world's largest microfinance initiatives with over 7.4 million SHGs representing 97 million rural households directly are part of this great movement. Geographically its tentacles have now spread to every nook and corner of India – from the desert sands of Rajasthan to the forest villages of Arunachal Pradesh and from the inaccessible terrain of Jammu and Kashmir to the idyllic coastal villages of Lakshadweep Islands. Total of 74.30 lakh SHGs savings linked to Banks and Number of SHGs credit linked with banks, was 41.97 lakh as on 31 .3. 2014. The total loan outstanding by SHGs stood at Rs. 42928 crores as on 31.3.2014. The average loan outstanding of SHGs with banks is Rs.1, 02,273.

The average savings bank balance of SHGs with banks as on 31.03.2014 was Rs.13322. The quantum of deposits mobilised and the number of loans disbursed gives evidence that SHGs act as powerful intermediaries in imbibing the required financial education and financial literacy among the rural folk. That this is progressing towards

self-reliance of women is evident. Making empowerment operational through educational and entrepreneurial development is the new phase of progress.

### **Obstacles to Women Empowerment**

In our study, the major hurdles identified in the path of women empowerment and education are as follows –

- Social and cultural constraints like gender inequality, early marriage, family (dual) responsibility and low mobility
- Educational obstacles including low education
- Institutional constraints include the availability of banking and financial institutions and lack of banking habit.
- Lack of awareness and absence of ambitions for the achievement or less motivated.
- Economic and financial constraints include poor economic status especially among the rural women
- Political constraints include less participation of women in politics. This factor halted women from prevailing on the political will to solve local problems.
- Legal constraints that keep women still in an unjust and uneasy situation

### **Suggestions**

An analysis of the current scenario of financial inclusion and empowerment in India we suggest the following the remedial measures to overcome the problem of exclusion and direct them to the path of empowerment.

- Removal of gender inequality should get priority. This can be possible only by changing the outlook of the people for women and emphasising their occupational health and livelihood security.
- Financial literacy and awareness through training programmes on financial planning at an early age clubbed with functional literacy.
- Understanding the needs of clients by MFIs while lending.
- Need to educate the members and borrowers.
- Need to imbibe new skills through rigorous training to members.
- Removal of interference by intermediaries between SHGs and bank linkage.
- Encourage rural penetration of financial institutions by promoting more number of SHGs and new inclusive strategies like Payment banking institutions in rural India.
- Continuous supervision and strict regulation on SHG activities.
- Eliminate wage differentials between men and women.
- Encourage women to participate in income-generating activities: Need for the graduation of women from housekeeper to business manager.
- Expenditure on education – upscale as an investment.
- Awareness and encouragement of a daughter's education s essential. Creating awareness among the citizens that money spent on daughter's education is an investment.
- Extension of services and transparency in activities.
- Encourage the growth of the third sector to focus on women empowerment.

### **Women empowerment indicators through microfinance**

Microfinance has increased the ability of women to save and access loans promoting entrepreneurial talent creating awareness about MFI procedures and banking transactions. It provides extensive opportunity to undertake an economic activity, also increases mobility. SHGs have been found to help their members' healthy habit of saving and banking. They aim at promoting awareness among women about the on-going development programmes. They help Women to be economically independent and improve their social status. There is an enhancement of decision-making by women within the household as well as in society there is an increase in the mobilisation of groups in support of individual clients and social issues and active participation in community development activities by women. (Sowjanya and Hans 2018)

## Conclusion

SHGs are playing a positive and constructive role in rural development as they have made women contribute to the socio-economic progress of the nation. Microfinance has ensured easy access to financial services and credit to rural households and poor women being space maker of development, both in rural and urban space. However, rural women are more or less dominated by the patriarchal social system and attain secondary status in decision making. To end this dilemma, the active participation of women in microfinance activities is the only possible answer. SHGs have emerged as a powerful weapon of financial inclusion and empowerment and are one such instrument sharing the fortune of all those who survive under the pyramid. Women's participation in education and increased income generation through financial inclusion are the possible ways to come out of the domination and discrimination of society. This must happen so that the country's progress and prosperity indices coincide.

Total empowerment of women should be the goal to authenticate the pro-people policies and programmes in the country, including 'Jhan-Dhan', 'Skill India' and 'Start-up India, Stand up India'. More initiatives, innovations and interventions in the arena of SHGs will augur well in strengthening the agenda of development.

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