

# **AN ANALYTICAL STUDY ON IMPACT OF FINANCIAL INCLUSION ON EMPOWERMENT OF WOMEN IN RURAL INDIA**

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**Abstract:** Financial inclusions for women has been the mantra that has worked like nothing else in drawing the poor women out of poverty and empowering them wherever it was introduced. Empowerment of women is seen as one of the most important means of poverty eradication. This study aims to study the impact of participation in financial inclusion on income and savings of the women in India and to evaluate the impact of financial inclusions on Economic empowerment of women in rural India. The study reveals that financial inclusions will help women to stand shoulder to shoulder with male members of their family as well as help in economic development of the country. This will improve their economic empowerment as well as non-financial empowerment also.

Keywords: Women empowerment, Financial inclusions, Economic Empowerment, etc.

**1. Introduction:** Through Self Help Group (SHG), in international perspective financial inclusions has been recognized as an pioneering tool to fight with poverty and rural progress. Both self help groups and financial inclusions have been similarly operative in decrease of poverty, empowerment of women and overall development of the country.

In India, women are considered to be the most deprives and discriminated section of the society. This situation is not only in India but it had spread over the world. Many efforts are taken by both Government and non-government agencies but this section of the society is highly ignorant of the financial sector. In the recent past, lots of efforts have been taken through microfinance to uplift the financial status of women especially the rural women. Not only the informal sector many formal and semi-formal sectors like non-government organisations, commercial banks, etc are taking lots of effort in providing the microfinance to women since they consider it to be a profitable commercial activity. With the passage of time participation of women in the microfinance movement has increased. They have started availing the microfinance services provided the different financial intermediaries.

The most important objective of microfinance institutions is to provide empowerment to women. Microfinance includes providing of financial services to clients having low income which includes customers and self-employed who have no access to facilities of banking and other related services. Microfinance which is also known as micro credit, is also called as a facility of provided banking facility to those who are deprived or unaware of this facility, which helps to bring credit, savings and other essential services of financial nature with the reach of people who are too poor to be serviced by formal banking system. Since they are not able to offer sufficient collateral to banks. Percentage of women participation in microfinance is more than male participants since women in major part of India are unable to readily participate in economic activities. Hence microfinance provides the financial banking facility to those women who need to start their business venture and also like to actively take part in economic activities. This participation gives them confidence, helps them to improve their status and make them more active in decision making and thereby removes gender inequality. According to CGAP, long-standing MFIs even report a decline in violence towards women since the inception of microfinance.

## **2. Literature Review:**

**According to Jayampati Kumaru (2018)<sup>1</sup>** the contribution of women entrepreneurs is a crucial factor in economic development in any country. Sri Lanka is highly benefitted from women entrepreneurship at the social and economic development in both qualitative and quantitative approaches. Therefore, it is essential to empower women in businesses to gain more desirable benefits for the country. Microfinance plays a vital role for women entrepreneurship development in developing countries. The microfinance has been identified by many scholars as one of the major weapons in empowering women entrepreneurs. Although there is a huge debate on microfinance as a crucial factor in order to determine the economic empowerment of women entrepreneurs, the contribution of microfinance of the Sri Lankan context is questionable. Accordingly, this study focused on identifying the relationship between microfinance and empowering women entrepreneurs in Matara district, Sri Lanka. Microfinance institutions should respond to train or educate women entrepreneurs before granting loan facilities or any other related microfinance products. Moreover, it is suggested to have

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<sup>1</sup> Kumaru, Jayampathi. (2018). Relationship between microfinance and economic empowerment of women entrepreneurs in Matara district, Sri Lanka.. 3.

enough awareness on record keeping, building assets, managing risk and increasing savings to get the most desirable benefits for women entrepreneurs in businesses

**Herath et. al. (2015)<sup>2</sup>** in their study investigates the impact of microfinance on poverty and socio-economic vulnerability of women and the ability to form social capital through group-based micro loans. The study uses four criteria to examine the impact of microfinance on poverty and vulnerability of women borrowers. The four criteria are, access, creation and control over private resources; freedom of decision making at home; self-confidence on socio-economic activities; and status in community and family. The study assumes that if these four variables have positively affected a woman, then she is empowered by microfinance received. The study uses three logistic regression models and a women's empowerment index to analyse women's empowerment. The logistic results revealed that the household income level before taking microcredit, age of the household head and market availability for products have been significant in affecting women's empowerment and reducing vulnerability. The disaggregated and overall Women Empowerment Indices (WEIs) clearly illustrate a considerable development after joining the microfinance institutions (MFIs). The analysis found that if the woman owned the loan and acted as a conduit of credit, it had a positive and significant impact on her ability to make decisions at home.

According to **Ranjula Swain (2007)<sup>3</sup>** Microfinance programmes like the Self-Help Bank Linkage Programme (SHG) in India have been increasingly hailed for their positive economic impact and the empowerment women. This is based on the view that women are more likely to be credit constrained, have restricted access to wage labour market and have limited decision-making and bargaining power within the household. This article argues that true women empowerment takes place when women challenge the existing norms and culture, to effectively improve their well being. 82 While doing so, it carefully interprets the World Bank's definition of empowerment within the South Asian contexts and makes comprehensible distinctions between community driven development, efficiency improving activities that are culturally considered to be women's domain and activities which truly empower

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<sup>2</sup> Herath, H.M.W.A. & Gunaratne, Premakumara & Sandaratne, Nimal. (2016). Impact of microfinance on women's empowerment: a case study on two microfinance institutions in Sri Lanka. Sri Lanka Journal of Social Sciences. 38. 51. 10.4038/sljss.v38i1.7385.

<sup>3</sup> Bali Swain, Ranjula. (2007). Impacting Women Through Microfinance. Dialogue. 37.

women. Based on this conceptual framework the results of the Focus Group Discussions (FGD) and interviews analyze the activities through which the Self Help Groups impact the lives of women in India. It is argued that only a fraction of these activities are truly empowering for the participating women, however, drawing inference from the household data, preliminary results indicate that SHGs could be leading to empowerment of women.

### **3. Statement of Problem:**

Women in India have been oppressed culturally, socially, economically and politically for centuries. They are exploited at home, in the families, in the society and in the country. The core of the problem is that they shoulder a number of responsibilities, but they are not given adequate participatory or decision making power in the family or in the society. Women can gain such power, if their economic status, cultural and social status improves. Such kind of overall improvement of the power is known as women empowerment. The empowerment of women is one of the central issues in the process of development of countries all over the world.

Financial Inclusion for women has been the mantra that has worked like nothing else in pulling the poor women out of poverty and empowering them wherever it was introduced. Empowerment of women is seen as one of the most important means of poverty eradication. Lack of capital is a serious constraint to the development of poor women in rural and urban areas who find little or no access to credit. Credit can help women to take-up farm and allied activities such as poultry or independent small enterprises like tailoring, producing washing power, phenyl making, catering services, candle making and so on, enabling them to respond to the opportunities created by the process of development.

### **4. Objective of the study**

- To study the impact of financial inclusion on income and savings of the women in India.
- To evaluate the impact of financial inclusions on Economic empowerment of women in India.

### **5. Hypothesis:**

There is no significant improvement in income and Savings of women due to financial inclusions.

## **6.1 Research Design:**

Research Design is a master-plan specifying the methods and procedures for collecting and analyzing the needed information. It provides the framework to be used as a guide in collecting and analyzing data. Research can be Exploratory, Descriptive or of Causal type.

## **6.2 Sampling Technique and Sample Size:**

The researcher had adopted purposive sampling technique for selecting the 300 women who have taken the benefit of financial inclusions in rural India. However, the responses have been received from only 250 women out of them around 47 responses were found to be incomplete or they have not understood the questions hence those 47 have been rejected and 3 responses were found to be inappropriate. Hence, a sample of 200 respondents was taken for study.

## **6.3 Methodology of the Study**

The methodology of the study has been discussed under the following heads:

### **6.3.1 Collection of Data**

Data is the basic input to any decision-making process in a research study; processing which gives the statistics of importance of the study. The data can be classified into primary and secondary data.

Primary data has been collected through administering questionnaires to the women. The Primary Research Tools used was Survey method. For collecting the primary data a total of 200 respondents were randomly selected. Personal interviews with the bank officials concerned are also conducted to get the needed information for the analysis.

## **7. Data Analysis:**

An attempt has been made to study whether there is any significant improvement in income and saving of women after participation in microfinance, where following results have been obtained:

**Table 1.1: Mean & SD of Income and Savings before & after joining SHG:**

| Income and Savings | N   | Mean   |       | SD     |         |
|--------------------|-----|--------|-------|--------|---------|
|                    | 200 | Before | After | Before | After   |
|                    |     | 2.143  | 2.9   | 0.3208 | 0.78311 |

The mean of income and savings before taking benefit of financial inclusion was 2.143 whereas, the mean of income and savings after taking benefit of financial inclusion increased to 2.9. Since the response is measured on Likert Scale from 1 to 5 as Follows:

|              |       |         |          |                 |
|--------------|-------|---------|----------|-----------------|
| 1            | 2     | 3       | 4        | 5               |
| Highly Agree | Agree | Neutral | Disagree | Highly Disagree |

It states that, the empowerment has moved from lower side to higher side after taking benefit of financial inclusions and therefore shows improvement in income and savings. Further, A paired sample t- Test was conducted to test the hypothesis:

**Table 1.2 Paired sample t- Test of Income and Savings before & after joining SHG:**

| Paired Sample t-Test |  |        |     |                 |
|----------------------|--|--------|-----|-----------------|
|                      |  | T      | df  | Sig. (2-tailed) |
| Pair 1               | Income and Saving before financial inclusions – Income and Saving after Financial inclusions | 16.521 | 249 | .000            |

The significance (2-tailed) value of Pair 1 i.e. income and savings of women before financial inclusions and after financial inclusions is 0.00 which is less than the alpha value of 0.05 ( $p < 0.05$ ). This states that there is significant improvement in income and savings of women after getting benefits of financial inclusions and hence, Null Hypothesis that, There is no significant improvement in income and Savings of women due to financial inclusions is **rejected** at 5 % significant level.

### **8. Findings of the study:** Following are the major findings of the study

Researcher found that after getting benefits of financial inclusions, it came to know that the procedure of obtaining loan from financial inclusions is much easier, this has been agreed by 52% of the respondents.

Prior to joining SHG Majority of 90% respondents fall under highly disagree that their income was satisfactory before borrowing from financial inclusions but after borrowing from financial inclusions and due to expansion of existing and new business like producing washing powder, Goat Farming, Agriculture, candle making, allied activities, Atta chaki and Grahaudyog of papad, pickels etc.

Study reveals that savings, it was found that 77% of the respondents' savings capacity have greatly improved after borrowing from financial inclusions.

It was found from the study that Women decision making power has increased as majority of 56% have started taking decisions on children's and self education in Better access manner after borrowing from financial inclusions.

It is observed from the study that 68% women responded that their spending power in food have also increased and the utilization of money in food items like Packed Food, varieties of food items etc.

It is studied positive sign has seen with 32% of the respondents agree as they feel that there is Improvement in Non-Food Expenditure after borrowing from financial inclusions cloth, education, Medical treatment, Marriage and 16% highly agree to this. Hardly 16% and 8% disagreed and highly disagree to this. Whereas 28% respondents in neither agree nor disagree.

### **9. Conclusion of the study:**

Overall it is concluded that financial inclusions helps the women to improve their financial as well as non financial status. Such type of participations is really required especially in developing countries like India where the society is still male dominated and women in major parts are not allowed to participate in financial decisions and activities. These participation in financial inclusions activities will help rural women to stand shoulder to shoulder with male members of their family as well as help in economic development of the country.

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