THINK INDIA JOURNAL

ISSN:0971-1260
Vol-22- Issue-14-December-2019

Financial Inclusion Through Self Help Groups In Rural India

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ABSTRACT

"To educate your women first and leave them to themselves, they will tell you what reforms are necessary."--- Swami Vivekananda Women constitute almost half the human race and play a significant role in all walks of life. The empowerment of the women is becoming a well-liked term in human rights and developmental discourses. Women Empowerment is an essential aspect of human development as women are equal partners in socio-economic progress and key stake holders in the onward march of humanity. Micro-Finance institutions plays significant role in the Indian economy and emphasized by the Government to improve access to finance and to reduce poverty to encourage and up-liftment of women. Microfinance organizations make it as an aim to serve the needs of needy women those who are living in extreme poverty. Women Empowerment through microfinance is playing incredible role in economic development of a country is discussed in this paper. The Self Help Groups is recognized as a key strategy for addressing issues of poverty mitigation and women empowerment.

Key Words: Micro-Finace, Women Empowerment, Indian Economy, SHG, Financial Institutions.

1. INTRODUCTION

"To educate your women first and leave them to themselves, they will tell you what reforms are necessary." Swami Vivekananda Women constitute almost half the human race and play a significant role in all walks of life. The empowerment of the women is becoming a well-liked term in human rights and developmental discourses. Women Empowerment is an essential aspect of human development as women are equal partners in socio-economic progress and key stake holders in the onward march of humanity. Micro-Finance institutions plays significant role in the Indian economy and emphasized by the Government to improve access to finance and to reduce poverty to encourage and up-liftment of women. Microfinance organizations make it as an aim to serve the needs of needy women those who are living in extreme poverty. Women Empowerment through microfinance is playing incredible role in economic development of a country is discussed in this paper. The Self Help Groups is recognized as a key strategy for addressing issues of poverty mitigation and women empowerment. The women become economically self-reliant, contribute directly to the wellbeing of their families, to play a more action task in decision making and are able to manage systematic gender inequalities. The role of self-help group movement has grown over the years bringing about sustainable social change among women in the state. Micro finance through self-help groups has been recognized internationally as the current means the poverty and rural unemployment among women. It has agreed that micro finance and self-help group's plays essential role in increasing the empowerment of women and reducing the poverty which leads to economic development. The effective tool for assessing the benefits of microfinance shows its impact on the poor in terms of employment income, consumption, assets, nutrition, etc. The main objective of microfinance is to help the poor to build their productive capacity to become self-employed and to perk up their quality of life. Micro finance institutions emerged in 1980s in reaction to the gap in availability

ISSN:0971-1260
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of banking services for unreserved and underserved rural population in India. Micro finance institutions gained its grip from the year 2012 onwards with steady growth. Micro finance institutions shows a vigorous growth with 50 per cent increase in loans disbursed to Self Help Groups successively last few years.

MICRO FINANCE OPERATES IN INDIA THROUGH TWO MAIN CHANNELS

- Banking system through the SHGs under SHG-Bank Linkage Programme (SHG-BLP)
- Through Micro finance institutions (MFIs) lending through individual and group approach.

2. OBJECTIVES OF THE STUDY

- To analyze the relationship between microfinance and women empowerment.
- To identify the activities taken up by the SHGs for rural women.
- To analyze the benefits of financial inclusion through SHGs.
- To assess the contribution of Micro Finance towards SHGs.

METHODOLOGY

Research methodology is descriptive. The study is based on the secondary data. The secondary data collected with the help of Books, Magazines, Research Journals, and various other publications etc.
The Self-help groups play a very important role in eradicating the poverty in Indian villages. The Self-help groups have become more victorious component of the both rural and urban development in India. Many of the Self-help groups started without any financial support by outsides but by the savings of their own members. A Self Help Group is an informal organization of 10 to 20 women, who have willingly come together for the business of saving and credit and to improve the members financial security as primary focus and other common interest of members such as area development, awareness, motivation, leadership, training and associating in other social intermediation programmes for the benefit of the entire community. The main purpose of forming a committee is to have mutual financial benefit. In SHGs, the members gather their small savings for a considerable period of time until the amount is sufficient for the purpose of lending.

Self-help groups have become the means of transportation of change for the poor needy women in rural areas. Marginalized self-help groups (SHGs) are playing a important role in increasing financial inclusion of the rural population in general and women in particular. According to Dr.C.Rangarajan Committee, Financial inclusion defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. The main importance of SHGs are to increase the decision making power on one's own ability to exercise assertiveness in collective decision making and to develop positive thinking on the ability to make change.

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3. OBJECTIVES OF THE SELF HELP GROUPS (SHGS)

- To motivate the members to save and develop banking habits.
- To help them to become technically, financially and morally strong.
- To enable availing of loan for productive purposes.
- To gain from collective wisdom in organizing and distributing the benefits among themselves.
- To solve conflicts through mutual discussions.

FINANCIAL INCLUSION

Financial inclusion is an open strategy for accelerated economic growth and is considered to be decisive for achieving inclusive growth in the country. Financial inclusion is delivery of banking services at an reasonable cost to the vast sections of disadvantaged and low income group level of people. The main purpose of financial inclusion is to connect the exclude with the formal banking system in order to help them to understand the financial services available to equip with the confidence to make informed financial decisions.

NEED FOR FINANCIAL INCLUSION IN SOCIAL WELFARE SCHEMES

Promotion of financial inclusion is one of the major steps of the government of India and Reserve Bank of India. Financial inclusion is needed for the poor population especial working in a informal sector. Financial inclusion helps the needy ones to make their daily payments systematically and to access their credit invested in small scale generating activities. The main purpose of financial inclusion is for planning the various events of life like medical emergencies, retirement needs, social needs etc. and also to avail credit facilities like housing, business, consumption loans and other emergency loans. 90 per cent of small businesses have no links with the formal financial innstituions. About 60 per cent of the rural and urban population does not have a functional bank account. The bank credit to Gross Domestic Product ratio in the country as a whole shows only 70 per cent with the more contribution of industries and services. According to 2011 census only 58.7 per cent of population is availing banking services in the country and according to Reserve Bank of India survey nearly 51.4 per cent of the farmers are excluded from the both formal and informal sources of finance. India's first comprehensive measure of financial inclusion known is as CRISIL Inclusix. In June 2013, CRISIL published a comprehensive financial inclusion index namely Inclusix for three critical parameters namely Branch Penetration, Deposit Penetration and Credit penetration. The CRISIL Inclusix indicates that there is an overall development in the financial inclusion in India after introducing the different financial inclusion schemes. SHGs are one of the noteworthy financial inclusion tools which are inducted to merriment the rural households to instill the saving habits by forming into committees.

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VARIOUS CHALLENGES TO FINANCIAL INCLUSION: ARE

- Consumer Protection
- Consumption oriented expenditure patterns
- Need to improve financial Literacy
- Inadequate awareness levels
- Agent and vendor risks
- Promoting the use of transaction account
- Lack of infrastructure
- Low literacy rates
- Recovery related issues
- Sustainability factors
- The rural poor and gender inequality

GROWTH RATE OF SHGS

The increase of SHGs in India has been a remarkable one. Nearly about 4.1 crore poor households have gained entrée to the formal banking system through this programme. The number of SHGs linked to the banks has been increased from 32,995 to 34,77,965 from the period 1999 to 2008 which shows the annual growth rate of 68 per cent. About 69.53 lakhs Self Help Groups (SHGs) have gained access to proper banking system and 90 per cent of these groups are belongs to women groups. According to NABARD report on status of microfinance in India, there are around 7.46 million saving linked Self Help Groups (SHGs) with aggregate savings of Rs. 70.16 billion and 1.19 million credit linked SHGs with credit of Rs.145.57 billion as on march 2011.

ACTIVITIES TAKEN UP SHGS

There are five major activities taken up by the SHGs. They are

- Regular conduction of meetings: Self Help Groups (SHGs) must conduct meetings once in week or a fortnight. All the participants must be given equal chance to express their opinion and to take part in the decision making process. The group must prepare agenda for the meeting and the minutes of the meeting must be recorded by the leaders.
- Reserves: Self Help Groups (SHGs) helps in mobilization of savings for productive purposes. The smaller chunks of money that is saved by the women in houses can be accumulated at one place and can be utilized for a productive purpose of the members of the group.
- Membership-Economic Activities: The members of the Self Help Groups (SHGs) can avail both the productive loans and consumption loans from the savings from their group and in many cases the members are interested to take consumption loans rather than the productive loans. If the productive loans are encouraged the Self Help Groups (SHGs) can be strengthened financially.
- Maintenance of Records: All the transactions of the group will be maintained by the leaders. Two leaders will be selected from the group to record and maintain various books related to the Self Help Groups (SHGs). The selection of the leaders will be based on their educational qualification, communication skills, interactive nature and qualities required for a leader.

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- Bank Transactions: The Self Help Groups (SHGs) acts as a bridge between the rural poor and the banking or financial institutions. SHGs should create a platform to utilize the skills and resources of the group members for the common good of the members and for the group as a whole.

OUTCOMES OF FINANCIAL INCLUSION THROUGH SHGS

- Self Help Groups increases the saving habits among the rural population in the general and women in particular.
- To meet the emergency requirements of the individuals in the group.
- To avail the loan facilities from the savings of the group members at the reduced the rate of interest taken by them.
- It creates banking awareness among the group members.
- The members of the group are empowered to take decisions on their own without depending on the family members.
- Various skill development programmes can be organized to improve their skills with the available funds.
- It creates common understanding, trust and self-confidence among the members.

4. CHALLENGES IN MAINTAINING SHGS

1. Poor Marketing facilities

The Self Help Groups are not that much successful in marketing their products at the various levels. Lack of effective marketing is a hindrance as a challenge for getting orders for their products on proper time.

2. Lack of quality issues and different products standardization

Many Self Help Group products are hand- made and not the same in uniformity in their look and feel. Sometimes they compromise in quality of the raw materials in making the products which results low sales and affecting the customer perception about Self Help Group products.

3. Lack of idea

Most of the Self Help Group members are illiterate and ignorant about the rules, new business tactics and financial gains. Self Help Group members are sometimes not aware of proper utilization of financial assistance. The loans taken by the group members to be used for productive purposes in order to increase the ones own funds.

VARIOUS BUSINESS IDEAS OF SHGS

Self Help Groups want to introduce various types of business to improve their skills with the available funds.

- Homemade food and edible items
- Handicrafts and decorative items
- Garment business
- Dairy farms or animal husbandry

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- Cosmetics from herbs and natural products
- Curry points or food courts
- Tailoring training institutes
- Family based small retail stores

Women Empowerment essentially refers to empowering women to change power relations between them and men in their favour. Women in general and women in developing countries in particular are observed to be lagging behind men in the different spheres of life like labour and employment, health and nutrition, education and skills, asset ownership, political and social participation etc. Microfinance by providing small loans and savings facilities to those who are excluded from commercial financial services has been developed as a key strategy for reducing poverty throughout the world.

5. ROLE OF MICRO FINANCE INSTITUTIONS

1. Women Empowerment

Microfinance programmes are currently being promoted as a key strategy to address both poverty alleviation and women empowerment. The self-help groups (SHGs) of women as sources of microfinance have helped them to take part in development activities. The participation of women in SHGs made a significant impact on their empowerment both in social and economic aspects. Several programmes were implemented by various governments and nongovernmental organizations to uplift them both economically and socially.

2. Development of the overall Financial System

Without permanent access to institutional microfinance most women households continue to rely on informal sources of microfinance to actively participate and to get benefits from the development opportunities. Microfinance can contribute to the development of the overall financial system through the integration of financial markets.

3. Poverty Reduction Tool

Microfinance can be a critical element of an effective poverty reduction strategy. Microfinance, by providing small loans and savings facilities to those who are excluded from commercial financial services has been developed as a key strategy for reducing poverty throughout the world.

4. SHG-Bank Linkage Programme

The SHG-bank linkage programme was conceived with the objectives of supplementary credit delivery services for the un-reached women, building mutual trust and confidence between the bankers and the women and encouraging banking activity both on thrift as well as credit and sustaining a simple and formal mechanism of banking with the women.

5. Self-Employment

Financial services could enable the women to leverage their initiative, accelerating the process of generating incomes, assets and economic security. The fundamental approach is to create the self-employment by financing the rural women through financial institutions. Microfinance

ISSN:0971-1260
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creates the hope and increases the self-esteem of the women by giving the opportunities to be employed.

6. CONCLUSION

The Government of India providing full support for the establishment and development of the SHGs. The programmes like Mahila E-Haat are supporting the SHGs to a great extent to create marketing platform for the different products and services produced by the SHGs. The proper implementation of the SHGs helps in the development of the skills and talents of the group member's empowerment. Micro-finance is one of the ways of building the capacities of the women and developing them to self-employment activities by providing financial services like credit, savings and insurance. During the last decade, the sector has witnessed a sharp growth with the emergence of a number of Micro Finance Institutions (MFIs) providing financial and non-financial supports to the women in an effort to lift them out of poverty and creates self-employment. The MFI channel of credit delivery coupled with the national level programme of SHG-Bank Linkage which reaches out to millions of women across the country.

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