

THE FINANCIAL INCLUSION AND SELF-HELP GROUPS IN ELAPPARA VILLAGE

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Abstract

Financial inclusion is the best way that financial service has to reach common people and to overcome the poverty. The technological improvement and communication networked services are accessed or used only by the employees and educated persons. Still the poor, low income, illiterate or women are excluded from this financial service. There are number of factors affecting access to financial services by weaker section of the society. The barriers are the lack of awareness, low incomes and assets, social exclusion, illiteracy, the distance from bank branch, branch timings, cumbersome banking procedure & requirements of documents opening bank accounts, unsuitable banking products or schemes, language, high transaction costs and attitudes of bank officials. As a result the weaker sections approach informal financial sector as it is easily available even though it is costly. SHG linkage model is one of the successfully operated models of micro finance in India. Under this model, the SHGs are financed by bank without any collateral. Such model also helps to reduce transaction costs, proper monitoring of funds by group members, economic empowerment of SHG members by collective decision making etc. This paper assess the thrift & credit practices and lending & repayment pattern of loan availed by SHG members. The study concluded that there is a good improvement in the household financial status of the SHG members after joining SHGs. The loan given by banks and the group has enabled them to improve their standard of living. It has also inculcated financial discipline among the members and the collateral free loans at an affordable cost relieved them from the clutches of private money lenders.

Key words: Financial Inclusion, SHGs, Loans, Savings.

Introduction

Inclusion of each and every section of the society in the process of economic development and achieving growth with equity is the basic objective of inclusive growth. Financial inclusion is considered as a major living force to achieve self-sustained inclusive economic growth. Financial inclusion is an attractive and popular term in financial circles which have got global attention recently. Financial inclusion is the best way that financial service has to reach common people and to overcome the poverty. The technological improvement and information and communication networked services are accessed or used only by the employees and educated persons. Still the poor, low income, illiterate or women are excluded from this financial service. There are number of factors affecting access to financial services by weaker section of the societiespecially the people living in remote and hilly area. The barriers are the lack of awareness, low incomes and assets, social exclusion, illiteracy, the distance from bank branch, branch timings, cumbersome banking procedure & requirements of documents opening bank accounts, unsuitable banking products or schemes, language, high transaction costs and attitudes of bank officials. As a result the weaker sections approach informal financial sector as it is easily available even though it is costly. Hence there is a need for financial inclusion to build uniform economic development, both spatially and temporarily, and ushering in greater economic and social equity (Karthikeyan, 2010).SHG linkage model is one of the successfully operated models of micro finance in India. Under this model, the SHGs are financed by bank without any collateral. Such model also helps to reduce transaction costs, proper monitoring of funds by group members, economic empowerment of SHG members by collective decision making etc.

Review of literature

India has witnessed unprecedented growth in mobilization of deposits, extension of credit, usage of innovative financial services etc. However access to finances and its services are very limited and many a times not available to poor and vulnerable groups where majority of the Indian population lie(Archana, 2013). Financial inclusion refers to delivering of banking services to masses including privileged and disadvantaged people at an affordable terms and conditions. The three aspects of financial inclusion are (i) access financial markets (ii) access credit market and (iii) learn financial matters(Athul, 2012). Financial inclusion not only means that opening of savings bank account but imply creation of awareness about the financial products, education

and guidance of money management, offering debt counseling etc by banks (Nagaraja & Pallavi, 2013). Promotion of financial inclusion has been an important social and financial need across countries. In India the responsibility of ensuring financial inclusion lies with the commercial banks subject to the guidelines of the central bank (Arup & Sabyasachi, 2012). With increasing demand for rural finance and the inadequacies of formal sources, the MFIs have immense opportunities in the new avatar of micro credit in India (Suresh & Sadananda, 2011). Micro finance through SHGs has become an important vehicle to meet the savings and credit needs of the poor, especially women in rural areas (Rekha & Manika). SHG linkage model is one of the successfully operated models of microfinance in India. Under this model, the SHGs are financed by bank without any collateral, peer group promise is considered as collateral by the lenders. The SHGs comprising predominantly women groups help in the social causes of alleviation of poverty, increase of sustainability, reduction of vulnerability, improvement of capacity building and help the weaker sections build assets (Balbir & Sivakumar, 2009).

Objectives

1. To identify the thrift and credit practices of Self Help Group members.
2. To analyze the lending and repayment pattern of loans availed from banks.

Hypotheses

1. There are some differences in the savings of the members before and after their participation in the self-help groups.
2. There are some differences in the quantum of loan availed by the members before and after their participation in the self-help groups.

Methodology

Both secondary and primary data are used for the study. The secondary data is collected from, books, journals, official reports and websites. The primary data was collected from 60 SHG members in Elappara village by means of structured interview schedule. The collected data is analyzed by using SPSS. The tools of analysis were percentages and paired samples t test.

Results and discussions

The table 1 shows the general profile of the self-help group members in Elappara village. From the table it is obvious that majority of the members are females, between the age group of 20-40, either illiterate or primary level education, doing coolie or plantation work, with a monthly income below Rs.10000.

Table 1
Profile of respondents

Respondent's Characteristics	Number of respondents [n=60]	Percentage
<i>Gender</i>		
Male	18	30
Female	42	70
<i>Age</i>		
Below 20	12	20
20-40	30	50
Above 40	18	30
<i>Educational status</i>		
No formal education	30	50
Primary	18	30
Secondary	12	20
<i>Occupation</i>		
Coolie	18	30
Plantation work	6	10
Business	12	20
House wife	6	10
Others	18	30
<i>Monthly income</i>		
Below 10000	6	10
10000-20000	54	90

Source: survey data

The thrift and credit practices among the members are identified by means of the five parameters viz., bank account, quantum of savings, quantum of loan availed, purpose of loan and default in repayment. Table 2 depicts that 80 percent of the members were not holding any bank account when they joined the SHGs. But all of them have got bank account when they joined the Group. Majority of the members (36%) had savings less than 200 per month before their participation in the group. But it has changed to Rs.400-600 (43.34%) when they joined the group. It shows that there is a considerable improvement in the savings of the members when

they got joined the SHGs (table 3). The hypothesis fixed at the outset is tested by applying the paired samples t-test to know that whether there is any significant change in the savings of the members when they joined the group. The result has led to the rejection of null hypothesis. The interpretation is that there is a significant difference in the savings of the members when they joined the SHGs (table4).

Table 2

Number of bank account holders

	After participation in SHG		Total
	Yes	No	
<i>Before participation in SHG</i>			
Yes	12		12
No	48		48
Total	60		60

Source: survey data

Table 3

Quantum of savings

	After participation in SHG			Total
	200-400	400-600	Above 600	
<i>Before participation in SHG</i>				
Less than 200	20	8	8	36 (60%)
200-400	0	18	0	18 (30%)
400-600	0	0	6	6 (10%)
Total	20 (33.33%)	26 (43.34%)	14(23.33%)	60(100%)

Source: survey data

Table 4

Test statistics

Particulars	Mean	Standard deviation	T value	Sig
Savings -before	1.5	0.676	-12.051	.000
Savings - after	3.1	0.951		

Source: compiled by the researcher

Table 5 depicts the quantum of loan availed by the group members before and after their participation in the group. Forty percent of the members took loan in between 15000 to 30000 before their participation in the group. But eighty percent of the respondents availed more than thirty thousand rupees as loan after their participation in the group. The hypothesis set towards this end viz., there is no significant difference in the quantum of loan availed by members before and after their participation in the group is rejected. The interpretation is that there is a significant difference in the quantum of loan availed by members before and after their participation in the SHGs (table 6). The major sources of loan for the members before their participation in the group were private money lenders (table 7). The purpose for which the loan was taken by the members before their participation in the group is for meeting their household expenditure including medical and marriage expenses (80%). But the trend has changed when they participated in the SHGs. Now they are taking the loan for productive purposes viz., agricultural related activities and business (70%) and ultimately this has led to an increase in their income and savings (table 8). Seventy percent of the members have made default on either principal repayment or interest before their participation in the group. But no default on the same has been made by the members when they joined the group (table 9).

Table 5
Quantum of loan availed

	<i>After the participation in SHG</i>			Total
	15000-30000	30000-45000	Above 45000	
<i>Before participation in SHG</i>				
Less than 15000	12	6	0	18 (30%)
15000-30000	0	12	12	24 (40%)
30000-45000	0	6	12	18 (30%)
Above 45000	0	0	0	0
Total	12 (20%)	24 (40%)	24 (40%)	60 (100%)

Source : primary data

Table 6
Test statistics

Particulars	Mean	Standard deviation	T value	Sig
Quantum of loan-before	2.3	0.908	-15.362	.000
Quantum of loan-after	3.5	0.813		

Source: compiled by the researcher

Table 7
Sources of loan

Sources of loan before participation in SHGs	frequency	percentage
Financial institutions	8	13.33
Private money lenders	38	63.34
others	14	23.33

Source: survey data

Table 8

Purpose of loan

	<i>After participation in SHG</i>				<i>Total</i>
	Agri. Activities	Business	Household expenses	Marriage of children	
<i>Before participation in SHG</i>					
Agri. Activities	6	0	0	0	6 (10%)
Business	0	6	0	0	6 (10%)
Household Expenses	12	0	12	0	24 (40%)
Marriage of children	6	6	0	0	12 (20%)
Medical expenses	0	6	0	6	12 (20%)
Total	24 (40%)	18 (30%)	12 (20%)	6 (10%)	60 (100%)

Source: survey data

Table 9

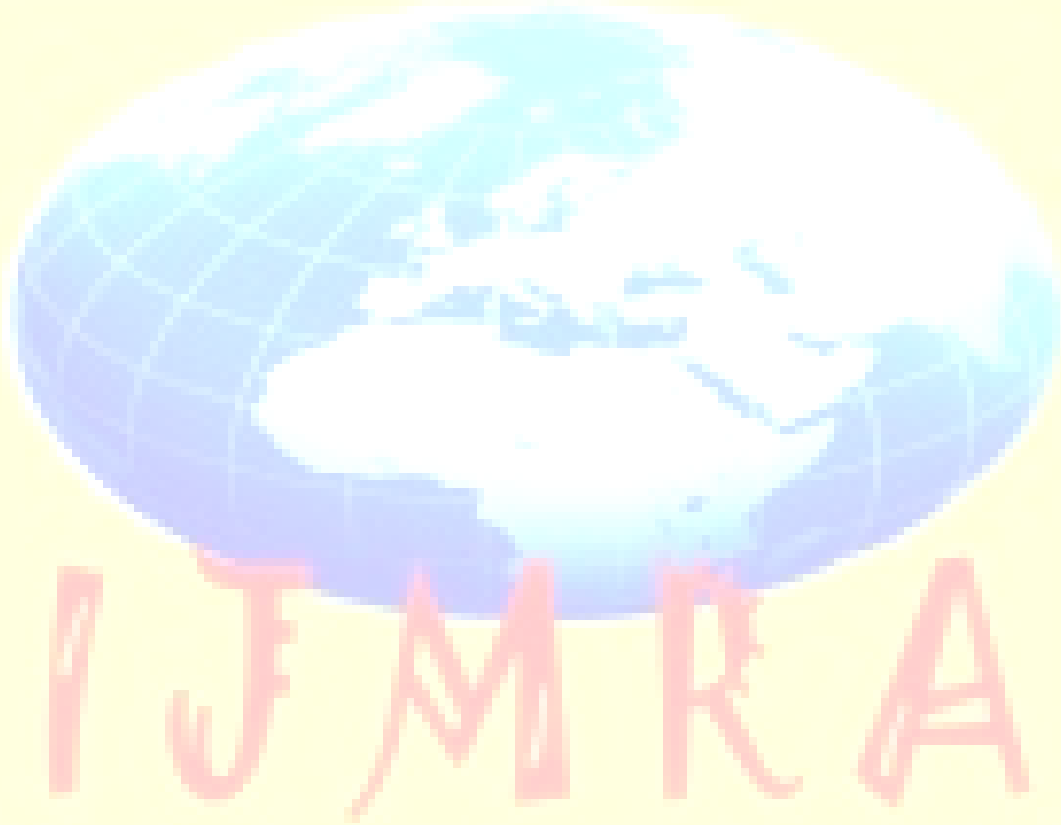
Number of defaulters of loan

	<i>After participation in SHG</i>		<i>Total</i>
	yes	No	
<i>Before participation in SHG</i>			
Yes	12	30	42 (70%)
No	0	18	18 (30%)
total	12 (20%)	48 (80)	60 (100%)

Source: survey data

Conclusion

Self-help groups play a vital role to improve the thrift and credit practices of the members by developing thrift habit and providing micro finance in time of need and also encouraging entrepreneurs. The study concluded that there is a good improvement in the thrift and credit practices of the SHG members after their participation in SHGs. The loan given by banks and the group has enabled them to improve their standard of living. It has also inculcated financial discipline among the members and the collateral free loans at an affordable cost relieved them from the clutches of private money lenders.



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