

Self-Help Groups: Bridging the Gap for Financial Inclusion

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ABSTRACT

Financial inclusion is very basic necessity in the economic progress of a country. But in most of the developing countries majority people are out of financial awareness ambit. Self -Help Group is one feasible way for the financial inclusion particular in rural area. Self – Help Group (SHG) is a small voluntary association of people, preferably from the same socio-economic background. They come together for the purpose of solving their common problems through self-help and mutual help. The SHG promotes small savings among its members. The savings are kept with a bank. This common fund is in the name of the SHG. Over the last two decades, in India, the Self-Help Groups have achieved many milestones. Various models and innovations, in terms of products and services, have emerged in the recent past in an attempt to achieve greater financial inclusion across the country. SHG are the key for enhancing the saving attitude among people of the country. Thus, no doubt, SHGs are primarily started to overcome financial problem of the neglected section of the society, today also, keeping the financing function as the first priority, SHGs help to boost financial inclusion. Further, the present study discloses that the SHGs members are empowered not only through micro financing activities but also by allied different initiatives. The study reveals that after joining the self-help groups, financial awareness improved and the socio-economic status of the members in the family and society are being increased day after day. Thus, to bring weaker and neglected sections of the society to main stream, self-help group can be one of the strong instruments.

Keywords: Self-Help Groups, Saving, Inclusion, Training, Economic Progress.

I. INTRODUCTION

Financial inclusion is very basic necessity in the economic progress of a country. But in most of the developing countries majority people are out of financial awareness ambit. Self -Help Group is one feasible way for the financial inclusion particular in rural area. Self-help groups are usually informal groups whose members have a common perception of need and importance towards collective action and a SHG is a small economically homogeneous affinity group of the real poor voluntarily coming together to save small amount of money regularly, which is deposited in a common fund to meet member's emergency needs and to provide collateral free loans decided by the group (Abhas Kumar Jha-2000). They have been recognized as a useful tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor through thrift. (V.M. Rao 2002) of course, the basic principles of the SHGs are group approach, Mutual trust, organization of small and Manageable groups, group Cohesiveness, Spirit of thrift, demand, based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity, building and empowerment (N. Lalitha 1998). Theorists consider SHG as a homogeneous affinity group of poor villagers, voluntarily formed, with not less than five members. The group in its formulation does not have very strict guidelines and the decision as to the period of loan rests solely on the

group members (Sudhan Kumar Bera 2011)

Thus, Self – Help Group (SHG) is a small voluntary association of poor people, preferably from the same socioeconomic background. They come together for the purpose of solving their common problems through self-help and mutual help. The SHG promotes small savings among its members. The savings are kept with a bank. This common fund is in the name of the SHG. Usually, the number of members in one SHG does not exceed twenty. Though, the basic objective of Self-help groups is to develop saving capability among the poorest sections of the Society which in turn will reduce dependency on financial Institutions and develop Self-reliance. In India, micro-Finance scene is dominated by Self Help Groups (SHGs) - Banks linkage Programme, aimed at providing a cost-effective mechanism for providing financial services to the 'unreached poor'. (Lakshminarayana K.S.2012).

II. REVIEW OF LITERATURE

M. Anjugam and C. Ramasamy (2007) The study has revealed that landless and marginal farm households and socially backward households participate more in the SHG-led microfinance programme.

R Vijaykumar (2009) in the article on Micro Finance, “Reinstating the SHG Perspective in Micro Finance” attempts to conflate the activities of self-help groups and their federations, the Grameen bank replicators and commercial micro finance institutions, leading to the belief that in empowering the poor the positive attributes of one are shared by the others.

Pushpa Sinha (2010) in her study stated that Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Group (SHGs)-Bank Linkage Programme as a cost-effective mechanism for providing financial services to the Unreached Poor which has been successful not only in meeting financial needs of the rural poor women but also strengthens collective self-help capacities of the poor, leading to their empowerment.

K. Rajendran (2012) said, the micro finance revolution, a recent product of development, ensures the availability of institutional credit and financial inclusion to the poor, who were so far excluded from the institutional credit system. This paper, in a different manner, is a small attempt to know the way in which SHG can promote financial inclusion by different methods.

III. OBJECTIVES

1. To know the purpose of saving by common people in the system.
2. To examine the impact of training and exposure visits in SHGs.
3. To understand the Perceptions of Community towards the Self-Help Groups in the Eyes of Self-Help Group Members
4. To identify the contribution of SHGs in social activities.

IV. METHODOLOGY OF STUDY

The study is based on both primary and secondary data. The primary data were collected with the help of specially prepared Questionnaires. Totally more than 170 self-help groups (more than 300 members) were included in the sample from the three coastal districts of Karnataka like Uttara Kannada, Udupi and Dakshina Kannada. The members of sample SHGs belonging to three different promoters, i.e. NGO, Co-operatives and the Government. The majority of questionnaire was served to the members of SHGs belonging to the OBC (Other Backward Castes), Scheduled Caste (SCs), and Scheduled Tribes (STs). All three districts are given due preference in collection of data. The reference year is 2023-24. Secondary data were collected from various publications of NABARD, Banks and other governmental and nongovernmental organizations, Microfinance institution reports and also from internet. In order to examine the various objectives of the study all conventional statistical tools are used. The socio-economic impact of the study has been done on the basis of primary data collected. Thereafter, tabular analysis is done to understand the socio-economic impact of the study the data were analyzed by using the simple percentage, average and graphs wherever appropriate.

V. ANALYSIS

Over the last two decades, in India, the Self-Help Groups have achieved many milestones. Various models and innovations, in terms of products and services, have emerged in the recent past in an attempt to achieve greater financial inclusion across the country. The SHG model has often experimented and set examples by successfully undertaking various agendas ranging from women related issues to issues of community development, and additionally, by establishing market linkages for rural women entrepreneurs.

1. Purpose of savings and SHG:

SHG are the key for enhancing the saving attitude among people of the country. So, in the beginning of this analysis, it may be suitable to know that what makes Self-help Group members to save more after they join to the self-help group. Majority of the time people may not have a proper order of thinking in efforts in their life.

Table No -1: Main Purpose of savings (order of Preferences)

S.no	Purpose of savings	In number	In Percentage
1	Education	201	67
2	Social Security	199	66.33
3	Medical	182	60.67
4	Self-Respect	181	60.33
5	Agriculture	177	59
6	Emergencies	173	57.66
7	Marriage	169	56.33
8	Festivals	165	55
9	Asset Building	155	51.67

Source: Primary data

Training, advice and suggestion change their way and order of thinking. Everybody in the society usually having vague idea of saving for their future life. But, they may not aware how the purpose of saving should be prioritized and how much should be saved. After they join and become the member of the self-help group, they find the answer to all these types of ignorance and doubts in due course of time. The following table (Table No.1)) and graph (Fig.No.1)) tried to throw light upon their order of preference in saving the money after became the member of SHGs.

67% (201) members said for giving education to the children is the first priority of saving. They understood that without education it is difficult to progress in the society. Thus, they want to see their children in better position so they would like to save for the education expense of their children in future. 66.33% (199) members gave the social security as the second priority of saving. 60.67% (182) members would like to save for future medical expenses. They are afraid of ill health in the future. According to preference it is given third priority. To have self-respect one should have some amount of savings so 60.33% (181) members given importance to self-respect as the priority.

Good number among the members are having a small piece of agriculture land they want to develop agriculture so 59% (177) members said savings for agriculture development. 57.66% (173) members given next priority to emergencies, unexpected problems. 55% (165) member saving is for celebration of festivals, they gave eighth priority in importance. Last but not least the priority is given to Asset Building. (Table No.1) With this table one can arrive at such inferences that becoming member of SHG groups not only teach them just saving the money, in the process they learn why we have to save and how we have to full fill our future expenses and dream. Thereby met our wants and unexpected incidents. Thus, SHG create awareness about saving through which promote financial inclusion.

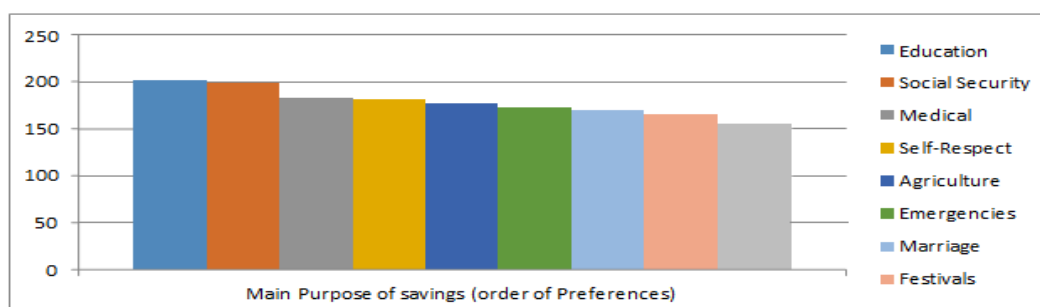


Fig. No -1: Main Purpose of savings (order of Preferences)

2. Impact of Training and Exposure Visits:

Usually, SHGs conduct different types of training and exposure visits to its members to create awareness about different aspects, mainly regarding financial matters. Such trainings are directly or indirectly creating their own impact on the total attitude of members.

Table No -2: Impact of Training and Exposure Visits

Impact	In number	In Percentage
Confidence Building	132	44
Bank Linkages	120	40
Enhanced Income and earnings	108	36
Active Participation in decision making in family	96	32
Knowledge on rights, entitlements and development programmes	84	28
Skill Development	72	24
Marketing Linkage	60	20
Linkages with Govt. Officials	48	16
Active Participation in Development Programmes	36	12
Awareness about adjustment	24	8
Managerial efficiency for Micro enterprise development	12	4

Source: Primary data

As per the Impact evaluation of Training and Exposure Visits in SHGs ,44%, (132) members who attended the Training said that the training helped them to build up their confidence in their work. Get Confidence to do good work in life is something more than all the other things in once life. Most of the time particularly rural people may not have much knowledge of banking matters. Self-help group through training and visit makes such people in the contact of banks. 40% members (120) said after orientation and training they could be able to understand banking transaction and improved their knowledge of banking sector.

Training has its own impact on their day today life. After training 36% (108) members could be able to increase their earnings. It is simply because, whatever the work they carry in their daily life they started to do it more efficiently. Particularly female members of the family are given very less opportunity in decision making the family matters, training in self-help groups helped such 32% (96) members actively participate in decision making of the family and save a part of money in financial institutions. Knowledge on rights, entitlements and development programmes are also improved among self-help group members after getting orientation and training. 28% (84) members said training helped them a lot in such matters.

Orientation and training made positive effects on the certain skills of the self-help group members. 24 % (72) members agreed on this issues. Production of a good is one of the difficult task, at the same time marketing of the product is even more difficult task, Training and Exposure Visits helped to know marketing technique and linkage to a certain members of self-help groups. 20 % members agreed on this matter. Interact with govt officials in Indian context, particularly rural people still believe is highly difficult work, because of such thinking they could not make avail the facility actually they deserve to get. 16% members said training in self-help groups one or the other way helped them. Adjustment is one of the important qualities of human being. but most of the time we are not aware about that, training help to develop such qualities in us. 8% (24) member agreed this matter. Training improves Managerial efficiency for Micro enterprise development, the same happened a few members of self-help groups after training and exposure tour. (Table No -2)

Thus, Orientation /Training / Exposure tours are one of the essential feature of Self-help Groups, it is conducted basically to improve their savings ability, indirectly lead to financial inclusion.

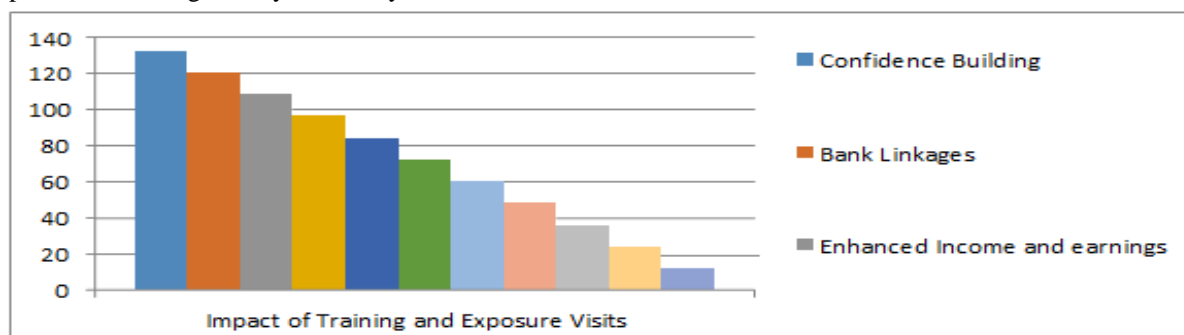


Fig. No -2: Impact of Training and Exposure Visits

Source: Primary data

3. Perceptions of Community towards the Self-Help Groups in the Eyes of Self-Help Group Members:

A few years back Self-Help Group was a new concept, people were not ready to accept it, they are scared about it, but today scenario is changing. Thus, the study examined the perceptions of community towards the self-help groups in the eyes of self-help group members. As per member's view 72% of their society people said it is a well-organized group, 40% members said members of self-help groups would like to have good relationship with people, 36% member said they can create awareness, 56% members said that they can increase the savings of the society. And 52% members said that they can also build up neighbor's self-confidence. (Table No.3) Thus, self-help group members can play a number of new roles in the eyes of the society.

Table No -3: Perceptions of Community towards the Self-Help Groups

Area of Perceptions	Out of 300 respondents	Percentage
Well Organized group	216	72
Good relationship with people	120	40
Create Awareness	108	36
Control over saving	168	56
Self confidence	156	52

Source: Primary data

VI. CONCLUSIONS

Thus, no doubt, SHGs are primarily started to overcome financial problem of the neglected section of the society, today also, keeping the financing function as the first priority, SHGs help to boost financial inclusion. In addition, the present study discloses that the SHGs members are empowered not only through micro financing activities but also by allied different initiatives. The study reveals that after joining the self-help groups, financial awareness improved and the socio-economic status of the members in the family and society are being increased day after day. Thus, to bring weaker and neglected sections of the society to main stream, self-help group can be one of the strong instruments.

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