
Self-Help Groups Catalyst to Financial Inclusion of Rural Women – A Case Study of Dakshina Kannada District, Karnataka.

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ABSTRACT

Financial Inclusion primarily to extend the banking and financial services to the unbanked sections of the society and the marginalized rural population at a reasonable and affordable cost. Financial Inclusion as a part of Inclusive Growth Strategy has been a pragmatic attempt to empower the rural poor and especially the rural women to achieve a sustainable development effective since Eleventh Five Year Plan. If we consider the demographic structure of Indian society, above 70% of the people live in rural areas and more than 48% of them are women. Since women play a significant role in rural social and economic life; success of financial inclusion for a sustainable growth also directly or indirectly depends on participation of women. The greater segment of the rural women are deprived portion of the rural population and are generally confined to the household chores in a gender biased patriarchal family structure. This paper is an attempt to understand how the Self-Help Groups (SHGs) created a platform for the deprived section of the rural population; particularly the women to look beyond the traditionally confine zone to achieve social and economic independence.

Key Words

Self-Help Groups (SHGs), Women Self-Help Groups (WSHG), Women Empowerment, Financial Inclusion

1. INTRODUCTION:

“Investing in Women Entrepreneurs is Smart Economics”

- Caroline Anstey, Managing Director, The World Bank.

Financial Inclusion as a pro-poor growth strategy effective since Eleventh Five Year Plan with a focus to involve the people from all sections of the society to achieve a sustainable economic development. Financial Inclusion as a growth policy aims at enabling the low income and economically disadvantaged sections of the society to have an access to financial resources at an affordable cost ensuring their individual dignity. The success of financial inclusion and inclusive growth strategy is impossible without an active participation of the women as they play a very significant role in family, social and economic life even in a patriarchal society they live.

The Government of India and Reserve Bank of India have made rigorous efforts to implement financial inclusion policy initiatives introducing new financial services and products, simplification and relaxation of regulatory guidelines of lending and borrowings, etc., in order to achieve success in sustainable financial inclusion and development. The Principle of 5 A's (such as Adequacy, Availability, Affordability, Accessibility and Awareness about the financial services and products like savings and savings accounts, credit sources, payment and money transfer facilities and instruments, financial security and insurance facilities, etc.), No Frill Accounts (NFA), relaxation on KYC (Know Your Customer) policy restrictions, encouraging the banks to work as Business Correspondents (BC) and Business Facilitators (BF), Mobile

Banking and Mobile Based Remittance Services, Adhaar Enabled Payment Systems (AEPS), Self Help Groups – Bank Linkage Programme (BSLP) started as a pilot project to extend the financial services to the rural poor and disadvantaged by NABARD in 1992, Micro-finance facilities, etc.

2. OBJECTIVE OF THE STUDY:

The study has the following listed objectives:

- a) To understand the social and economic conditions of the life of women living in rural areas, particularly in the sample study area Dakshina Kannada District.
- b) To know about the different Self-Help Groups (especially Women Self-Help Groups) operating in the sample study area and to understand the role they play in economic empowerment of rural women educating the members of the groups about financial resources and services available.
- c) To understand the changes in their financial conditions joining the Self-Help Groups as members.

3. METHODOLOGY OF THE CASE STUDY:

This paper is mainly based on the finding of the case study conducted by choosing members of the Women Self Help Groups randomly Dakshina Kannada District of Karnataka State. A total of 210 respondents from 42 Women Self Help Groups (05 members from each of the WSHGs) interviewed randomly. The members are from diverse social, religious, economic and cultural backgrounds. The random sample of 210 members consisted of Hindus (166 respondents – 79.05%), Muslims (11 respondents - 5.24%), Christians (25 respondents - 11.9%) and others (08 respondents - 3.81%). The Social Class based distribution of the respondents involves forward class (34 respondents – 16.2%), the backward class (132 respondents - 62.8%) and SC (31 respondents – 14.8%) and ST (13 respondents – 06.2%). The total number of BPL cards category are 163 (77.6%) and the rest 47 respondents (22.4%) belong to APL Card category. The members of these Self Help Groups chosen for study are of different age groups ranging from 18 years to above 70 years of age. Some of them are the lone bread earner of the family, some of them are widows, unmarried, divorced also. In observation to their response 1.4% of them (03 respondents) are illiterate.

In order to analyze how the SHGs brought a change in their occupation structure through a better access to the financial resources and financial regularity, information on the nature of the occupation, borrowings, sources of credit, regularity in repayment of borrowings, changes in monthly income and savings prior to joining and after joining the Self-Help Groups were collected and assessed.

4. ROLE OF SELF-HELP GROUPS (SHGs) IN FINANCIAL INCLUSION OF RURAL WOMEN AND ECONOMIC EMPOWERMENT:

The Self Help Groups (SHGs) is instrumental in involving rural women and encourage them to participate in various programmes of financial inclusion for sustainable development and women empowerment. The efforts of Self-Help Groups (SHGs) through various programmes help the women to have an access to income generating financial instruments, investment schemes, working capital sources by way of micro-financing, Bank linkage programmes and other financial inclusion policies. The financial education, awareness and access to various financial sources helps the members of SHGs to involve in various income generating activities and gain economic independence. The financial inclusion of rural women is decisive to achieve economic empowerment of rural women. Self Help Groups (SHGs) involve in various financial inclusion programmes such as collective financial and entrepreneurial activities (i.e., savings, loans, group credits, collective income generation, bank-linkage programmes, etc.) to empower women. The SHGs educate the rural women about financial inclusion and ensure them an access to the available financial services and credit facilities at an affordable cost. The SHGs – Bank linkage programme initiated by NABARD in three different models [(i) SHGs formed and financed by the banks, (ii) SHGs formed by the formal agencies other than banks the NGOs and others but financed by the banks, (iii) SHGs financed by the

banks using NGOs and other agencies as financial intermediaries] during the period from 1992 to 2005 encouraged various forms of SHGs functioning such as the Self Help Groups promoted and supported by the banks, those SHGs promoted by NGOs but financed by the banks, SHGs promoted by NGOs and also funded by NGOs and formal agencies, etc. The central and state governments initiated various policies and programmes to empower rural women by financial inclusion through Self Help Groups. The Union Budget 2011-'12 has proposed to set up a "Women SHG's Development Fund" with a corpus of Rs. 500 crores. The Government of India created this fund to empower women and promote their Self Help Groups (11) and it is operated by NABARD (12) through its two major micro finance funds – Financial Inclusion Fund (FIF) and Financial Inclusion Technology (FIT).

4.1. Findings of the Study:

The observation made and the inference drawn from the case study shows that majority of the respondents were financially Prior to joining the Self-Help Groups (SHGs) most of the respondents were economically ignorant of the banking and financial services available to the poor and deprived segments of the society and also the modern financial tools and techniques like ATM, Mobile Banking, Money Transfer, etc.,and economically dependent on others. Moreover, majority of them were not having any bank account in their name prior to their joining the Self Help Groups - either promoted by the government (Stree Shakti groups) or sponsored and supported by the NGOs like SKDR, NavodayaGramaNiketan Charitable Trust (NGVCT), etc. Today they feel more confident, entrepreneurial, focused, economically independent, and capable of participating in social and economic activities individually and collectively.

4.1.1: Changes in Household Borrowings:

The following Table – 1 narrates the amount by the respondents distributed in different Annual Household Income categories prior to joining the Self-Help Groups. Majority of the respondent (43.81%) could have access to financing sources amounting less than Rs.25,000 and only 7.62% of the respondents could have access to greater amount of finances. Moreover, in No Debts/Liabilities category a good number of respondents really unable to get loan facilities since they were not able to afford the cost of credit available.

Table – 1: Respondents based on their Household Borrowings (in rupees) prior to joining the SHGs

Annual Household Income (in Rupees)	Number of Respondent s /Percentage	Respondents based on their Household Borrowings (in rupees) prior to joining the SHGs					Total
		Below 25,000	Between 25,001 and 50,000	Between 50,001 and 1,00,000	1,00,001 and above	No Debts / Liabilities	
50,000 and below	Number	27 (60.0)	08 (17.8)	03 (06.7)	--	07 (15.5)	45 (100)
	Column %	29.35	15.7	09.4	--	43.75	21.4
Between 50,001 and 1,00,000	Number	19 (50.0)	14 (36.8)	02 (05.3)	01 (02.6)	02 (05.3)	38 (100)
	Column %	20.65	27.45	06.25	05.3	12.5	18.1
Between 1,00,001 and 1,50,000	Number	38 (64.4)	05 (08.5)	12 (20.3)	03 (05.1)	01 (01.7)	59 (100)
	Column %	41.31	09.8	37.5	15.8	06.25	28.1
Between 1,50,001 and 2,00,000	Number	06 (12.2)	19 (38.8)	14 (28.6)	07 (14.3)	03 (06.1)	49 (100)
	Column %	06.52	37.25	43.75	36.8	18.75	23.3
2,00,001 and above	Number	02 (10.5)	05 (26.3)	01 (05.3)	08 (42.1)	03 (15.8)	19 (100)
	Column %	02.17	09.8	03.1	42.1	18.75	09.1
Total	Number	92 (43.81)	51 (24.28)	32 (15.24)	19 (09.05)	16 (07.62)	210 (100)
	Column %	100	100	100	100	100	100

However, the respondents' ability to borrow as per their need has improved reasonably since they joined the Self-Help Groups (SHGs) as evident from the Table -2. The table shows a movement of respondents from below 25,000 credit category to the next two levels and moreover, three members in the no credit/liabilities column moved to the category of borrowers and is an indication that the members of the groups are able to have a better access to financial resources at reasonable cost.

Table – 2: Respondents based on their Household Borrowings (in rupees) after joining the SHGs

Annual Household Income (in Rupees)	Number of Respondents /Percentage	Respondents based on their Household Borrowings (in rupees) after joining the SHGs					
		Below 25,000	Between 25,001 and 50,000	Between 50,001 and 1,00,000	1,00,001 and above	No Debts / Liabilities	Total
50,000 and below	Number	07 (15.6)	04 (08.9)	26 (57.8)	02 (04.4)	06 (13.3)	45 (100)
	Column %	33.33	06.2	29.9	08.0	46.1	21.4
Between 50,001 and 1,00,000	Number	05 (13.2)	04 (10.5)	23 (60.5)	05 (13.2)	01 (2.6)	38 (100)
	Column %	23.81	06.2	26.4	20.0	07.7	18.1
Between 1,00,001 and 1,50,000	Number	07 (11.9)	33 (55.9)	16 (27.1)	02 (03.4)	01 (01.7)	59 (100)
	Column %	33.33	51.6	18.4	08.0	07.7	28.1
Between 1,50,001 and 2,00,000	Number	02 (04.1)	22 (44.9)	14 (28.6)	09 (18.3)	02 (04.1)	49 (100)
	Column %	09.53	34.4	16.1	36.0	15.4	23.3
2,00,001 and above	Number	--	01 (05.3)	08 (42.1)	07 (36.8)	03 (15.8)	19 (100)
	Column %	--	01.6	09.2	28.0	23.1	09.1
Total	Number	21 (10.0)	64 (30.5)	87 (41.4)	25 (11.9)	13 (06.2)	210 (100)
	Column %	100	100	100	100	100	100

The changes in the number of respondents in various categories is also due to the fact that borrowing for the productive investment has been increased that in turn could add to the income of the respondents.

4.1.2. Changes in the Ability to Repay the Loan:

As shown in Table – 3, it was only 5.2% and 32.4% are able to repay the borrowed loan in advance and on time respectively; however, 54.8% of the respondents from different Annual Household Income category are not in a position to repay the borrowed loan either on time or in advance. Their inability to repay on time to mainly attribute to the exorbitant rate of interest charged by the sources of finance or by the unproductive investment of the borrowed money such as consumption expenditure like festivals, purchase of home appliances, and primarily to repay the old loan, etc.

Table – 3: Respondents based on their Regularity in Loan Repayment prior to joining the SHGs

Annual Household Income (in Rupees)	Number of Respondents /Percentage	Respondents based on their Regularity in Loan Repayment prior to joining the SHGs				
		No Borrowings	In Advance	On time	Not On Time	Total
50,000 and below	Number	09 (20)	02 (04.5)	28 (62.2)	06 (13.3)	45 (100)
	Column %	56.25	18.2	41.2	05.2	21.4
Between 50,001 and 1,00,000	Number	03 (07.9)	05 (13.2)	22 (57.9)	08 (21.0)	38 (100)
	Column %	18.75	45.4	32.4	07.0	18.1
Between 1,00,001 and 1,50,000	Number	01 (01.7)	01 (01.7)	07 (11.9)	50 (84.7)	59 (100)
	Column %	6.25	09.1	10.3	43.5	28.1
Between 1,50,001 and 2,00,000	Number	--	02 (04.1)	05 (10.2)	42 (85.7)	49 (100)
	Column %	--	18.2	07.3	36.5	23.3
2,00,001 and above	Number	03 (15.8)	01 (05.2)	06 (31.6)	09 (47.4)	19 (100)
	Column %	18.75	09.1	08.8	07.8	09.1
Total	Number	16 (07.6)	11 (05.2)	68 (32.4)	115 (54.8)	210 (100)
	Column %	100	100	100	100	100

As evident from the Table – 4, respondents after joining the Self-Help Groups (SHGs) have been educated about the nature of borrowing, sources of finance, rate of interest, need for productive investment to generate additional income and also maintain creditworthiness by making on-time or advance repayment of the loan. Since, the SHGs creating the group liability the members have become more regular in their financial transactions and commitments. As shown in the Table-4, the number of load defaulters has gone down from 54.8% to 21.9% and the respondents making loan repayment on time have gone up by 23.3% (i.e., from 32.4% to 55.7%).

Table – 4: Respondents based on their Regularity in Loan Repayment after joining the SHGs

Annual Household Income (in Rupees)	Number of Respondents /Percentage	Respondents based on their Regularity in Loan Repayment after joining the SHGs				
		No Borrowings	In Advance	On time	Not On Time	Total
50,000 and below	Number	07 (15.6)	02 (04.4)	31 (68.9)	05 (11.1)	45 (100)
	Column %	53.8	05.9	26.5	10.9	21.4
Between 50,001 and 1,00,000	Number	02 (05.2)	05 (13.2)	29 (76.3)	02 (05.3)	38 (100)
	Column %	15.4	14.7	24.8	04.3	18.1
Between 1,00,001 and 1,50,000	Number	01 (01.7)	03 (05.1)	33 (55.9)	22 (37.3)	59 (100)
	Column %	07.7	08.8	28.2	47.8	28.1
Between 1,50,001 and 2,00,000	Number	--	16 (32.65)	17 (34.7)	16 (32.65)	49 (100)
	Column %	--	47.1	14.5	34.8	23.3
2,00,001 and above	Number	03 (15.8)	08 (42.1)	07 (36.8)	01 (05.3)	19 (100)
	Column %	23.1	23.5	06.0	02.2	09.1
Total	Number	13 (06.2)	34 (16.2)	117 (55.7)	46 (21.9)	210 (100)
	Column %	100	100	100	100	100

The regularity in repayment also enabled respondents as they have observed to go for higher amount of borrowing at a further lower rate of interest and better repayment period.

4.1.3. Improved Household Income and Savings:

The study also revealed that the respondents' monthly income has increased by almost an average of 8.5% in comparison to their monthly income prior to joining the SHGs. The study also shows that the average monthly savings of the respondents has increased by 43% after joining the SHGs.

The respondents are now having either one or two bank accounts in their name and understand better the banking and financial transactions and governing rules. As members of the SHGs they are able to

-) develop awareness about the importance savings and habit of thrift
-) reduced influence of the unorganized financial agencies,
-) have an easy access to various financial services and larger quantum of resources with better delivery mechanism like SHGs – Bank Linkage programme, Micro Finance, etc.
-) get concessions in transaction costs of the banks as a result of high repayment rates of women's groups (due to joint liability and peer pressure) leading to greater willingness on the part of financial agencies and banks to lend to poor women of rural areas,
-) to have an access to various categories of promotional assistance available in income generating entrepreneurial activities,
-) to mobilize public and private sector services for their benefit and gain,
-) learn about better credit management skills,
-) the members of the SHGs feel the contentment of being treated with respect and dignity,
-) better living conditions and standard of living,

CONCLUSION:

The Self Help Groups educate the rural women about participation in economic and financial services, savings and productive investments, and other provisions enhancing financial literacy. The financial inclusion through SHGs helps in developing financial accountability among the beneficiaries due to Peer monitoring, Joint Liability, Compulsory saving and mobilizing, homogeneity and affirmation of the members of the groups, etc. It is clearly evident the Self Help Groups (SHGs) exhibit the potential needed to make the financial inclusion a reality in rural India. Thus, Self Help Groups (SHGs) created a platform as an agency to educate and include the rural women in inclusive growth process of the country to attain a sustainable development with better awareness about their personal rights and choices.

“Without the active participation of women and the inclusion of the perspectives at all levels of decision making, the goals of good governance and inclusive, transparent democratic processes cannot be achieved”

- Omar Jazi

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