



Financial inclusion can be greatly facilitated through the medium of linking SHGs with the formal sector

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Abstract:Financial inclusion was envisaged and embedded in Indian credit policies in the earlier decades. It was in a disguised form and without the same nomenclature and emphasis. Financial Inclusion was one of the implicit objectives of ‘Social Banking Policy’. Similar is the case with, Nationalization of Commercial Banks & Establishment of RRBs. Social banking policies made appreciable achievement in shifting the commercial banks’ focus from ‘class banking’ to ‘mass banking’. In this context Government Departments both at central and state level as well as apex institutions in the banking industry have taken several initiatives for fastening the FI. The most important initiatives are SHG- Bank linkage model, No-frill accounts, and Liberalized branch expansion, Liberalized policy for ATM, Financial Literacy Program, and Creation of Special Funds.

Introduction

The concept of Financial Inclusion is not a new one. Lack of accessible, affordable and appropriate financial services has always been a global problem. It is estimated that about 2.9 billion people around the world do not have access to formal sources of banking and financial services. India is said to live in its villages, a convincing statement, considering that nearly 72% of our population lives there. However, a significant proportion of our 6, 50,000 odd villages do not have a single bank branch to boast of, leaving swathes of the rural population in financial exclusion. RBI has reported that the financial exclusion in India leads to the loss of GDP to the extent of one per cent (RBI, Working Paper Series (DEPR): 8/2011). Financially excluded people, consistently, depend on money lenders even for their day to day needs, borrowing at excessive rates to finally get caught in a debt trap. In addition, people in far-off villages are completely unaware of financial products like insurance, which could protect them in adverse situation. Therefore, financial inclusion is a big necessity for our country as a large chunk of the world’s poor resides here. Access to finance by the poor and vulnerable groups is a prerequisite for poverty reduction and social cohesion.



Financial inclusion:

Financial inclusion was envisaged and embedded in Indian credit policies in the earlier decades. It was in a disguised form and without the same nomenclature and emphasis. Financial Inclusion was one of the implicit objectives of ‘Social Banking Policy’. Similar is the case with, Nationalization of Commercial Banks & Establishment of RRBs. Social banking policies made appreciable achievement in shifting the commercial banks’ focus from ‘class banking’ to ‘mass banking’. The achievement of social banking is considered to be very poor in covering the ‘poorest of the poor’. In the beginning of the 1990s a large proportion of the poorest of the poor remain outside the fold of the formal banking systems. 1990s Paradigm Shifts in Indian Financial sector witnessed two major shifts in the beginning of 1990s relating to FI.

1. Implementation of Market oriented financial sector reforms.
2. Introduction of Self-Help Group Bank linkage programme.

The focus in the period of reforms was on enhancing the efficiency and profitability of banking system. Many of the regulations that were applied on the banking system during the policy of social banking were relaxed in order to allow a market based operation of the banking system. Empirical evidence shows that inclusive financial system significantly raises growth, alleviate poverty and expand economic opportunity. In this context Government Departments both at central and state level as well as apex institutions in the banking industry have taken several initiatives for fastening the FI. The most important initiatives are SHG-Bank linkage model, No-frill accounts, and Liberalized branch expansion, Liberalized policy for ATM, Financial Literacy Program, and Creation of Special Funds.

For achieving complete financial inclusion and for inclusive growth, the RBI, Government, NABARD and the implementing agencies will have to put their minds and hearts together so that the financial inclusion can be taken forward. There should be proper financial inclusion regulation in our country and access to financial services should be made through SHGs and MFIs. Thus, financial inclusion is a big road which India needs to travel to make it completely successful.



Factors affecting access to financial services:

1. Many people willingly excluded themselves due to psychological barriers and they think that they are excluded from accessing financial services. A very general psychological barrier can be easily noticed when older people find it difficult to use ATMs which is the most convenient form of banking today.
2. Lack of legal identity like voter Id, driving license, birth certificates, employment identity card etc. is also a major factor affecting access to financial services.
3. Low income people generally have the attitude of thinking that banks are only for the rich people.
4. Since banks are profit making organizations they discourage the non-profitable customers (poor) by the minimum balance requirements. While getting loans or at the time of opening accounts, banks place many conditions, so the uneducated and poor people find it very difficult to access financial services.
5. It is very difficult for people to read terms and conditions and account-filling forms due to lack of basic education.
6. Lack of financial literacy and basic education prevent people to have access to financial services. Financial literacy involves encouraging people to use various financial products through various economic agents like NGOs (Non-Profit Organizations), MFIs and Business Correspondents etc. People do not know the importance of various financial products like insurance, finance bank accounts, cheque facility etc.

Objectives

- 1.To compare the financial inclusion in, before and after joining SHG households.
2. To find out the impact of SHGs on the Economic and social status of the women in study area.

Methodology

For the purpose of study,10 villages of the taluk were randomly selected. Thus, totally 200 rural households were selected by random sampling method. Out of 200 rural households 120 with SHG households and 80 without SHG households were selected. The socio-economic conditions of the members were compared between before and after joining SHG households.

Research Design is a combination of both descriptive and analytical in nature and the study is based on both primary and secondary sources of data. Primary data is collected through sample survey method, for which structured questionnaire and interview methods are



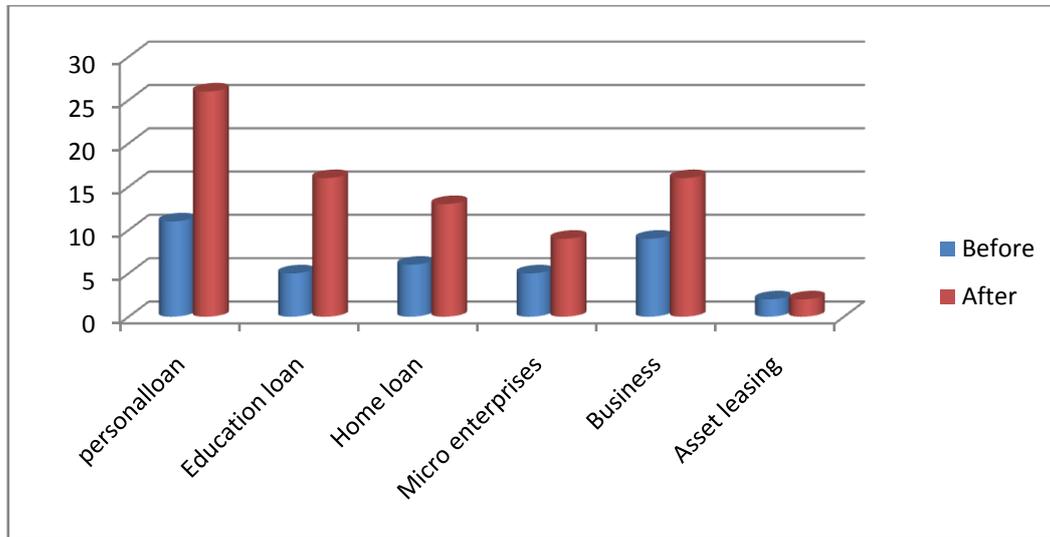
used. The bank branches, the linking units and the beneficiaries have surveyed to know the impact of SHG members towards women empowerment. Impact is measured as the difference in the magnitude of a given parameter between with SHG households and without SHG households. The impact on income, savings and borrowings, insurance was decomposed into two effects one emanating from the spread of income generating /borrowing /saving activities of member households and the other originating due to increase in the level of income/borrowing /saving per member household.

Table- 1 Credit facilities provided by banks to before and after joining SHG households

Credit	Before	After	Total
Personal	11	26	37
Education	05	16	21
Home	06	13	19
Micro enterprises	05	09	14
Business	09	16	25
AssetsLeasing	02	02	04
Total	38	82	120

A corollary of participation in SHGs is an improvement in a woman's access to credit. The financial mobility due to participation in the SHG has led to an improvement in the quality of life, according to some of the successful groups. Table shows that after the intervention of the SHG women's were actively participate in banking activity. And also table shows the facts that, after joining SHG, out of 120 households, 82 households are taken different loans. After joining SHG 26 respondents taken personal loan, followed by 16 respondent's taken education loan, 13 respondents taken home loan and 16 respondents taken loan for business purpose. It indicates that after joining SHG women's were financially included and credit availed in different income generating activities.

Chart-1 Credit facilities provided by banks to before and after joining SHG households



Above chart shows that, after the intervention of the SHG women’s were actively participating in banking activity. And also chart shows the facts that, before joining SHG, with SHG households are taken very less personal loan, education loan and loan for business purpose. But after joining SHG, majority of with SHG households are taken different loans from banks. It indicates that after joining SHG women’s were financially included.

Table- 2 Different saving bank account facilities provided by bank to before and after joining SHG households

Saving	Before	After	Total
Saving account	13	32	45
Current account	10	23	33
Certificate of deposits	05	14	19
Youth saving	03	08	11
Others	03	09	12
Total	34	86	120

One of the primary benefits of participation in a SHG is the opportunity to save regularly, access formal savings institutions and participate in the management of these savings. They save regularly, have their own bank accounts and make deposits into these accounts. SHG is having a good impact on members, in their ability to save their hard earned money. After the intervention of the SHG women’s are financially included, table shows that different account

facilities provided by bank to with SHG,like saving account,Current account, Certificate of deposits,Youth saving, Others. And also tables shows that, after joining SHG, more SHG respondents having different accounts compare to before joining SHG. 32 SHG respondents having saving account, followed by 23 respondents have current account and 14 respondents have Certificate of deposits. But before joining SHG, only 13 respondents having saving account, followed by 10 respondents have current account and 05 respondents have Certificate of deposits. It shows that SHG is having a good impact on members, in their ability to save their hard earned money compare to before joining SHG households.

Chart-2 Different saving bank account facilities provided by bank to before and after joining SHG households

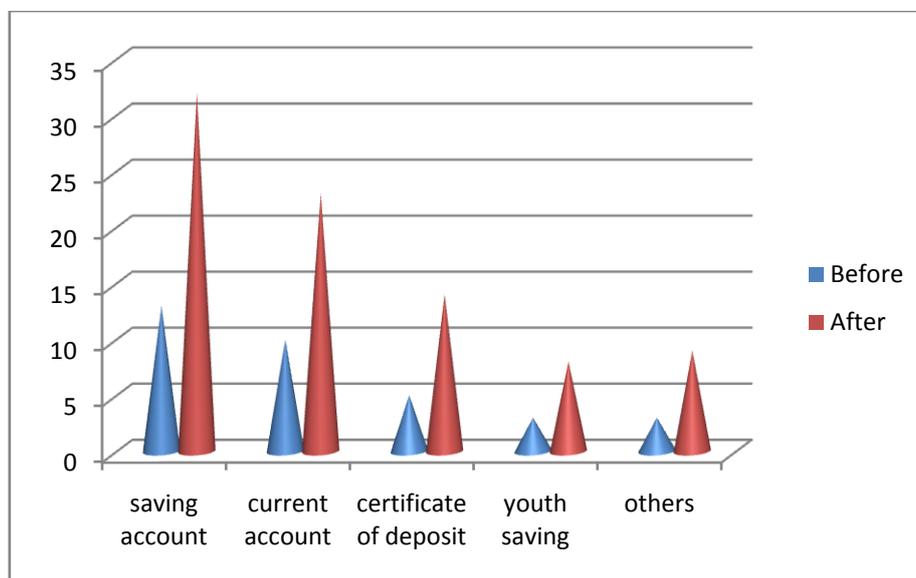


Chart shows that, after joining SHG, more SHG respondents having different accounts compare to before joining SHG. Before joining SHG, very less respondents having saving account, current account and Certificate of deposits. But after joining SHG, majority of the with SHG households are having saving account and current account. It shows that SHG is having a good impact on members, in their ability to save their hard earned money compare to before joining SHG households.

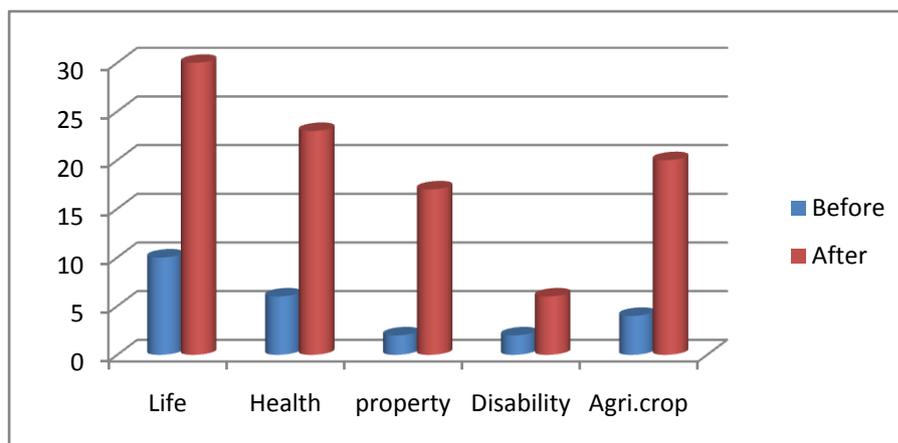
Table- 3 Insurance services provided by bank to before and after joining SHG households

Insurance	Before	After	Total
Life	10	30	35
Health	06	23	25
Property	02	17	18
Disability	02	06	05
Agriculture crop	04	20	37
Total	24	96	120

Banks can play a vital role in insurance services – by distributing suitable Micro-insurance products like life, health, property, disability, agricultural crop insurance. Table indicates the fact that, before joining SHG only 24 respondents are having different insurance policies, but after joining SHG 30 respondents having life insurance, 23 respondents are having health insurance and 20 respondents are having agriculture crop. It implies that after joining SHG women’s were economically empowered and financially included. Banks are actively participating in SHG activity and insurance related information is given to SHG members.

Chart-3 Insurance services provided by bank to before and after joining SHG

Households



Above the chart indicates the fact that, before joining SHG fewer respondents are having different insurance policies, but after joining SHG majority of the respondents having life



insurance, health insurance and agriculture crop insurance. It implies that after joining SHG women's were economically empowered and financially included.

Table- 4 payment services provided by bank to before and after joining SHG households

Payment	Before	After	Total
Money transfer	10	27	37
Bill payments	05	22	27
Government transfer	08	19	27
Benefit transfers	05	07	12
ATM/debit cards	02	15	17
Total	30	90	120

In recent year's banks have provided some advanced services like money transfer, Bill payments, Government transfer, Benefit transfers and ATM/debit cards. After joining SHG women members are having these benefits. Table shows that, after joining SHG 27 respondents transfer money to others through the bank account, followed by 22 respondents for bill payment, 19 respondents for government transfer, 07 respondents for Benefit transfers through banks and 15 respondents used ATM card. It reflects after joining SHG women's are financially included.

Findings:

- 1) The overall findings of the study suggest that SHG has significantly improved the access to financial services of the rural poor and had considerable positive impact on the socio-economic conditions and the reduction of poverty of SHG members and their households.
- 2) It has also reportedly empowered women members substantially and contributed to increased self-confidence and positive behavioral changes in the post-SHG period as compared to the pre-SHG period. The impact of joining the SHG is well pronounced in study area.
- 3) After joining the SHG the position of individual woman makes a change and discrimination among women are reduced.
- 4) This study observes that SHG has a positive impact on women empowerment and helps her to get social, political and economically empowered.



Suggestions:

- 1) The MFIs (Micro financial Institutions) need to function under and be held answerable to clear regulations that are overseen by a single regulator RBI. In an eco-system for profit, MFIs can play a convincing, dependable and sustainable role. So, there is need to have financial inclusion regulation in our country.
- 2) Financial Inclusion should be taken as a business prospect rather than compulsion so that probable business opportunity can be utilized by tapping and targeting untapped and unorganized market.
- 3) The RBI and commercial banks should plan a coordinated campaign in partnership with the trainers and professional to educate customers about the basic financial products, services and offerings.
- 4) For building customer awareness E-banking and M-banking training and education programme should be conducted.

Conclusion:

SGH as an important strategy for financial inclusion of women and empowerment of women. SHGs are helping women to be empowered. The study presents assessed role of banks and financial inclusion of women and SHG has a positive impact on women empowerment and financial inclusion. The study assessed the impact of SHG on the economic activities, and social empowerment of SHG members. The present study assesses the impact and sustainability of SHG bank linkage on the socio-economic conditions of the individual members and their households in the pre-SHG and post-SHG scenarios.

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