

Financial Inclusion Through Self Help Groups: A Study in Jakaruwa Village of Nagaon District of Assam

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Abstract - Financial inclusion is providing financial services at an affordable cost to the vast section of the disadvantaged and low-income groups, providing them with timely and adequate access to the financial products, services like bank accounts, saving products, remittances and payment services, insurance, advisory services, entrepreneurial and micro credit and micro finance. In India, an initial effort has been made for the widespread network of banking system through the establishment of RRBs, MFIs, SHGs etc with the objective of providing easy and timely finance. Through this paper, an attempt will be made to discuss about financial inclusion through Self Help Groups (SHGs). A SHG is a village based financial intermediary committee usually composed of 10-20 local women who generally belong to poor socio-economic background. The objective of SHGs is to improve socio-economic condition of rural women. SHGs provide a platform to the women to improve access to saving and credit services, to reduce vulnerability to poverty in times of crisis and to further economic self-reliance. In this paper, performance of SHGs, Bank Linkage for financial inclusion and rural livelihoods will be discussed. The study is done in Jakaruwa village of Nagaon district of Assam. The sources of data collection are both primary and secondary.

Keywords : Financial inclusion, rural women, financial institutions, rural livelihood.

I. INTRODUCTION

Financial inclusion is absolutely necessary for the developing regions like north eastern region of India. Access to finance will empower the disadvantaged groups by giving them an opportunity to have a bank account, to save and invest, to insure their homes or to partake of credit, thereby facilitating them to break the chain of poverty¹. The stark reality is that the poor people in the world are still lack access to sustainable financial services, whether it is savings, credit or insurance². The impressive growth of banking sector is unable to include vast segments of the population into the fold of basic banking services - especially the underprivileged sections of society³. Building an inclusive financial system thus, becomes global importance to achieve inclusive growth. Financial inclusion is one of the major areas, on which

government is paying attention to achieve the inclusive growth. In the rural area, large number of population does not have bank account, insurance schemes and other financial services. Thus, there is need of inclusive financial system that will facilitate financial services efficiently to financially excluded people at an affordable cost.

Financial inclusion refers to providing financial services at an affordable cost to the vast section of the disadvantaged and low-income groups, providing them with timely and adequate access to the financial products and services like bank accounts, saving products, remittances and payment services, insurance, advisory services, entrepreneurial and micro credit and micro finance⁴. Government of India (2008) defines financial inclusion 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 meaning of financial inclusion is delivery of financial services to the low income groups especially the excluded sections of the population with the provision of equal opportunities. The main target is the access of financial services for better standard of living and income.

With this backdrop, in India, an initial effort has been made for the widespread network of banking system through the establishment of RRBs, MFIs, SHGs etc with the objective of providing easy and timely finance. In this regard, NABARD has developed Self Help Group- Bank Linkage Programme with the support of RBI. Financial inclusion through Self-Help Group (SHG) and Bank Linkage Program is a revolutionary step in rural banking services⁵. The objective of this paper is to discuss the present scenario of SHGs on financial inclusion and their performance in rural areas of Nagaon district of Assam.

II. OBJECTIVE

The objective of the study is to

¹ Committee on Financial Inclusion, 2008

² United Nation, 2006

³ Thorat, 2007

⁴ http://en.wikipedia.org/wiki/financial_inclusion

⁵ Ramnathan, A.: "Financial Inclusion in India Through SHG-Bank Linkage Program and Other Financial Initiatives by NABARD", Chief General Manager, NABARD

1. To discuss the existing scenario of SHGs on financial inclusion in rural areas.
2. To highlight the problems faced by SHGs in rural areas and give some probable recommendations.

III. METHODOLOGY

The study is conducted in the Jakaruwa village of Nagaon district of Assam. The village consists of 170 households with 364 male and 360 female population. The village comes under the Dakshin Jagial Gaon Panchayat and Dighaliati Block of Raha constituency. A total of 110 SHGs under the Panchayat, 10 SHGs are in Jakaruwa village. These 10 SHGs are taken under the study. The information collected through direct interview method from the Community Resource Person (CRP) and Secretary of the Village Organisation (VO).

IV. ANALYSIS

Dr. Mahmud Yunus, Professor of Economics in Chitgaon University of Bangladesh was the founder of the concept of Self Help Group (SHG). In India, the concept of SHG can be traced back by the late 1970s when Ilaben Bhat, founder member of 'SEWA' (Self Employed Women's Association) in Ahmadabad, had developed a concept of 'women and micro-finance'. India has adopted the Bangladesh's model in a modified form. To alleviate the poverty and to empower the women, the micro-finance has emerged as a powerful instrument in the new economy. With availability of micro-finance, SHGs and credit management groups have also started in India. And the movement of SHG has spread out in India. In 1991-92, NABARD started promoting self-help groups on a large scale and it was the real take-off point for the 'SHG movement'. In 1993, the Reserve Bank of India also allowed SHGs to open saving accounts in banks. Facility of availing bank services was a major boost to the movement⁶.

A self-help group (SHG) is a village-based financial intermediary usually composed of 10–20 local women generally belong to poor socio-economic background. The objective of SHGs is to improve socio-economic condition of rural women. The primary purpose of the SHGs is to facilitate the members to save and extend to them credit, as necessary. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be

lent back to the members or to others in the village for any purpose.⁷

Self-Help Groups may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds; all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help.

The idea of SHGs becomes well known to the rural people specially the rural women with the introduction of National Rural Livelihood Mission (NRLM) in 2011 by the Ministry of Rural Development, Government of India. Implementation of NRLM is done through blocks which are called "intensive blocks"⁸. The strategy of SHGs is available for the rural people of Jakaruwa village through Dighaliati block of Raha constituency by the end of 2011.

Procedure to set up a Self Help Group:

- Framing the group
- Open a bank account in the name of the group
- Register the group with the block
- Training of the President, Secretary, Treasurer and the Book keeper

Nowadays, training are organised at the village level by the NRLM through the Community Resource Person (CRP). The CRP is the head of the Village Organisations (VOs) under a village Panchayat. A VO is composed of 10-15 SHGs. All the credit/grants from the block to the SHGs are transacted through the banks. Thus, by participating in a SHG, a rural woman is indirectly linked with the banks since each SHG has an account in the bank. Thus, SHGs has utmost importance in financially including the disadvantaged rural women and make them aware about financial literacy.

SHGs and Financial Inclusion in Jakaruwa village:

Situated on the South-East bank of the river Kalong (a tributary of the river Brahmaputra), it is a remote area village. Almost all households of the village are heavily dependent on agriculture and allied sectors. Some of them are daily wage earner, carpenter and small shopkeeper. Only a few persons are engaged in government jobs. There are 170 households in the village. Out of 360 female populations, 162 are housewives. Before the concept of SHG came to the village, only 6 to 9 percent of these women are connected to the banks and financially literate.

⁶ Roy, Nirmal Chandra and Biswas, Debasish (2016): "Women Empowerment Through SHGs and Financial Inclusion: A Case Stud on Lataguri Region in West Bengal", International Journal of Management Research and Review, Vol 6, Issue 6, June 2016, website- www.ijmrr.com

⁷ [https://en.wikipedia.org/wiki/Self-help_group_\(finance\)](https://en.wikipedia.org/wiki/Self-help_group_(finance)) (accessed date: Jan 22th, 2016).

⁸ National Rural Livelihood Mission, Ministry of Rural Development, Government of India

Basically all these women are living a life by engaging themselves in typical household activities and are fully dependent upon their male counterparts, whether it is financially or in other matters. Women's income share to the family is also very low. These women could not take decision for domestic expenditures. They often need to depend on informal source of moneylenders who charge exorbitant rate of interest ranging from Rs 120-240 per annum. But after joining the SHGs, these women have improved their social and financial conditions and expend money without any hesitations and restrictions of the family. Participation in self-help groups helps in saving some money out of their daily household expenses. Also, they can avail loan with lower interest rates. This has led a sort of change in the society's view towards woman, in general. The list of the SHGs in the village and their number of members are mentioned below.

Sl.no.	Name of SHGs	No. of members
1	Purnima Jutiya Dayobaddha Swabalambi	10
2	Tarali Jutiya Dayabaddha Swabalambi	10
3	Jil	11
4	Apsara	10
5	Sri Krishna	12
6	Naba Suruj	10
7	Progoti	10
8	Dipjyoti	10
9	Jonali	15
10	Satyasandhya	10
Total		108

Initially, the village women formed the first two as an NGO and started functioning without registering in the block. They encouraged making voluntary thrift on a regular basis. They meet at weekly or monthly basis at specified days/dates at the specified place and time. In the meeting, apart from disbursal & repayment of loan, formal and informal discussions are held. All the members make a fixed amount as saving contributions ranging from rupees 20 to 100 per week/month over a period of time and after that they use this pooled resources to make small interest bearing loans to members for any purpose. After functioning in this way for few months, they registered their NGOs with the block in early 2012 and started functioning as a full fledged Self Help Group. After registration, the President and the Secretary of the SHGs were trained in the block about the formation, rules and regulations and management of the SHGs. After that, an initial amount of rupees 5000 was granted to each SHG. By encouraging with this, other women of the village attracted to join the SHG and later formed the rest 8 SHGs in 2013. At present, out of 162 women in the village, 108 women

are actively involved in the registered SHGs and others are involved in unregistered SHGs.

After successful completion of minimum period of 6 months of active existence, a revolving fund of Rs-15000 was provided to each SHG by NRLM through the block. The revolving fund support besides meeting consumption and initial production needs, will also build institutional capacities of Self Help Groups in managing loans and funds. The revolving fund would remain with the groups and will form part of the corpus. Some SHGs used this fund for lending interest bearing loans and some others used it in productive activities like buying cattle, poultry etc.

In 2015, a loan amounts to 2.5 lakhs was sanctioned to the Village Organisation (VO) by the block, which they have to be recovered within 25 months. The amount is distributed among the 10 SHGs of the VO with equal share of Rs-25000 each. The SHGs used their respective share in interest bearing credit or used it for other productive activities. Though there are many other productive activities performed by the SHGs, the primary function is to lend their money into interest bearing loans.

Besides this, SHG-Bank Linkage scheme has also extreme importance in providing financial assistance to the village women. The SHG-bank linkage programme has emerged as a suitable model for financial inclusion, mainly for people belong to rural and backward areas and who have no access of formal banking services. The main purpose of SBL model is to form small, consistent and participative groups of the poor and encourage them to contribute their savings regularly and provide such savings to their members at small rate of interest. Bank credit facility is also available to the group for the purpose of lending to its members⁹. But in spite of having such facility, almost all the SHGs of the village are interested in borrowing from private Micro Finance Institutions (MFIs) like Bandhan (now bank), Aarohan, Ujjiban etc rather banks because the former provides easy and timely loan to the women without harassing them regarding official formalities. The problems faced by the SHGs from the local banks are mentioned below.

Problems:

- Banks requires various documents regarding the assets of the SHGs to grant a loan.
- To take a loan, SHGs have to deposit certain amount in their account.

⁹ Arif, Mohammad (2014): "Self Help Group: A Potential Tool for Financial Inclusion", Shiv Shakti International Journal in Multidisciplinary and Academic Research, Vol 3, Issue 1, February 2014.

- If they failed to produce proper documents, then they have to submit an affidavit which is not convenient for the village women.
- Unfavourable response from the banks authority.
- Rate of interest is relatively higher than that of NGOs, MFIs.

Recommendations:

To protect and to promote the interest of the women through SHGs and financial inclusion in rural areas, the appropriate authority should follow:

- Educate and aware the women to form more and more SHGs especially for rural areas.
- To popularize SHG-Bank Linkage program, more awareness should be created for cooperative formation.
- More information regarding banking services and their benefits should be publicized.
- Infrastructures should be developed to minimize cost of transaction in remote areas.

V. CONCLUSION

From the study it has been observed that there is a huge impact of SHGs on financial inclusions of the village women. Before joining the SHGs, only a few women have account in bank. But after joining the SHGs, almost all the women of the village have their own account in bank. Most of the women of the Jakaruwa village, before joining the SHGs are living a life by engaging themselves in typical household activities and are fully dependent upon their male counterparts, whether it is financially or in other matters. Women's income share to the family is also very low. These women could not take decision for domestic expenditures. But the scenario has changed drastically after joining to the SHGs. After joining to the SHGs they opened saving accounts, taking sufficient amount of loans for buying cattle, poultry and sewing machine, able to use ATM and also could contribute to the household expenditures in times of need and emergency. Finally we can say that they are now financially included and socially empowered.

VI. REFERENCES

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