

Financial Inclusion and Impact on Women Empowerment in Rural area with special reference to Central Travancore Region of Kerala

Dr.Ashalakshmi. R K¹, Elsy Johnson ², Megha Babu³

¹Associate Professor, Dept. of Management Studies, MACFAST Tiruvalla

^{2,3}S3 MBA, MACFAST, Tiruvalla

Abstract

Financial inclusion is the process of ensuring access to financial services especially in rural India. Timely and adequate credit where needed by vulnerable group such as weaker sections and low income groups at an affordable cost. Financial Inclusion in India is often closely connected to the aggressive micro credit policies that were introduced without the appropriate regulations oversight or consumer education policies, the result was consumers becoming quickly over-indebted to the point of committing suicide, lending institutions saw repayment. Kerala is a model state for financial inclusion, it developed its banking infrastructure relatively early and, due to extensive population segmentation, created a large network of branches that still caters to different communities and customer bases. Financial Inclusion will be helpful for rural areas where people are unaware of banking services and the benefit associated with other financial services. The present study deals with contribution of inclusion plans of government in rural areas through various modes. The study also deals with role of financial inclusion for women empowerment in rural areas of central Travancore. Study analysis the collected information using various statistical tools.

Keywords: Financial Inclusion, rural area, women empowerment

1. Introduction:

Financial inclusion (FI) is not just a policy initiative of governments and state. It has also attracted the attention of academician and researcher there have been an innumerable number of studies highlighting the significance of financial inclusion in the overall economic development of a country. Financial Inclusion focuses on the poor who do not enjoy the formal financial institutional support and get them out of the clutches of local money lenders. The fact is that the poorest people in the world still lack access to basic financial services, whether it is savings, credit facility or insurance service.

Some of the major efforts made in the last five decades include nationalization of banks, priority sector lending stipulations, the lead bank scheme and service. An important development in the last two decades has been the organization of Self-Help Groups (SHGs) or small groups of people who could borrow from the banking system. In some ways the SHGs movement has been a success. But it is also seen that it is concentrated much more in 18 the South and therefore there is a regional disparity in terms of the growth of the SHGs. We need to look for an organizational mechanism that would combine the widespread opening of the branches of the rural areas and the SHG movement. There are multiple institutions involved in financial inclusion.

The merits of financial inclusion are deeply rooted in women empowerment, especially in rural areas. Access to credit is a critical link between economic opportunities and outcomes. By empowering individuals and families to cultivate economic opportunities, financial inclusion can be a powerful agent for strong and inclusive growth. With women constituting half the population, their equal participation in society is imperative for sustainable development. Ensuring sustainable financial inclusion will require supply-side and demand-side challenges to be addressed simultaneously through systemic solutions. All stakeholders of the financial inclusion ecosystem, including financial institutions, regulatory agencies, technology service-providers and civil society organisations, will need to play their parts effectively.

There is ample evidence of how financial inclusion projects of different types can, if properly designed and implemented, enhance women's economic empowerment. Financial inclusion projects can therefore help to achieve both gender equity objectives and poverty reduction objectives. As such, in order to promote poverty reduction and gender equity, there is a clear rationale for using development resources to enhance financial inclusion for women. This tool kit offers a practical guide to developing and monitoring financial services to enhance women's financial inclusion as one tool for the economic empowerment of women. A financial inclusion programme may not be targeted specifically at women.

2. Literature Review: Role of Financial Inclusion in Women Empowerment

It can be argued that finance promotes economic growth but the magnitude of impact may differ. Financial inclusion is intended to connect people to banks with consequential benefits. Access to a well-functioning financial system, by creating equal opportunities, enables economically and socially excluded people to integrate better into the economy and protect themselves against economic shocks. If the 1950s, 60s, and 70s were the “golden age of capitalism” for the industrialized world, then in much part of the developing world the same period can be phrased as the “age of developmental state” (Marglin and Schor, 1990; Wade, 1990).

The government of a state was seen as general agent of development and state intervention in the area of policy and prescriptions for enabling faster economic development and consequent inclusive growth (Epstein and Grabel, 2007). The thoughts of development economics (Krugman, 1995) were once regarded as revolutionary and important and commanded intellectual patronage. In developing countries, economic paradigm is surely the most important and perhaps the most complex of all economic issues (Ray, 1998). The ideology of financial inclusion in developing economies is different from that of developed economies. In developed economies the target group may be a microscopic minority, in the developing economies it could be a majority.

Swaminathan, Du Bois, and Findeis (2010) observed that “recipient gender” matters for employment-related outcomes as well as status and self-esteem. Similar studies in Uganda (Hoffmann, 2008), Malawi (Hazarika and Khasnabis, 2008), Paraguay (Fletschner, 2008) and Bangladesh (Pitt, Khandker, and Cartwright, 2006) reveal that there is positive correlation between financial inclusion programmes targeting women and their well being. The findings of these studies reinforce the fact that women could be “active agents of change” and play an important role in both the family and the society. But the development policies have bypassed women leaving them in a position where they were since generations

The World Bank’s report on Empowerment and Poverty Reduction: A Sourcebook (Narayan and Petesch, 2002) has strongly emphasized women empowerment as the processes by which women take control and ownership of their lives through expansion of their choices. Therefore, empowerment of women is an important goal of any development policy of an economy. United Nations Capital Development Fund (2005) finds that microfinance has an active role in improving economic equality of the people. Microfinance in the recent past has emerged as a potential instrument for poverty alleviation and women empowerment.

Majority studies have established that an increase in women’s resources results in increased wellbeing of the family as a whole (Hashemi et al. 1996; Hulme and Mosley, 1996; Kabeer, 2001; Mayoux, 1997). A study of self help groups in Andhra Pradesh also reported an overall reduction in poverty, including reductions among the extreme poor (Murthy, Raju, and Kamathn D.). Microfinance and micro insurance programmes have the potential to transform communities by alleviating poverty and empowering women. However, some research findings contradict the established view point that financial inclusion programs aid in economic upliftment of the poor families owing to women participation (Navajas et al, 2000; Mosley, 2001; Kabeer, 2001; and Montgomery and Weiss, 2011).

While some are supportive of financial inclusion programs’ ability to induce a process of economic, social and political empowerment, others are more sceptical and even point to a deterioration of women's overall well-being. There is significant change in the economic living of the poor households owing to the participation of women in the financial inclusion process through informal financial intermediaries like the self help groups (SHG) and other related financial inclusion programs.

It is not that only women who get impacted but poor irrespective of gender too get significantly impacted because of the FI programs. To find appropriate answers for the research question the study hypothesizes that there is significant change in the economic living of the poor households owing to the participation of women in the FI process through informal financial intermediaries like the self help groups (SHG) and other related FI programs. ‘Women’s empowerment is used to alleviate poverty and other socio-economic issues. Self -Help movement through thrift and savings has been taken of as a mass movement’ under the government program of development of women and children in the Rural Areas (DWCRA), some of the State Governments assisted these self- help groups by providing revolving fund and helping them in micro-enterprise activities. DWCRA program of self-help groups helped the women to earn additional income.

With improvement in economic status, there is enhancement in social status as well. These women show increased awareness of family welfare, promote their children’s nutritional and educational status, shows concern about environment and health, issues of sanitation and drinking water. Thus mobilizing the poor women in rural areas for self-help group formation either State Government assisted SHGs or SHGs assisted by Non-Government Organization is an effort toward participation of women in poverty alleviation and subsequently increases their awareness towards various

3. Objectives of the Study

The primary objective of this study is to assess the relationship between role of financial inclusion through self help Group on women empowerment in rural areas.

The study also analyse various factors such as credit availability, income levels, awareness on financial services, standard of living(consumption and expenditure), bank account etc as sub variables of financial inclusion through Self-help group and Kudumbasree as mediating factors for women empowerment in rural areas.

The objective considers finding out whether there is a correlation among the factors themselves along with the sub variables.

4. Research Questions

This research study is poised towards providing answers to the following questions:

(i)Do the above mentioned factors have positive relationship on empowering women and improving their standard of living in central Travancore region of Kerala?

(ii)Whether the above mentioned factors in the primary objective of the study are related to each other?

5. Research Hypotheses

In order to answer the research questions and achieve the objectives of the study, the following hypotheses are advanced and will be tested in the course of this study.

Hypothesis 1

H0: There is no positive relationship between financial inclusion through self help group and women empowerment in rural areas and factors such as credit availability, income levels, awareness on financial services, standard of living (consumption and expenditure), etc in Kerala

H1 There is a positive relationship between financial inclusion through self help group and women empowerment in rural areas and factors such as credit availability, income levels, awareness on financial services, standard of living etc in Kerala

Hypothesis 2

H0 There is no positive or statistically significant relationship among credit availability, income levels, awareness on financial services, standard of living (consumption and expenditure), etc in Kerala

H1 There is a positive or statistically significant relationship among credit availability, income levels, awareness on financial services, standard of living (consumption and expenditure), etc in Kerala

6. Methodology

The term methodology explains about the research techniques adopted and used for this study with the aim of achieving the research objectives.

The research design include descriptive and survey research design. The theoretical population of the study consists of 110 respondents which include members of self help group and kudumbasree in central travancore region of Kerala. They were met through weekly meeting of the group. A simple random sampling technique was used to select a total of 110 respondents that constituted the sample size.

6.1 Method of data collection:

Primary method of data collection was used in this study. The primary data consists of a number of items in structured questionnaire that was administered to 110 respondents.

Data collected from the questionnaire were analyzed, summarized, and interpreted accordingly with the aid of correlation coefficient calculation and Garrett ranking has been done for rating financial services. Correlation analysis gives a clear picture on the existing relationship respectively between different variables.

7. Analysis based on Correlation Coefficient and Summary of Findings:

7.1. Analysis using Coefficient of Correlation between dependent variable women empowerment and independent variables such as membership in SHG/Kudumbasree, availability of credit facility, income level, standard of living(consumption and expenditure), awareness on financial services using the equation as follows:

7.1.1. Table Women empowerment :Relationship with

Membership in SHGs/Kudumbasree	0.999
Credit facility before becoming member of SHGs	.321
Credit facility after becoming member of SHGs	1
Standard of living (consumption and expenditure) before becoming a member of SHG	.291
Standard of living (consumption and expenditure) after becoming a member of SHG	.897
Awareness of financial services	.989
Income level before becoming member of SHGs	.201

Income level after becoming member of SHGs	1
No.of bank account before becoming member of SHG	.50
No.of bank account after becoming member of SHG	1

In this study, correlation analyses were applied for one to one relationships. Results of correlation analyses indicate that women empowerment is positively related to membership in SHG/Kudumbasree, availability of credit facility, income level, standard of living (consumption and expenditure), and awareness on financial services. But availability of credit facility, standard of living (consumption and expenditure), Income level and no.of bank account etc before becoming member of SHG, seems to be less correlated women empowerment. That means the above are contributing high to moderately positive to women empowerment, only if they are part of any self help group or kudumbasree in rural areas. The factor availability of credit facility before becoming member of self help group is less positively empowering women is supported by previous studies.

According to correlation results, of hypothesis 1 alternative hypotheses are supported and null hypothesis are rejected (variables other than before becoming member of SHGs) .

7.2. Analysis using Coefficient of Correlation between factors such as membership in SHGs, availability of credit facility, income level, standard of living (consumption and expenditure), awareness on financial services as follows:

Table 7.2.1.Membership in Self Help Group(SHG): Relationship with

Credit facility before becoming member of SHGs	-.50
Credit facility after becoming member of SHGs	1
Standard of living (consumption and expenditure) before becoming a member of SHG	.10
Standard of living (consumption and expenditure) after becoming a member of SHG	.999
Awareness of financial services	1
Income level before becoming member of SHGs	-.215
Income level after becoming member of SHGs	.789
No.of bank account before becoming member of SHG	.267
No.of bank account after becoming member of SHG	1

Results of correlation analyses indicate that financial inclusion through membership in SHG/Kudumbasree, are highly positive related to availability of credit facility, income level, standard of living (consumption and expenditure), awareness on financial services. But availability of credit facility, standard of living (consumption and expenditure) and no.of bank account etc before becoming member of SHGs seems to be negatively related to membership. The factor income level before becoming member of self help group is least positively related to financial inclusion through self help group.

Table 7.2.2 Availability of credit facility: Relationship with

Standard of living (consumption and expenditure) before becoming a member of SHG	.142
Standard of living (consumption and expenditure) after becoming a member of SHG	.989
Awareness of financial services	1
Income level before becoming member of SHGs	-.568
Income level after becoming member of SHGs	.976
No.of bank account before becoming member of SHG	.453
No.of bank account after becoming member of SHG	.989

Results of correlation analyses indicate that availability of credit facility is positively related to income level, standard of living (consumption and expenditure), and awareness on financial services. But standard of living (consumption and expenditure) and no.of bank account etc before becoming member of SHGs, seems to be least correlated to credit facility . The factor income level before becoming member of self help group is negatively related to availability of credit facility.

Table 7.2.3.Standard of living(consumption and expenditure)

Awareness of financial services	.953
Income level before becoming member of SHGs	-.757
Income level after becoming member of SHGs	.821

No.of bank account before becoming member of SHG	.126
No.of bank account after becoming member of SHG	.964

Analyses indicate that, standard of living (consumption and expenditure) is positively related to awareness on financial services and no.of bank account. But standard of living (consumption and expenditure) seems to be moderately correlated with income level(after) and least related to no.of bank account (before) becoming member of SHGs, seems to be least correlated to credit facility . The factor income level before becoming member of self help group is negatively related to standard of living

Table 7.2.4.Financial Services: Relationship with

Income level before becoming member of SHGs	.563
Income level after becoming member of SHGs	.767
No.of bank account before becoming member of SHG	.643
No.of bank account after becoming member of SHG	.971

The factors income level, no.of bank account (before) and income level, no.of bank account (after) is showing moderate to high correlation respectively.

Table 7.2.5 Income level: Relationship with

No.of bank account before becoming member of SHG	.652
No.of bank account after becoming member of SHG	.867

The study indicates there is moderate relationship between income level and no.of bank account before and after becoming a member of SHGs in rural area

Garrett’s ranking technique was used to rank the preference indicated by the respondents on different factors. As per this method, respondents have been asked to assign the rank for all factors and the outcomes of such ranking have been converted into score value with the help of the following formula: Percent position = $100 (R_{ij} - 0.5) / N_j$

Where R_{ij} = Rank given for the i th variable by j th respondents N_j = Number of variable ranked by j th respondents

With the help of Garrett’s Table, the percent position estimated is converted into scores. Then for each factor, the scores of each individual are added and then total value of scores and mean values of score is calculated. The factors having highest mean value is considered to be the most important factor

Table 7.3 Garrett Ranking Analysis Result used for Financial Services rating

Financial Services	Rank
Bank Account	1
Savings	2
Insurance	3
Borrowings	4
Payment	5

As per Garrett analysis for ranking various financial services Bank account ranks first , savings account of different financial institutions rank second and insurance service ranks third in rural areas.

8. Findings

- Women empowerment is positively related to membership in SHG/Kudumbasree, availability of credit facility, income level, standard of living (consumption and expenditure), and awareness on financial services.
- Availability of credit facility, standard of living (consumption and expenditure), Income level and no.of bank account etc before becoming member of SHG, seems to be less correlated women empowerment
- Financial inclusion through membership in SHG/Kudumbasree, are highly positively related to availability of credit facility, income level, standard of living (consumption and expenditure), awareness on financial services

- Factor income level before becoming member of self help group is negatively related to availability of credit facility
- Availability of credit facility, standard of living (consumption and expenditure) and no.of bank account etc before becoming member of SHGs, seems to be negatively related to financial inclusion through membership in SHGs
- Standard of living (consumption and expenditure) seems to be moderately correlated with income level(after) and least related to no.of bank account (before) becoming member of SHGs, seems to be least correlated to credit facility
- Income level, no.of bank account (before) and income level, no.of bank account (after) are showing moderate to high correlation respectively
- Ranking of various financial services represents that bank account ranks first, savings account of different financial institutions rank second and insurance service ranks third in rural areas. Payment services are least ranked in rural areas

9. Suggestions

- More information regarding services of banks and their benefits should be needed to be circulated.
- Most of the women suggested about entrepreneurship programs need to be arranged at different levels.
- Even though the credit facility is improved after becoming member of SHGs more timely provision of credit at low rate of interest is very essential
- Better interaction between bank official and SHG members are essential
- Transparency should be maintained of records by the office bearers of SHGs
- SHGs in empowering women through financial inclusion must scale up in the parameters namely access, quality, training and welfare.

10. Conclusion

Financial inclusion through Self Help Group (SHGs) is a great step to for women empowerment in India. But to achieve this, the government should provide a less perspective environment in which banks are free to pursue the innovations necessary to reach low income consumers and still make a profit. Financial service providers should learn more about the consumers and new business models to reach them. Financial inclusion is a few drops in the ocean, but it has helped people in becoming self-sufficient. Similarly women entrepreneurship needs a facelift from superficiality to productivity. India has, for a long time, recognized the social and economic imperatives for broader financial inclusion and has made an enormous contribution to economic development by finding innovative ways to empower the poor, women and other disadvantaged group.

References:

Website:

- https://www.researchgate.net/publication/282181530_Self_Help_Groups_Financial_Inclusion_and_Women_Empowerment_-_A_Critique [accessed Sep 19, 2017].

Journals:

1. Arora.M and Singh S , An Evaluation of Nonperforming Assets of Public and Private sector Banks under the SHG-Bank Linkage Programme Indian Journal of Finance 6(9),41-50., 2015
2. Acharya M, Lynn Bennett. Rural Women of Nepal: An Aggregate Analysis and Summary of 8 Village Studies, the Status of Women in Nepal, Part 9: Field Studies, Centre for Economic Development and Administration, Kathmandu: Tribhuvan University, 1981.
3. Asia-Pacific Research and Training Network on Trade Working Paper Series, No. 105, 2011.
4. BhingardiveM.D “Economic Empowerment of Rural Women through SHGs ”Southern Economist 52(19), 9-12., 2014
5. Basu, Priya, Improving Access to Finance for India’s Rural Poor, The World Bank: Washington, D.C, 2006.
6. Paramasivan C, Ganeshkumar V. Overview of Financial Inclusion in India, International Journal of Management and Development Studies. 2013

Author

Dr. Ashalakshmi R K awarded Doctorate in Management Studies from Sri Chandrashekarendra Saraswati Vishwa Maha Vidyalaya (SCSVMV) in 2014 and MBA with dual specialisation in Finance and HRM and Bachelor of Commerce

from Kerala University in the year 2007 and 2005 respectively. She worked with ICICI in managerial level just after her MBA. Now she is working with Mar Athanasios College for Advanced Studies Tiruvalla (MACFAST) as Associate Professor in Management Studies. Her published work include both international and national journals. She has been heading several projects in Finance and Accounts.