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WOMEN AND FINANCIAL INCLUSION – A STUDY ON THE INITIATIVES OF THE GOVERNMENT OF INDIA, SAARC AND THE WORLD BANK GROUP

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ABSTRACT

The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little."

- Franklin D. Roosevelt

Financial inclusion is important for improving the life of women and other vulnerable groups. Lack of access to credit from formal institutions resulted in financial exclusion. However, today the need is more to create an awareness of the programs offered by both Indian and international institutions for empowering women. Here, we are considering that financial development implies financial inclusion. An inclusive financial system is desirable for many reasons. - It facilitates efficient allocation of productive resources and access to appropriate financial services can significantly improve the day-to-day management of finances. The first analysis of the Global Financial Inclusion (Global index) Database, a new set of indicators that measure how adults in 148 economies save, borrow, make payments, and manage risk and also suggests that only 26% of female adults in India have an account with a formal financial institution compared to 44% of male adults (World Bank 2014). Among the most commonly reported barriers are high cost, physical distance, and lack of proper documentation, though there

are significant differences across regions and individual characteristics. This paper aims to find the reasons in support of this.

Keywords: Access to Finance, Emerging Markets, Women Entrepreneurs, empowerment, weaker sections, inclusive financial system,

Introduction

Financial Inclusion or Inclusive Financing is the delivery of financial services at affordable costs to sections of disadvantaged and low income segments of society, in contrast to financial exclusion where those services are not available or affordable. Women represent a powerful source of economic growth and opportunity. They produce more than half of the world's food and control about $20 trillion in consumer spending. However, financial exclusion holds back many women from participating in the economy and from improving their lives and those of their families.

In a study, "*Women Workers in India: Why So Few Among So Many?*" released by the IMF that focused on the female labor force participation issues in India, it was found that:

- India's female labor force participation rate of 33 per cent is lower than the global average of 50 percent and well below the East Asia average of 63 percent. This means that only 125 million of the 380 million working age Indian females are currently part of the labor force.
- India's gender participation gap of 52 per cent (the difference between male and female labor force participation) is one of the widest among the G-20 countries.
- *And* India's female labor force participation rate has been on a declining trend since 2005, in contrast to most other regions.

Therefore, we can see that there is a huge missed opportunity because women in emerging markets face a wide range of barriers and constraints instead of benefitting from financial services. The Global Index, a comprehensive database measuring how people save, borrow, and manage risk in 148 countries, found that women are less likely than men to have a formal bank account; in fact, a gender gap of between 6 and 9 percentage points persists across income groups in developing economies.

According to the G20-commissioned report by IFC and McKinsey, "*Scaling up Access to Finance for Women Entrepreneurs*", women own one-third of small and medium enterprises (SMEs), wand these are the top drivers of job creation in emerging markets. It is further seen from evidence that only 6% of the SME banking portfolio is allocated to women. The report clearly indicated a global credit gap for women in emerging markets to the tune of $260-$320 billion. The Global Financial Inclusion (Global Findex1) Database also suggests that only 26% of female adults in India have an account with a formal financial institution compared to 44% of male adults (World Bank 2014). An indication from the Reserve Bank of India (RBI) report is, however, that the credit outstanding of women from commercial banks happens to be only 5% of all credit outstanding (RBI 2013).

Need and scope of the Study

Financial inclusion and empowerment are strongly rooted in each other**.** The key link for productive economic outcome is access to credit which provides the economic opportunity. Financial inclusion can act as a powerful agent for strong and inclusive growth by empowering individuals and also families so as to cultivate economic opportunities. Women, in most countries are frequently more financially excluded at similar levels of income and this is truer in emerging economies. A study of various studies enables an understanding of how women's empowerment is possible by financial literacy and an awareness and use of these financial products and services can better be put to use in an economy like India to serve the purpose of financial inclusion. There is an increased need to frame and implement more women oriented policies to overcome the ever growing challenges to financial inclusion. The scope of the study is unlimited as the concept of financial inclusion is multi dimensional. However, an effort has been made to confine it to the specific objectives. This paper places an emphasizes on the inclusive growth of women and the support structure offers at various levels.

Objectives of the study

This paper aims to focus its objective on studying the schemes implemented by the Government of India, SAARC and the World Bank Group that provide help in the financial inclusion of women and also in establishing a link between women empowerment through financial inclusion.

Research Methodology

The study is based on secondary data available from various sources at the national and international levels and covers women's limited access to financial resources. The data from international sources includes the World Bank, DFID, 5 Commonwealth Institutes, Women's World Banking and others. At the national level, data has been sourced from RBI, NABARD, and others.

There are some important over reaching ***structural issues influencing women's access to finance***, the reasons for which could be categorized as follows:

i. Lack of formal ownership of material assets constraints credit access

Many experts argue that although financial inclusion initiatives are targeted towards the general population (including women), most initiatives are introduced without comprehensive understanding about women's socio-economic conditions, intra-household bargaining position, and restrictions on mobility. They face obstacles to access to land, lack of "political will" regarding gender equality, equality in access to finance and lack of employment opportunities leading to lower income levels.

ii. Limitations of microcredit via SHGs and MFIs

Public and private banks do offer financial products designed especially for women. For example, both Self-Help Group (SHG) lending and microcredit lending by Microfinance Institutions (MFIs) have seen an unprecedented growth in enrolling women clients in recent years. For example, starting with a small number of 620 SHGs linked with banks in the early 1990s, banks had disbursed credit to over 2.23 million SHGs cumulatively by 2006, and to 4.78 million SHGs by 2011 (Tankha 2012). Research also shows that microcredit alone has no discernible impact on women empowerment (Duflo et al. 2010). Notable studies from Sri Lanka (Mel et al. 2012) and Ghana (Fafchamos et al. 2011) show that credit women receive gets diverted from business to household expenses, particularly because women have limited sources of income for consumption purposes.

iii. Institutional savings by women are low

Despite these efforts, institutional savings by women in India are low. Only 13% of total deposits (savings) held at scheduled commercial banks belong to women (RBI 2013). The success of the SHG model in mobilising savings is also debatable: as per the data by the end of March 2012, even though more SHGs were linked with banks, compared to previous years, there was a decrease in the cumulative savings amount (Puhazhendhi 2012). The same report indicates that in recent years, SHG members have been more focused on bank loans and thus, are saving only the 'necessary minimum amount' to qualify for loans.

iv. Government's insurance and pension schemes inadvertently exclude women

The government has also provided a number of insurance and pension schemes such as *Aam Aadmi Bima Yojana*, Indira Gandhi National Old Age Pension Scheme (IGNOPS), and widow pension scheme. However, only the head of the family or one earning member in the family of the household is covered under most of the social security schemes. Typically, in low-income households, the oldest male in the household is designated as the head of the household or the chief decision maker, regardless of whether he is the primary source of economic support. As a result, women are inadvertently excluded from these schemes.

v. And other constraints relate to

Culture, norms, belief systems, customary law, Lower levels of education, Precarious health situations, Intra-household resource conflicts, Family responsibilities limiting women to family and household businesses, Time constraints; mobility constraints, Influence of and control by other family members of women-owned businesses, etc. Overall, despite the ebullience and performance of women, absence of decision-making power, low morale and self-assurance result in the perfunctory participation of women in organized financial activities.

India' Initiatives

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost (The Committee on Financial Inclusion, Chairman: Dr. C. Rangarajan). The concerted effort of the Government of India and the Reserve Bank of India to promote financial inclusion as one of the important national objectives of the country are bearing fruit in the form of policy initiatives, especially the major efforts made in the last five decades that include - nationalization of banks, building up of robust branch network of scheduled commercial banks, co-operatives and regional rural banks. The efforts also included introduction of mandated priority sector lending targets, emphasis on the lead bank scheme, regulations on the formation of self-help groups, permitting BCs/BFs to be appointed by banks to provide door step delivery of banking services, zero balance BSBD accounts, etc. The fundamental objective being tat of reaching the large sections of the Indian population that have hitherto been financially excluded population.

Micro finance played a strategic role, especially for the women of India in financial inclusion. The model by its very mechanism encourages access of SHGs to banks both as a way in which they can save and ensures that loan services are provided. By the end of March 2014, 24017.36 SHGs had been covered under NABARD's SHG-Bank linkage programme including those formed under SGSY (Swarnajayanti Gram Swarojgar Yojana - an initiative launched by the Government of India to provide sustainable income to poor people living in rural areas of the country, launched on April 1, 1999). Of these Rs. 21037.97 are exclusively from women SHGs and Rs. 3480.60 (NABARD 2013-14)from SHGs under NRLM/SGSY/Other Govt. sponsored programmes accounting for approximately 72.5 % of the savings and 82% of the outstanding loans (NABARD, 2009- 2010).

In addition to decent work and inclusion of women's work in the economy, another area of concern is the financial inclusion of the marginalized, which is crucial for their integration into the economy. Women remain inadequately covered by the banking system as they own only 20.8 percent of the total deposit accounts in scheduled commercial banks and 11.3 percent of the total deposits. The situation is equally bad when one looks at the credit scenario. Women had access to only 19.8 percent of the small borrowable accounts of scheduled banks with an outstanding credit share of 16.8 percent (RBI, Basic Statistical Returns, 2010).

Financial Inclusion – RBI Policy Initiatives

- RBI has adopted a bank-led model for achieving financial inclusion and removed all regulatory bottle necks in achieving greater financial inclusion in the country. Further, for achieving the targeted goals, RBI has created conducive regulatory environment and provided institutional support for banks in accelerating their financial inclusion efforts.

- Advised all banks to open *Basic Saving Bank Deposit (BSBD)* accounts with minimum common facilities such as no minimum balance, deposit and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card.
- *Relaxed and simplified KYC norms* to facilitate easy opening of bank accounts, especially for small accounts with balances not exceeding Rs. 50,000 and aggregate credits in the accounts not exceeding Rs. one lakh a year. Further, banks are advised not to insist on introduction for opening bank accounts of customers. In addition, banks are allowed to use Aadhar Card as a proof of both identity and address.
- *Simplified Branch Authorization Policy*, to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with population of less than 1 lakh under general permission, subject to reporting. In North-Eastern Sates and Sikkim domestic SCBs can open branches without having any permission from RBI. With the objective of further liberalizing, general permission to domestic scheduled commercial banks (other than RRBs) for opening branches in Tier 1 centres, subject to certain conditions.
- *Compulsory Requirement of Opening Branches in Un-banked Villages*, banks are directed to allocate at least 25% of the total number of branches to be opened during the year in un-banked (Tier 5 and Tier 6) rural centers.
- *Opening of intermediate brick and mortar structure*, for effective cash management, documentation, redressal of customer grievances and close supervision of BC operations, banks have been advised to open intermediate structures between the present base branch and BC locations. This branch could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such core banking solution terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions.
- Public and private sector banks had been advised to submit board approved three year Financial Inclusion Plan (FIP) starting from April 2010. These policies aim at keeping self-set targets in respect of rural brick and mortar branches opened, BCs employed, coverage of un-banked villages with population above 2000 and as well as below 2000, BSBD accounts

opened, KCCs, GCCs issued and others. RBI has been monitoring these plans on a monthly basis.

- Banks have been advised that their *FIPs should be disaggregated and percolated down up to the branch level*. This would ensure the involvement of all stakeholders in the financial inclusion efforts.
- In June 2012, revised guidelines on *Financial Literacy Centres (FLCs)*. Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. 'Financial Literacy' and easy 'Financial Access'. Accordingly, 718 FLCs have been set up as at end of March 2013. A total of 2.2 million people have been educated through awareness camps / choupals, seminars and lectures during April 2012 to March 2013.

Presently, the default savings options were made mandatory by many state governments by adopting a system of, delivering all wages to participants of government schemes and programmes, through formal saving accounts. For example, according to the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) at least one-third of its beneficiaries should be women and their payments should be delivered through the process of electronic transfers to bank accounts. Furthermore, the government allows SHGs to actively mobilize savings, by bringing together a group of women that come together for the very purpose of saving on a regular basis.

World Bank initiatives

The G-20 included a strong focus on women entrepreneurs and finance as an integral part of the SME Finance Forum managed by the International Finance Corporation (IFC). The Forum is a virtual platform to share knowledge and promote best practices across countries and institutions and to establish baselines for the measurement of progress. Since its April 2012 inception, the Forum has exerted a strong influence in the gender entrepreneurship finance space, building a knowledge bank, connecting peers and bringing various organizations and stakeholders together, to work towards a harmonized approach to facilitating increased access to finance for women-owned SMEs. It provides resources to financial institutions to enable them to better serve women-owned SMEs and facilitates peer-to-peer/ stakeholder connections.

The Women Entrepreneurs Opportunity Facility was also established by IFC and Goldman Sachs's "*10,000 Women*" initiative. It is the first-ever global finance facility dedicated exclusively to women-owned small and medium-sized enterprises and will enable approximately 100,000 women to access capital.

Their activities, which are managed across several different work streams, such as the Promoting Global Financial Inclusion initiative as well as the Global Agenda Council on the Future of Financial & Capital, aim to:

- Raise the level of understanding of the barriers affecting women's access to finance, as well as the opportunities that financial inclusion can open up to women in emerging markets

- Identify and build public/private momentum around the policy, regulatory, and private sector actions to address these barriers

- Inform and contribute to research and data on women and financial inclusion

An important World Bank-led mechanism to accelerate financial inclusion through enabling country commitments is the new Financial Inclusion Support Framework (FISF) which was launched in 2013. The World Bank has committed to assist at least 10 IDA countries to reach their financial inclusion targets, including for women's financial inclusion, and plans to expand this support to at least a further 10 IDA/IBRD countries.

IFC's SME Finance Forum, the leading-edge knowledge agenda of the Consultative Group to Assist the Poor (CGAP), and the World Bank-led FISF are highly complementary. They strongly leverage the World Bank Group's country-level financing, advisory services, and policy dialogue to help under-served women. IFC's Investment Services – including risk-sharing facilities, credit lines, loans, equity, SME and credit insurance, supply-chain finance and blended finance – are all products that can improve women's access to finance. IFC launched *Women's Finance Hub* in spring 2013 – an online collaborative platform, as part of the ***SME Finance Forum that aims to further advance access to finance*** for women-owned businesses by addressing missing data, disseminating research, promoting best practices and providing information on critical issues related to the women's market. The *Women, Business and the Law* project provides cross-country comparable data for 143 economies on where laws differentiate between women and men – a factor that can hinder women's ability to gain access to finance.

Through its technical and financing partnerships, the WBG has helped developing countries secure expanded benefits of financial inclusion for women. For example:

- Starting in 2010, the World Bank has helped Indonesia develop its new Financial Inclusion Strategy, which includes empowering women as a priority focus. One of the programs that the Bank supports is financial literacy training for the 4.3 million Indonesian migrant workers, the majority of whom are women from lower-income rural households.
- IFC's Banking on Women Program plays a catalyzing role for IFC partners and financial institutions to help them profitably and sustainably serve women-owned businesses. As of December 2013, the program has developed a track record which includes 16 investment projects, ranging from long term loans to instruments such as risk sharing facilities that help share the risk FIs undertake when assuming greater exposure in new or riskier markets, amounting to almost US$700 million in Africa, Latin America and the Caribbean, East Asia and the Pacific, and East and Central Europe. In addition, IFC issued the first-ever Banking on Women Bond in 2013 that raised US$165 million to be invested in projects that will support women entrepreneurs in developing countries.
- For the first time, policymakers worldwide have a detailed picture of women's access to finance, provided by the Global Findex. This complements data provided by Gender Entrepreneurship Markets (GEM) program, Women, Business and the Law, Global Financial Development Report 2014 on Financial Inclusion and Financial Capability surveys—all World Bank Group-sponsored studies. WBG experts are working with national policymakers and regulators in more than 20 countries to design and implement reforms that meet the constraints identified by these surveys.
- Groundbreaking research supported by the World Bank in Pakistan found that more than two-thirds of women microfinance borrowers required a male relative's permission in order to qualify for any kind of loan. Changes in loan selection procedures and requirements,

spurred by this information, could help open up access for women and enable them to manage their finances in a way that meets their own priorities.

Bank Group Contribution

The World Bank Group has an extensive FI portfolio, with a growing focus on opportunities for women. The World Bank has an active lending portfolio of US$3.5 billion for FI – with about US$1.4 billion in IBRD, US$1.26 billion in IDA funding, and US$862 million in IBRD/IDA blend countries - and with over 100 lending projects in more than 60 countries. The World Bank has active technical assistance and lending projects supporting FI in more than 100 countries.

IFC's development reach has been notable in calendar year 2013. IFC reached 41 million microfinance and more than one million small and medium enterprise clients. IFC's investment and advisory services facilitated an estimated 11.6 million microfinance loans; 210,000 housing finance loans; and 2.7 million SME loans, for a total of US$11.4 billion, US$7.3 billion and US$91.3 billion outstanding, respectively.

Partners

The World Bank Group frequently partners with a variety of organizations to advance financial inclusion for Women, including the Alliance for Financial Inclusion (AFI), the G20, financial sector development trusts, UNCDF, the OECD, GIZ, USAID, AusAid, SECO, the Bill and Melinda Gates Foundation, Women's World Banking, The Global Banking Alliance for Women and regional development banks. In September 2013, IFC set up a Gender Secretariat to support clients with integrating women as entrepreneurs, employees and leaders resulting in better business performance and development impact.

To ensure that countries have access to comprehensive technical assistance, capacity-building support and knowledge for meeting their national financial inclusion commitments and targets, Financial Inclusion Support Framework (FISF) was launched. FISF will cover such areas as MSME Finance, Financial Infrastructure, Financial Capability and Consumer Protection, Mobile and Government Payments, Remittances, and Agricultural Finance. More than 15 countries have already requested and received assistance. The FISF also has a knowledge component for Women and Financial Inclusion, which is currently in the design stage.

Beneficiaries

An assessment of a World Bank project including female migrant workers from Indonesia found that financial literacy training for both the migrant worker and the family member entrusted with receiving remittances, resulted in increased financial capability, higher levels of savings, and improved financial management. The World Bank Group is supporting legal reform in the Democratic Republic of Congo to remove restrictions embedded within the Family Code which impede women's ability to make financial and business related decisions. The new Family Code will remove the legal requirement that married women need their husband's written authorization to open bank accounts, get loans, register businesses, enter into contracts, and initiate legal proceedings.

Also in Cote d'Ivoire, wives are no longer barred from being the legal head of household. Married women who previously could not claim tax deductions for their children or husbands can now claim the same deductions as married men, reducing their overall tax burden and enabling women to build their savings and investment potential.

In China, IFC works closely with Bank of Deyang to help extend its services to SMEs and support women-owned businesses in areas affected by the 2008 earthquake. In 2009, IFC approved a US$31 million equity investment to the bank. IFC has also provided gender sensitivity training to Bank of Deyang's managers, and is helping make the business case for the women-owned SME market. As a result, the bank launched a microloan program for women, which has disbursed US$2 million to 322 women entrepreneurs, creating more than 1,000 jobs. The bank also opened the first branch exclusively dedicated to women, aiming to reach 4,300 women-owned SMEs and US$458 million in loans by June 2013. Bank of Deyang became the first Chinese bank to join the Global Banking Alliance for Women.

These results support the following Millennium Development Goals:

- Eradicate extreme poverty and hunger
- Promote gender equality and empower women
- Develop a global partnership for development

However the three big ***challenges*** are: (i) cost; (ii) lack of robust technology; and (iii) lack of awareness.

The World Bank Group works to ensure that full potential benefits of financial inclusion for women are secured by offering technical/advisory assistance and lending support,:

- Increasing the access to finance and markets through partnering with developing countries and financial institutions within the same countries;
- Reducing the gender-based barriers in the business environment;
- Creating business opportunities for institutions and in the private sector to improve working conditions for female employees, market segmentation, and inclusion of women in community relationships;
- Supporting business skills and improving the financial capability trainings for women; and
- Building business cases to ensure equal economic opportunities for men and women.

Conclusion and Suggestions

Though the programs offered by the various bodies have comprehensive coverage of the issues it is still necessary to;

Build the awareness of policy makers and other stakeholders with regard to the financial needs of women in different market segments, bringing women leaders into policy dialogue.
Modify and adjust legal, regulatory and supervisory frameworks, removing impediments and allowing space for innovation to allow greater financial inclusion for women; inform and build awareness where discriminatory legal provisions have been removed, notably with regard to land ownership and property rights, to allow new product development and new distribution channels, including branchless banking and allow for greater development of gender sensitive products.

Research also indicates that providing credit via SHGs and MFIs alone is insufficient in enhancing economic growth and empowerment among entrepreneurial women. Financial counseling is essential in helping women select financial products appropriate for their personal and business needs and re-investing in their businesses. Policymakers must consider instituting mandatory financial counseling from providers when credit products are issued to women, to enhance human capital and entrepreneurial skills.

Lastly, it has been observed that the right to receive equal share in the paternal property of women is filled with constraints, this holds true even in receiving property from a spouse. Access to tangible assets via inheritance is limited, but entrepreneurial women are required to show proof of tangible assets to receive formal credit. This puts entrepreneurial women at a disadvantage compared to entrepreneurial men. Therefore, relaxing Know Your Customer (KYC) guidelines, particularly for women entrepreneurs, might accommodate a larger section of women with limited access to credit. Investing in financial capability programs for women, reinforcing the ability of women to act as informed and educated financial consumers.

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