

Empowering Women through SHGs: Advancing Financial Inclusion

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Abstract

The empowerment of women has emerged as a crucial matter in India, as their exclusion from the development process is both unjust and incomplete. Despite comprising nearly 48.46% of the population, women's participation in economic activities stands at a mere 34%. To enhance the status of women, it is imperative to empower them economically, politically, and socially. Microfinance has become a vital tool for empowering marginalized populations and plays a significant role in rural development. This paper explores the impact of microfinance and Self-Help Groups (SHGs) in reducing poverty, empowering women, and fostering sustainable national development. It also examines the pivotal role of SHGs in women's financial inclusion and empowerment, while addressing barriers such as education and employment. Additionally, the paper highlights the need for increased initiatives, innovations, and interventions in the SHG sector to strengthen the development agenda.

Key words : Financial inclusion, women empowerment, SHGs, Microfinance

Introduction

Since achieving political freedom in 1947, women in India have been deprived of choice and personal freedom. Despite their significant contributions to society and the economy, women face numerous barriers, including cultural attitudes, legal and practical obstacles, lack of education, and personal difficulties. Empowering women has gained prominence as a crucial

issue in latest years, considering that nearly fifty percent of India's population comprises women, yet their work participation is lower than that of men. Recognizing the importance of women's empowerment for national development, efforts are being made to empower women economically, politically, and socially. Financial inclusion, particularly over microfinance and Self-Help Groups (SHGs), plays a pivotal role in providing economic security to disadvantaged women, especially those in rural areas. The Indian government and the Reserve Bank of India (RBI) have implemented financial inclusion policies, including prioritizing lending to rural women. Microfinance and SHGs have proven effective in sinking poverty, empowering women, and fostering sustainable development. These programs have brought about constructive social changes for altogether members, not just the direct debtors of microcredit. However, women's empowerment requires comprehensive support beyond financial inclusion, and the formation of women SHGs has enabled them to achieve social and physical mobility.

Objectives of the study

- To recognize the function of SHGs in empowering women
- To comprehend empowerment
- To analyze the constraints or impediments to women's empowerment.
- To make suggestions for accelerating SHG-based financial inclusion and empowerment initiatives.

Methodology

This research employs secondary data from published sources such as books, reports, articles, magazines, periodicals, and web-based materials. The researchers also rely on NABARD Annual Reports to gather data and information on microfinance, SHG growth, and SHG-Bank Linkage performance.

Conceptual and Functional Architecture

Human development aims to expand opportunities for all individuals, rather than just a specific segment of society. The exclusion of women from the development method renders it unfair and unfinished. In India, women constitute approximately 48.46% of the populace according to the 2011 census, yet their economic participation stands at only 34%. Education plays a crucial role in transforming the status of women within society, reducing inequalities, and improving their standing within the family unit.

Over time, women have been recognized as vital agents for sustainable development. Their contributions and roles are essential not only within the family but also in economic and social progress. The changing dynamics of economic development have significantly impacted the social and cultural setting for women in the nation. Empowering women, particularly in rural India, is indispensable for achieving development goals. Financial inclusion emerges as a key factor in empowering rural women across societies.

Financial Inclusion

Even though inclusive growth has been a prominent philosophy and paradigm in the Indian economy for a number of decades, its actual implementation and scope have remained limited. In 2011, the Index of Financial Inclusion (IFI) assessed the condition of financial inclusion using three variables: penetration (number of adults with bank accounts), availability of banking services (number of bank branches per 1,000 population), and usage (credit and deposit activity). Kerala, Karnataka, and Maharashtra emerged as states with high financial inclusion ($IFI > 0.5$), whereas Tamil Nadu, Punjab, Andhra Pradesh, Himachal Pradesh, Sikkim, and Haryana exhibited moderate financial inclusion ($0.3 < IFI < 0.5$).

India remains behind many developing nations in terms of bank branch density, ATM density, bank credit to GDP ratio, and bank deposits to GDP ratio when measuring financial exclusion. For example, India had only 25.4 ATMs per 1000 inhabitants, whereas China needed a significantly higher number at 2975.05. These statistics highlight the existing gaps in financial inclusion in India, emphasizing the need for further efforts to enhance access to banking services and improve the overall financial landscape in the country.

Financial exclusion

In general, there are two categories of financial exclusion: (a) people who have no access to any financial institution, and (b) people who have limited access to banks and other financial services. Insufficient knowledge of banking products and high transaction costs prevent the unbanked population from engaging with banks. The majority of those who are financially excluded are marginalized farmers, landless laborers, unorganized enterprises, socially marginalized minorities, and women. Commercial banks have sought assistance from various social and financial institutions, such as co-operative banks, where self-help groups (SHGs) are prevalent and play a significant role in promoting financial inclusion.

Microfinance institutions (MFIs) play a crucial role in providing financial services to these excluded population segments. It is crucial for MFIs to collaborate with NGOs and take the initiative to mandate financial education for SHG members. MFIs also actively encourage women to become self-employed by providing loans, subsidies, and marketing assistance for SHG-produced products. Self-Help Groups are an essential factor that contributes positively and constructively to the growth and empowerment of women.

Women Empowerment

The empowerment of women has emerged as a top priority in the 21st century, both at the national and international levels. Government initiatives alone cannot attain this objective. Women must have equal opportunities for decision-making and active participation in the country's social, political, and economic spheres (Succeena, 2016).

Women's empowerment and active participation in all aspects of society are essential for a nation's economic development. Economic empowerment serves as a fundamental prerequisite for empowering women and enabling them to fully participate in society. Entrepreneurial activities undertaken by Indian women can play a significant role in fostering their economic independence and self-reliance. Small loans, particularly through micro-finance, have been observed to be highly beneficial for women as they provide the means to attain independence,

generate income, and achieve self-reliance. Entrepreneurship is universally recognized as a measure of development, and it holds the key to the economic sustainability of a nation, as it not only creates employment opportunities for entrepreneurs themselves but also for others.

Until the 1990s, credit structures specifically designed for rural women were virtually nonexistent. The thought of women's credit emerged as a result of research studies focusing on the discrimination and challenges faced by women in accessing credit. Financial institutions and banks have introduced schemes with a focus on women; however, the progress of women entrepreneurship has not been as significant as desired.

Recent years have witnessed the emergence of empowerment as a significant and positive concept, encompassing various elements such as increased literacy, educational attainment, awareness of rights and responsibilities, active participation in economic activities, enhanced healthcare, equal access to productive resources, and improved living standards. The movement of Self-Help Groups (SHGs) has played a crucial role in achieving women's empowerment across different regions. The key roles identified for SHGs in empowering women include:

- Providing access to economic resources: SHGs offer impoverished women access to financial resources, enabling them to fulfill productive and essential consumption needs.
- Decision-making participation: SHGs empower women to join in decision-making processes concerning economic and financial matters within their families, such as income management, consumption patterns, loan acquisition, and asset transactions.
- Economic and social status improvement: SHGs contribute to the enhancement of women's economic and social standing within their families and communities.

- Self-development opportunities: SHGs provide women with opportunities for education, training, and practical knowledge, allowing them to develop their skills and abilities. Working in a group setting fosters personal growth.

Socio-political participation: Through participation in Village Gram Sabha, Panchayat meetings, and political activities, SHGs enable women to engage in sociopolitical decision-making at the local level.

- Transforming roles and outlook: SHGs empower women by transforming them from being mere housekeepers to becoming organizers, managers, and decision-makers. Women acquire skills and abilities through group interactions.
- Fostering unity and welfare: SHGs promote unity and integrity among members, bridging disparities such as caste, religion, language, and age. This leads to the overall welfare and improvement of families and communities.
- Mobilizing resources: Over time, many individuals within SHGs successfully mobilize resources to develop their enterprises and improve their living conditions gradually.
- Financial services play a crucial role in enabling the impoverished to leverage their initiatives, thereby speeding up the process of acquiring income, assets, and economic security.

Financial literacy, education, and employment

Financial literacy, education, and employment are essential components of a strong financial foundation. The financial tripod comprises financial education, financial inclusion, and financial stability. Financial literacy plays a vital role in empowering women to develop a financial identity, utilize their household savings effectively, and gain access to formal credit for productive

occupations. This economic freedom and power contribute to women's overall empowerment (Dharmarajan, 2018).

Financial literacy is a crucial element in expanding financial outreach as it enables individuals to make informed decisions regarding their financial choices. The positive outcomes of increased financial outreach are reflected in improved human development indicators. Lack of financial literacy is a significant contributing factor to the widespread financial exclusion observed in India. However, Self-Help Groups (SHGs) have debunked the misconception that women cannot save or be considered creditworthy. Their success in saving and becoming bankable demonstrates the transformative impact of financial inclusion and education.

Indicators of women's empowerment through microfinance

Microfinance has emerged as a catalyst for women's empowerment, as evidenced by various indicators. It enables women to save money, access loans, and unlock their entrepreneurial talents. Through microfinance, women gain awareness about the procedures and transactions involved in the financial system, fostering financial literacy. This increased financial inclusion opens up extensive opportunities for women to engage in economic activities and enhances their mobility.

Self-Help Groups (SHGs) play a substantial role in promoting healthy saving and banking habits among their members. They also aim to create awareness among women about ongoing development programs and initiatives. By facilitating economic independence, SHGs empower women and contribute to the improvement of their social status.

Furthermore, women's involvement in decision-making within households and society experiences a positive shift due to the influence of SHGs. There is an increase in the mobilization of groups to support different clients and address social issues. Women actively participate in community development activities, reinforcing their role in shaping societal progress (Sowjanya and Hans, 2018).

Conclusion

Self-Help Groups (SHGs) have played a crucial and constructive role in rural development, enabling women to make substantial contributions to the nation's socioeconomic development. Microfinance has facilitated easy access to financial services and credit for rural households and disadvantaged women, serving as a catalyst for development in both rural and urban areas. However, rural women still face the dominance of patriarchal social systems, often having secondary status in decision-making processes. To surmount this obstacle, the active participation of women in microfinance activities is essential. SHGs have emerged as a significant instrument for financial inclusion and empowerment, benefiting all those who reside within the social framework. Women's participation in education and income generation through financial inclusion are key pathways to break free from societal domination and discrimination. This transformation is crucial for aligning the progress and prosperity of the country. To validate pro-people strategies and programs in the country, such as "Jhan-Dhan," "Skill India," and "Start-up India, Stand up India," the ultimate objective should be the total empowerment of women. Further initiatives, innovations, and involvements in the realm of SHGs will contribute greatly to establishment the development agenda.

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