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SHG – A Viable Tool for Financial Inclusion with Reference to Panchayaths in Kerala

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Abstract:

The women SHGs were setup primarily as subsystem of the peoples plan campaign. It envisages that through these groups, the discrimination faced by the women in Kerala would be remedied to some extent. A society can grow economically and socially, if it's weaker section can turn out to be financially independent. SHG has played a catalytic role in the economic and social life of poor women who hail from a relatively backward socio- economic background.

Keywords: Financial Inclusion, Micro finance, NABARD, NGO, SHG

1. Introduction

Poverty is a multidimensional concept implying lack of income, lack of resources, deprivation of the method of livelihood.etc. The sustainable livelihood approach to the study of poverty has particularly emphasized the need for local participation. Amartya Sen defined poverty as lack of entitlement and capabilities. Entitlement refers to the set of alternative commodity bundles that a person can command societies using the totality of rights and opportunities that he or she faces. Capability is a kind of freedom, the substantive freedom to achieve, alternative functioning combinations.

Women's and men experience poverty in different ways of the 1.3 billion people living in poverty. 70% are women in developed countries like USA more than half of women constituted the poorest all over the world. This phenomenon is often referred to as feminization of poverty. Women faced a wide range of biases in society against them, unequal opportunities in education, employment and asset ownership. The lingering poverty among women is linked to their unequal situation in the labour market, unfair treatment meted out to them under Social welfare systems and their subordinate status as well as lack of power in family. Economic institutions influence the resources to which women and men have access, the activities they can undertaken and the way in which they can participate in the economy.

Poverty resulting from declining rural production, male migration desertion, divorce or widowhood also empowers women to flow the waged labour force informal wage sector; women's earnings are lower than that of men. Almost two thirds of India's population does not have access to formal financial services. The women's self help movement emerged as an important strategy for achieving financial inclusion contributing to inclusive growth and generating social capital in order to address larger issues take poverty eradication and women empowerment. SHG's are proved to be the most effective instruments for financial inclusion. The experiments started some thirty years ago with NGO piloting SHG promotion which has evolved into national movement – with the proactive role of the state govt – gaining recognition from all the major stake holders. SHG's are also helping to optimize the utilization of the India's vast formal financial institutional structure of about 160000 institutions in the rural area through linkages with banks and acting business correspondents for the both.

A Wording to National Bank for Agriculture and Rural Development (NABARD) at the end of March 07. 2.92 million self help groups (SHG's) cumulatively received bank loan of Rs. 180, 410 million. In total, 40.95 million poor households have been provided with credit from formal financial institutions.

The South Indian State Andhra Pradesh is on the way to achieve near universal financial inclusion because of SHG's, others Southern States are moving quickly in that direction as well and all other states have realized the potential of SHG's in financial inclusion and are adopting the model.

At the end of March 2006 there were 3.37 million SHG's received bank loans. SHG's group save on average about Rs. 500 per month SHG's are 90% women groups and 80% rurally located.

SHG Model in India

In India, three different models of linkage of SHG to the financial institutions have emerged. They are

- Bank themselves form and finance the SHG's
- SHGs are formed by Non Government organization and other agencies and are financed by banks
- Bank finance SHGs with NGO and other agencies as financial intermediaries

The second model is the most popular model. Almost $\frac{3}{4}$ of all the SHGS come under this model. Only 20% of the SHGs are covered under the first of 8% under the 3rd model respectively.

Experience has shown that many of the poverty alleviation program, through organized credit channels have not achieved required success. It has been found that in respect of financing poverty alleviation programmes and creation of employment in programmes and creation of employment in rural areas, there are a no: of factors which prevent small borrower and poor people from securing adequate credit people from securing adequate credit from formal credit agency. This situation reveals that the poor require small but regular urgent loans. Where their operations are restricted to programme designed by the govt. Hence to bridge the gap between the demand and supply of fund in the lower rungs of rural economy, the micro financial scheme of NABARD had made a smooth foray to rural economy.

Generally a SHG consists of 10 to 20 women. The women save some amount that they can afford. It is a small amount ranging from Rs 10 to 200 pm. A monthly meeting is organized where apart from disbursement and repayment of loan, formal and informal discussions are held on many social issues. Women also share their experience in their groups. The minutes of these meetings are documented and the accounts are written. The President and secretary and treasurer are the official posts in any SHG. If the SHG'S are connected with some NGO, they take part in other social activities of those NGOs.

Of late, organizational structure of various micro financial groups is undergoing significant changes. There are thrift groups, credit management groups, income generating groups, SHG and mutual help groups.

Sometimes the institute promotes the SHGS it provides loan facilities it is called a micro finance institutes.

1.1. Self Help Group

The basic unit of micro finance is a group of persons called SHG. SHG are small informal associations created for the purpose of enabling members to economic benefits out of mutual helps solidest joint responsibilities. These small and homogeneous groups involved in savings and credit amenities are capable are taking care the risk through monitoring the credit fund. If its comes from an outside source is disbursed individual members according to agreed criteria and group under the joint liability for debt of the members.

Not only economic progress but also an entire development is the aim and mutual trust among the members in the credit of SHG.

The fundamental aim of motive SHG is poverty alleviation and to achieve empower of the women. The recent trends significant changes in the promotion strategies for the SHG. Financial needs like banking, saving insurance, getting subsidies and building organization to gain political power are also purpose behind some of the SHG.

Today like Bangladesh and India SHG movement is spreading in other Asian countries and Latin America and Africa.

In Central govt of India has announced a plan to promote 7 lakh SHG all over the country in 2005.

1.2. Objectives of Self Help Groups

The major objective of the enquiry was to understand the contribution of finance to the well being of poor women utilization of credit and organization and performance of income generating activities.

- SHG are economic organization. Small funds are raised for day to day needs. The saving groups are transformed to earning. Groups not only increase the productivity of women but take their credibility.
- Doors are wide open to women to understand and gain knowledge about banking Gramapanchayath law and judiciary
- As economical solutions are available, the family structure is maintained.
- SHG is a good way to stop the exploitation of the consumer.
- Development of self confidence is achieved.

1.2.1. Kudumbasree

It is a woman based participatory poverty eradication programme launched on 1.4.1998 by the Government of Kerala with the financial support of NABARD and the Central Government. Thus it is a partnership of four major agent Central Government state Government local bodies and NABARD. The programme envisages a total investment of 858.80 core. The main objective of the programme is to eradicate absolute poverty from the state within a decade by involving the poor activity in planning, managing and monitoring of programme for development or it is exclusively focused on women – women in family & women in community. It is an organization of women from below the poverty line. The core actively of this programme is to empower women through finance and convergent community action.

1.2.2. The Major Components of the Project are –

- 1) Generation of employment to poor women and men
- 2) Provision of housing for the poor, low cost sanitation and community.
- 3) Establishment of literacy centres
- 4) Conduct of training programme for skill up gradation and setting up of urban health centres.

The project also envisage establishing informal bank for the poor at local body level under three tier system to act as the subsystem of the formal banking sector.

The strategy of SHG approach is followed. The NHG are organized together at the world level into area development societies and federate as Panchayath / Municipal level community development society whole in turn are registered as charitable societies. There are 986 area development societies. Kudumbasree has organized community based organization (CBO) of the poor in all the 53 municipalities and 5 Corporations in the state. The CBO in the Urban area also act as thrift and credit societies and reach savings & credit facilities to the poor.

As per the Current statistics, there are 167406 NHG formed in rural areas and 13111 NHG in Urban areas in Kerala. In addition to these there are 2452 NHG's were formed in nine tribunal districts. Thus the grand total of NHG functioning in Kerala under Kudumbasree is now 182969. Through these NHGS, more than 36 lakhs families were already covered. The total thrift of their families was about Rs. 885 crores and the total loan outstanding is amounted to Rs 2255 crore.

The project now acts as conduct of central Govt poverty allevation programme. Thus Kudumbasree became the authority to implement the Swarna Jayanthi Swarozgar Yogana programme launched by the central Govt in the state. Kudumpasree is giving more importance to the development of individual as well as group enterprise in imparting training to the person.

1.3. Financial Inclusion

Financial inclusion is the availability of banking services at an affordable cost to the disadvantaged and low income groups. In India the basic concepts of financial inclusion is having a saving or current account with any bank. In reality it includes loans, insurance service and much more.

The first ever index of financial inclusion is to find out the extent of reach of banking service. Among hundred countries India has been ranked 50. Only 34% of Indian individuals have access to or receive banking services.

In order to increase numbers, the RBI had the Government of India take innovative steps. One of the reasons for opening new branch of Regional Rural Bank was to make sure that the banking service is accessible to the poor with the directions from RBI. One bank is now offering no frill account with low income groups.

These accounts either have a minimum or nil balance. The main reason for financial exclusion is the lack of a regular or substantial income. In most of the cases people with low income don't qualify for loan. The availability of the financial service is another fact. The loss is not only the transportation cost but also the loss of daily wages for a low income individual. Most of the excluded consumers are not aware of the banker's products which are beneficial for them.

Financial inclusion mainly focuses on the poor who don't have financial institutional support and getting them out of the grip of local money lenders.

SHG are playing a very important role in the process of financial inclusion SHG are usually groups of women who get together and pool money for their saving and lend money among them. Usually they are working with the support of an NGO.

1.4. Posing the Problem

The women SHG were set up primarily subsystem of the people's plan campaign it was envisaged that through these groups the discriminations faced by the women component plan was the major factor behind the constitution of the group. The present study is an investigation the performance of these local level institutional arrangements in the fulfilment of the objection.

The women SHGS constituted by the local bodies in Kerala may be seen from the larger context of finance. The groups follow the pattern and direction from NABARD.

1.5. Objectives of This Study

1. To identify the factors which contribute to their successful performance and sustainability.
2. To study level of participation of women in SHGS
3. To examine the group dynamics that influences their participation.
4. To analyse the generation of income and employment and savings.
5. To investigate into the social conditions of members.

2. Literature Review

Several studies have been conducted on financial inclusion .Some studies focus on SHGs while some other focus on banks and other agents. Major studies on financial inclusion are reviewed in this chapter.

Dutta (2012) in his article 'Assessing Income Generation from SHG Micro Enterprise – A Study of a Backward of Assam' he emphasized that as the member has an minimum level of education appropriate policies may be formulated for imparting on the job training to the members. The NGO may play an important role in identifying profitable economic micro project for SHG and for strengthening SHG project market linkage.

Gupta (2012) in his study 'Micro Finance and Strategy of Financial Inclusion in India', evaluated the role of microfinance for empowering the people and realising the goals of government policy of financial inclusion in India. It also analysed the role of NGO in promoting SHG by linking them with banks. Therefore there is a need to evolve an incentive based package which should motivate these NGO's to diversify themselves in to other backward areas.

Rao(2007)emphasized that the financial inclusion was envisaged and embedded in Indian credit policies in the earlier decades also though in a disguised form and without the same culture.

Throat (2008) argued that financial inclusion can create with environment for both customer and financial institution in the economy. It enables the customer to avail various kinds of financial product for productive purposes. Financial inclusion can be considered as a prerequisite to achieve inclusive growth which would help in achieving sustainable growth.

Sharma (2008) observed that financial inclusion ensures ease of availability, accessibility and usage of financial system to all members of the economy. Financial inclusion has been widely recognised as important means to achieve inclusive growth in India. Financial inclusion can be measured in two ways one is payment system. And other is informal credit markets.

The studies reviewed so far covered the various aspects of financial inclusion. No significant study has been done on the financial inclusion through SHGs in kannur district. This is the research gap which the present study tries to fill

3. Research Methodology

The methods used in this study are both descriptive and analytical in nature.

3.1. Sources of Data

Besides the primary data collected through field investigation survey secondary data are also used for the study wherever found appropriate. The major source of secondary data is publication of Reserve Bank of India NABARD, NSSO, and the print electronic media.

This study is based on empirical method of analysis.

Methodology

Data were collected using two stages of sampling. In the first stage, SHG are chosen and in the second stage members are selected from the SHG. Primary data are collected through field investigation/ survey. Two different schedules were used in the primary data collection and data were processed mechanically.

Qualitative methods such as case study, focus group discussion and observation were used.

3.2. Selection of Sample Design

There are fourteen districts in Kerala, among those districts kannur district and Trivandrum district are selected for this study. In Kannur district, mangattidam grama panchayath and Kalyassery gramapanchayath are selected for the survey. In Trivandrum district Ullor panchayath and Nedumangad panchayath are selected for this study in Kannur district, there are 1032 Self Help Groups NABARD (2001-02) with bank linkage, and in Trivandrum district there are 3032 Self Help Groups. In Kerala, there are 25759 Self Help Groups (NABARD 2001-02) with bank linkage as on 31.03.02.

3.3. II Stage

Among the two SHGs about 10% of the total members were selected for conducting beneficiary survey using interview schedule personnel savings and loan details were collected from them. A pilot study was conducted among the groups before finalizing the interview schedule. An interview schedule has been developed and used for the survey.

3.4. Period of Study

The field work for the study was conducted among the members formed during the period 2013-2014. The survey was conducted for about four weeks in March 2013.

3.5. Tool of Study

Statistical tools such as average, Mean, Standard deviation, Percentages and chi-square are used for the analysis.

1. Data collection instruments

Two detailed schedules are prepared one for the members and the other for SHG. The first was administered among leaders and president of SHG. Data are collected through interviewing them and having focus group discussion with all members in the group. Both opened and closed ended questions were included in the schedule.

2. Interview

Besides, the field survey, information is collected through interviews and focus group discussion with members. Detailed information on member's views about the organisation, group activities and member's participation in them are collected.

3. Field work

The information was collected during the weekly meeting with the SHG and visit to their members. Other data related to the organization were collected from reports and news slitter published by the organization and through discussion with their co-coordinators.

4. Data processing and Analysis plan

The statistical data are processed using the SPSS package. Simple tools like percentage, menu and standard deviations used to interpret data and draw meaningful inferences. The indicator of technique was drawn from NABARD and other sources.

Posing the Problem

The women SHG were set up primarily subsystem of the people's plan campaign it was envisaged that through these groups the discriminations faced by the women component plan was the major factor behind the constitution of the group. The present study is an investigation the performance of these local level institutional arrangements in the fulfilment of the objection.

The women SHGS constituted by the local bodies in Kerala may be seen from the larger context of finance. The groups follow the pattern and direction from NABARD.

4. Analysis and Interpretations

The study revealed that the SHGs could improve the process of financial inclusion of women in the study area. The SHG programme had its impact on the socio-economic life of women. The process of women empowerment has been achieved which is reflected in their participation in the group, mobilization of savings, thrift, decision making and social mobilisation in the relatively backward area

4.1. Findings

- The standard of living of women improved after joining SHG.
- Income level of women is improved
- Micro enterprise operation is very high in this study area

4.2. Conclusion

SHG program has proved to be a powerful instrument to achieve financial inclusion in the study area. It has played a catalytic role in the economic and social life of poor women who hail from a relatively backward socio- economic background. A society can grow economically and socially, if its weaker section can turn out to be financially independent and included. SHGs in the study area acts as a powerful instrument for achieving the objective.

4.3. Limitation of the Study

The study is exclusively based in data collected from the members of the SHG and groups. Some of the group leaders haven't disclosed the full details and some of them are suppressing the facts. Due to the time constraint, I have limited my study to self help groups financed through non-governmental organization

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