

Chapter 5

Impact of Financial Inclusion and Microfinancing on Women Empowerment in India: A Review

Richa Nangia

 <https://orcid.org/0000-0002-6128-8648>

K.R. Mangalam University, India

Rashmi Singel

Manav Rachna International Institute of Research Studies, India

Swati Shrivastava

 <https://orcid.org/0000-0003-2122-6837>

Sushant University, India

K. Shama Sharma

K.R. Mangalam University, India

Vijay Anand Dubey

Sushant University, India

ABSTRACT

This chapter explores the multifaceted linkages between microfinancing, financial inclusion, and women empowerment in India. It delves into the key mechanisms through which improved access to microfinancing and other financial services fosters women's economic, social, and political empowerment. The current study helps the financial regulators, government, and the banking industry to know the state of financial inclusion and to analyse the impact and effectiveness of the initiatives and measures taken by them on the empowerment of women in India. It is also providing in-depth knowledge to policy makers to review the existing policies regarding financial inclusion through microfinancing so as to have a substantial impact on women empowerment.

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INTRODUCTION

Indian economy is the one of the largest and fastest growing economy in the world. It is expected that between 2012 and 2014 Indian economy will become 3rd largest in the world by overtaking economy of Japan. The tremendous growth has coincided with better overall performance. Indian entrepreneurs have registered noticeable global presence not only in IT or ITES and knowledge process services but also in world class manufacturing capabilities. Main drivers of Indian economic growth are domestic consumption, service sector, high tech capital intensive industry, human capital, natural resources and so on.

As a catalyst to economic development, the financial system plays a role of intermediation in the mobilization and allocation of savings for productive activities in the economy. While crossing of Indian GDP to over a trillion dollar mark was an important milestone back in 2007, the robust health of Indian financial institutions during the global recession of 2008 was noteworthy when banks and financial institutions across US and Europe were tumbling down. For sustainable economic growth, it is important that all segments of the society get to participate in this growth process and basic utilities like financial services are made available to the excluded ones through Financial Inclusion.

The financial inclusion through microfinancing can be both a catalyst and barometer of women empowerment. With access to micro credit through various microfinancing schemes women do have an opportunity for social and economic empowerment.

Presently 8.16 crore rural women across India have been mobilized into more than 74.98 lakh self-help groups under the DAY-NRLM (Deendayal Antyodaya Yojana – National Rural Livelihoods Mission) umbrella (PIB,2022). Some 3.9 million rural women are mobilized in 40,000 SHG are in the state of Haryana itself (according to the NRLM portal).

As defined by RBI, Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players.

Microfinancing through financial inclusion has emerged as a critical tool for empowering women in India. Microfinance, characterized by the provision of small loans, savings, and other financial services to low-income individuals and marginalized communities, has gained prominence in India as an effective means of financial inclusion. The country has made significant strides in enhancing microfinancing and financial inclusion over the past decade, with various initiatives and policy reforms. Women may build wealth, generate income, manage financial risks, and participate fully in the economy with the help of financial inclusion.

“Financial inclusion is a key element of social inclusion, particularly useful in combating poverty and income inequality by opening blocked advancement opportunities for disadvantaged segments of the population” (Omar, M.A. & Inaba, K. 2020). But various authors and economists in advanced economies, consider Financial Inclusion in a broader prospect and include access to services such as no-frills bank account, check-in account, micro-credit, savings products, remittances & payment services, insurance, healthcare, mortgage, financial advisory services, entrepreneurial credit, pension for old age etc. to excluded groups and people such as marginal farmers, landless labour, workers in unorganized sector, urban slum dwellers, migrants, ethnic minorities and other socially excluded groups, with a purpose to provide equitable opportunities to every individual to avail the facility of formal channels for better life, better living and better income. “One Study draw attention to some issues such as optimal financial inclusion, extreme financial inclusion, how financial inclusion can transmit systemic risk to the formal

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