



Self Help Groups and its Impact on Financial Inclusion in Rural Areas

Dr.K.Vinodha Devi

Assistant Professor, Department of Economics, Kristu Jayanti College, Bangalore.

Padma Nagendra

Assistant Professor, Department of Commerce, Kristu Jayanti College, Bangalore

KEYWORDS :

Introduction

In India, providing access to formal financial services and products has been a thrust of banking policy for several decades. The current thinking at the global level has also had its echo in India, with policymakers at various levels undertaking a wide range of measures to include the excluded or the under-served within the fold of formal finance. One of the initiatives was micro credit through SHGs. A pilot project for purveying microcredit by linking Self Help Groups (SHGs) with banks was launched by NABARD in 1991-92 with a view to facilitating smoother and more meaningful banking with the poor. RBI had been advising commercial banks to actively participate in this linkage programme. The scheme has since been extended to RRBs and co-operative banks. SHGs, in many ways, have gone beyond the means of delivering the financial services as a channel and turned out to be focal point for purveying various services to the poor. The programme, over a period, has become the common vehicle in the development process, converging important development programmes.

Statement of the Problem

In India even after 65 years of independence most of the people in rural areas were not covered under formal banking system. Lack of capital is identified as one of the important reason for rural poverty. SHGs are an instrument of development by providing credit facilities to rural poor. Financial institutions are linked with SHGs for easy access to credit facilities. The ultimate aim of linking financial institutions is to create employment opportunities among the under privileged section fulfilling the co-objective of bringing down the income disparity and other irregularities that co-exist. The study aims at evaluating the role of women SHGs in addressing the issues of Financial inclusion in Kanyakumari District.

Objectives of the Study

The overall objective of the study is to analyze the role of SHGs in achieving financial inclusion in Kanyakumari District. The secondary objectives of the study are:

- 1) To find out the improvement in formal banking after joining SHGs in rural areas.
- 2) To examine the factors influencing the Banking habit in rural areas.

Hypothesis of the Study

On the basis of the above said objectives, the study is pursued to test the following statistical hypothesis:

- 1) Literacy rate is no influencing factor in making use of banking habits of the SHG members.

Methodology

The study is descriptive in nature pursuing with an aim to analyse the financial inclusion through SHGs in Kanyakumari District of Tamilnadu. The analysis is based on primary data collected through semi-structured questionnaire consisting of a mix of factual and attitudinal questions. To analyse the collected data and thereby to draw inference Chi-square test was used.

The Area of Study

Kanyakumari is situated in the southernmost part of the Indian peninsula surrounded by Kerala state in the west and north-west,

Tirunelveli district in the north and east, Gulf of Mannar in the south-east, Indian Ocean in the south and Arabian Sea in the south-west. It is the smallest district in Tamil Nadu and has a total area of 1,684 sq km which is 1.295 percent of the total area of the state. Administrative set-up of the district includes two revenue divisions, four taluk and nine blocks. The District has four Municipalities, six Assembly Constituencies and One Parliamentary Constituency. There are 97 village panchayats and 56 town panchayats. Nagercoil is the headquarters of Kanyakumari District.

Sample Design

As the research focus on the role of SHGs on Financial Inclusion on rural areas the study excludes the SHGs belong to town panchayats and municipalities. The list of SHGs belong to village panchayat was collected from mahalir Thittam office of Kanyakumari District. A total of 500 SHGs was selected from different village panchayats of Kanyakumari District.

Financial Inclusion through SHGs in Rural Areas

In rural areas, the poor are not getting access to the formal financial institutions. This is due to a number of reasons including illiteracy, lack of collateral security, complicated procedures and formalities etc. In recent days, SHGs are used as a tool for including rural population into the mainstream of formal financial system. This encourages the banking habit among rural women which constitutes savings, loans and insurance services. This cannot be achieved through simply opening an account in banks but also educating them about the successful banking products among rural women.

Improvement in Formal Banking Habit

Improvement in banking habit is measured by comparing the banking activities and usage of different banking products before and after joining SHGs.

Table 1 - Improvement in Formal Banking Habit

Particulars	Before Joining		After Joining	
	No. of Respondents	%	No. of Respondents	%
Banking habit	154	30.80	326	65.20
Visited Bank	142	28.40	500	100.00
Operated Separate A/C	116	23.20	402	80.40
Saved amount	26	5.20	185	37.00
Have ATM	32	6.40	186	37.20
Borrowed loan	54	10.80	123	24.60
Pledged jewel	29	5.80	57	11.40
Other transactions	31	6.20	75	15.00

Source: Primary data

Table 1 states that the banking habits of SHG members have improved a lot after joining SHGs. It shows that 30.80 per cent of SHG members have banking habit before joining SHGs and it increased to 65.20 per cent after joining SHGs. Similarly 28.40 per cent have visited banks for various reasons before joining SHGs and almost all the SHG members have visited bank after joining SHGs. The percentage of members who operated separate bank account is

23.20 per cent before joining SHGs and it increased to 80.40 per cent after joining. Other banking facilities such as savings, loans, ATM, pledging jewels are also shows a considerable increase after joining SHGs.

Savings Habit before and after Joining SHG

SHG encourage its member to make regular savings. It is based on the principle of thrift before they avail loans. The savings of an individual member not only help him to avail loan to himself but also provide the needed money for the lending operation of SHGs.

Table: 2 - Savings Habit before and after Joining SHG

Savin 9 ^s	Before Joining		After Joining	
	No. of Respondents	%	No. of Respondents	%
Yes	84	16.80	500	100.00
No	416	83.20	0	0.0
Total	500	100.00	500	100.00

Source: Primary data

Table 2 states that 16.80 per cent of SHG members have savings before joining SHG and it reached to 100 percent after joining SHGs. This shows that there was an inclusion of 83.20 per cent of rural women into the saving culture after joining SHGs.

Savings Amount before and after Joining SHG

SHG encourages rural women to save more by making the procedure simple and more accessible. The awareness programme provided through NGOs and government organization helps the rural women to learn the value of savings.

Table: 3 - Savings Amount before and after Joining SHG

Savings (in Rs.)	Before Joining		Avera ge	After Joining		Average
	No. of Respondents	%		No. of Respondents	%	
Below 500	49	58.33	385	27	5.40	425
500-1,000	27	32.14	752	297	59.40	675
1,000-1,500	8	9.52	1,345	126	25.20	1450
1,500-2,000	0	0	0	36	7.20	1725
Above 2,000	0	0	0	14	2.80	3510
Total	84	100.00	614.40	500	100.00	1,032.75

Source: Primary data

Table 3 states that 58.33 per cent of SHG members save less than Rs.500 and 32.14 per cent of them save between Rs.500 to Rs.1,000 before joining SHGs. There was a significant increase in savings with 59.40 per cent of them saved between Rs.500 to Rs.1000 and 25.20 per cent of them save between Rs.1000 to Rs.1500 after joining SHGs. The members who save above Rs.1500 is zero before joining SHGs and it was 10 per cent after joining SHGs. The average savings of SHG members before joining SHGs is `614.40. This has increased to Rs.1,032.75 after joining SHGs.

The table clearly states that there was a positive shift in the amount of savings after joining SHGs even though there is no much change in the income generating activities. This shift happens because of the increasing awareness created by NGOs and other organizations through SHGs.

Institution of Savings before and after Joining SHG

The absence of formal financial institutions and the awareness related to that makes the rural people depend on other unorganized sources for saving. This problem has comes to an end by linking banks with SHGs.

Table: 4 - Institution of Savings before and after Joining SHG

Particulars	Before Joining		After Joining	
	No. of Respondents	%	No. of Respondents	%
Co-operatives	11	13.10	33	9.65
Nationalized Bank	16	19.05	129	37.72
Pvt. Bank	4	4.76	36	10.53
Post Office	37	44.05	74	21.64
Chit fund	12	14.29	49	14.33
Others	4	4.76	21	6.14
Total	84	100.00	342	100.00

Source: Primary data

Table 4 reveals that 44.05 per cent of SHG members depend on post offices for their savings as they spread throughout the rural areas followed by that 19.05 per cent of SHG members saved in nationalized banks. Most of them who saved in nationalized bank are educated. After joining SHGs 37.72 per cent of them started to save in nationalized banks and followed by that 21.64 per cent of them still depends on post office savings.

The table clearly states that most of the SHG members prefer to save in nationalized banks and post offices in rural areas but the percentage has increased after joining SHGs.

Relationship between Literacy Status and Banking Habits of the Respondents

Before joining SHGs 31 members have saving and banking habits but after joining SHGs, majority of the SHGs members have saving and also banking habit. Table 5 reveals the relationship between literacy and banking habits of the respondents.

Table: 5- Literacy Status of the Respondents and the Banking Habits

Educational Level	No. of Respondents				Total
	Always	Often	Some Times	Once in Month	
Illiterate	15 (6.28)	13 (8.55)	12 (13.48)	4 (20.00)	44 (8.80)
Primary Education	64 (26.78)	42 (27.63)	36 (40.45)	6 (30.00)	148 (29.60)
Secondary Education	125 (52.30)	70 (46.05)	23 (25.84)	5 (25.00)	223 (44.60)
Graduate/ Post Graduate	14 (5.86)	16 (10.53)	10 (11.24)	3 (15.00)	43 (8.60)
Professional	21 (8.79)	11 (7.24)	8 (8.99)	2 (10.00)	42 (8.40)
Total	239 (100)	152 (100)	89 (100)	20 (100)	500 (100)

Source: primary data

The table 5 shows that out of 500 respondents, 239 respondents have always visit banks, 152 respondents have often visit bank, 89 respondents are sometime visit bank and the remaining 20 respondents are once in month visit the bank.

This table shows that the relationship between literacy status of the SHG members and their banking habits in Kanyakumari district. To verify whether the banking habit is dependent on literacy level, the following null hypothesis is formed and is tested with the help of Chi-square test.

Null Hypothesis (Ho)

“Literacy rate is not influencing factor in making use of banking habits of the SHG members”.

Calculated ² value	=	27.993
Table value at 5 per cent level	=	21.023
Degree of freedom	=	12

Since the calculated ² value is greater than the table value, the above hypothesis can be rejected. Hence, it can be concluded that the literacy rate is influencing factor in making use of banking habits to the SHG members. Therefore the second hypothesis is that "Literacy rate is not influencing factor in making use of banking habits to the SHG members" is disproved.

Reason for Savings of SHG Members

Savings of rural women will lend hand during the financial crisis of family. The reason stated for savings were categorized into five different heads such as marriage, education, asset creation, business, safety and others.

Table: 6 - Reason for Savings of SHG Members

Particulars	No. of Respondents	Percentage
Marriage	131	26.20
Education	155	31.00
Asset creation	109	21.80
Business	46	9.20
Future/ Emergencies	59	11.80
Total	500	100.00

Source: Primary data

Table 6 reveals that 31 per cent of SHG members have plans to use their saving for educational purpose and followed by that 26.20 per cent of them for daughter's marriage. Asset creation was the reason for saving for the 21.80 per cent of SHG members and 9.20 per cent of them saves for taking up some entrepreneurial activities and the remaining (11.80%) of them for meeting emergencies in future.

Loan Amount before and after Joining SHGs

Loan facilities availed through SHGs is one of the important elements which attract rural women towards SHGs. The membership in SHGs provides the opportunity to borrow from banks. The banks are also ready to sanction the loan to the members to help them to get away from poverty.

Table: 7 - Loan Amount before and after Joining SHGs

Loan (in Rs.)	Before Joining		Average	After Joining		Average
	No. of Respondents	%		No. of Respondents	%	
Below 5,000	69	55.65	375	54	10.80	410
5,000-10,000	32	25.81	650	251	50.20	750
10,000-15,000	23	18.55	1250	126	25.20	1300
15,000-20,000	0	0.00	0	51	10.20	1750
Above 20,000	0	0.00	0	18	3.60	2550
Total	124	100.00	608.25	500	100.00	1,018.5

Source: Primary data

Table 7 shows that 55.65 per cent of SHG members borrowed below Rs. 5,000 and 25.81 per cent of them borrowed between Rs.5,000 to Rs.10,000 before joining SHG. After joining SHGs 50.20 per cent of SHG members borrowed between Rs.10,000 to Rs.15,000 and 25.20 per cent of them borrowed Rs.30,000 to Rs.40,000. The average borrowing of SHG members before joining SHGs is Rs.608.25 and it has increased to Rs.1,018.50 after joining SHGs.

Source of Loan before and after joining SHGs

People in rural areas especially women depend on informal sources during the period of emergency. The informal sources include local money lenders, private banks, friends and relatives. The interest rate charged by them is relatively high compared to that of formal institutions.

Table: 8 - Source of Loan before and after Joining SHGs

External Sources	Before Joining	After Joining
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	No. of Respondents	%	No. of Respondents	%
Nationalized Bank	18	14.52	314	62.80
Private Bank	23	18.55	108	21.60
Money Lenders	69	55.65	41	8.20
Friends/Relatives	12	9.68	26	5.20
Others	2	1.61	11	2.20
Total	124	100.00	500	100.00

Source: Primary data

Table 8 reveals that 55.65 per cent of SHG members borrowed money from money lenders before joining SHGs. It has reduced to 8.20 per cent after joining. At the same time, 62.80 per cent of SHG members started to use the loan facilities available through formal financial institutions after joining SHGs. The members who borrowed from friends and relatives also started to reduce their transaction from 9.68 per cent to 5.20 per cent after joining SHGs. This shows that the dependency of rural people on informal sources is slowly reducing due to the linkage of banks with SHGs.

Loan through SHGs

Loan is an important factor which makes the Self help group more successful. Four types of loans were availed to SHG members with low interest rate. They are loan from internal fund, bank loans, revolving fund and subsidized loan for business activities.

Table: 9 - Loan through SHGs

Particulars	No. of Respondents	Percentage
Savings loan	222	44.40
Bank Loan	124	24.80
Revolving Fund	103	20.60
Subsidized loan	51	10.20
Total	500	100.00

Source: Primary data

Table 9 shows that 44.40 per cent of SHG member has utilized the loan availed through the internal fund of SHG members. Followed by that 24.80 per cent of them utilized the loan availed through banks after passing the credit rating of the SHGs. Revolving fund has been utilized by 20.60 per cent of SHG members. Only 10.20 per cent of the sample SHG members have taken the subsidized loan from SHGs.

Purpose of Borrowing

SHG members get loan for different purposes. The purposes of borrowing of SHG members are to start business, to educate their children, to meet medical expenses, for marriage expenses, to maintain house, to redeem old debt and for other purposes.

Table: 10 - Purpose of Borrowing

Purpose	No. of Respondents	Percentage
Education	121	24.20
Marriage	119	23.80
Medicine	14	2.80
House Construction	61	12.20
Business	185	37.00
Total	500	100.00

Source: Primary data

Table 10 states that 24.20 per cent of them borrowed loan for the purpose of education and 23.80 per cent of them borrowed amount for marriage expenditure reasons. Only 2.80 per cent of them used the amount for the purpose of health reason. Majority (37%) of the respondents borrowed amount for business activities. It is a welcome trend.

Insurance Habit of SHG Members

Rural households which are already covered under financial products like savings and credit are now like to concentrate on the insurance sector. The insurance sector also started to focus its attention on the potential rural population.

Table: 11 - Insurance Habits of SHG Members

Savings	No. of Respondents	Percentage
Having	66	13.20
Not Having	434	86.80
Total	500	100.00

Source: Primary data

Table 5.48 states that, 13.20 per cent of SHG members are covered under different insurance scheme and 86.80 per cent of them are excluded from insurance sector. The life of these uncovered rural populations is under risk due to various reasons like low income, lack of awareness etc.

Insurance Amount of SHG Members

Rural poor have a higher need for insurance product but they are generally ignored because of their low income.

Table: 12 - Insurance Amount of SHG Members

Insurance (in Rs.)	Before Joining		After Joining	
	No. of Respondents	%	No. of Respondents	%
Below 50,000	9	13.64	61	18.94
50,000-1,00,000	11	16.67	74	22.98
1,00,000-1,50,000	18	27.27	94	29.19
1,50,000-2,00,000	22	33.33	74	22.98
Above 2,00,000	6	9.09	19	5.90
Total	66	100.00	322	100.00

Source: Primary data

Table 12 reveals that 13.64 per cent of SHG members insured for the amount below Rs.50, 000 before joining SHGs. It has increased to 18.94 per cent after joining and before joining SHGs 16.67 per cent of them insured between Rs.50, 000 to Rs.1,00,000 and it has increased to 22.98 per cent after joining.

Further the table shows that, 27.27 per cent of SHG members insured for the amount between Rs.1, 00,000 to Rs.1, 15,000 before joining SHGs. It has increased to 29.19 per cent after joining. At the same time, 9.09 per cent of SHG members insured the amount between above Rs.2, 00,000 before joining SHGs and it has reduced to 5.90 per cent after joining SHGs.

Conclusion

The study states that this programme is a boon to the rural women who often lacks, far behind in access to banking service. The study clearly states that most of the SHG members prefer to save in nationalized banks after joining SHGs and there is a positive shift in the amount of savings after joining SHGs. This shift happens because of the increasing awareness created by NGOs and other organizations through SHGs.

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