WOMEN EMPOWERMENT THROUGH SHGs AND FINANCIAL INCLUSION: A CASE STUDY ON LATAGURI REGION IN WEST BENGAL

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ABSTRACT

Financial inclusion is the expanding outreach of banking or financial services at an affordable cost to a wider section of disadvantaged groups of society which may provide them a financial cushion for their sustenance as well as social empowerment. Government of India through the State Governments is developing SHGs consisting of women members who are interested in taking up entrepreneurship individually or jointly as a group. The aim of the SHGs is mainly to pool out the technical as well as managerial skills available within the women (who are less privileged) to set up enterprises ultimately to enhance their income levels and improve their standard of living. Financial inclusion is the key to the economic empowerment of the poor, especially women. Facilitating access to microfinance through SHG-supported bank linkages is one of the most critical aspects of financial inclusion program and this enables the poor to make capital formation through their own savings within the SHGs and access credit, pledging their collateral before the bank. SHGs play a pivotal role to improve the socio-economic condition of women folk and providing micro finance in times of need and also encouraging micro entrepreneurs. The present study highlighted the role of SHGs on financial inclusion and women empowerment. The aim of this study is to showcase the impact of financial inclusion on the women empowerment through SHGs. Stratified random sampling techniques have been adopted to collect the primary data from Lataguri region of west Bengal. On the basis of the collected data, analysis has been done with the help of the SPSS. Thereafter valid conclusions and recommendations has be made.

Keywords: Financial inclusion, Self Help Groups, Empowerment, Entrepreneurship.

JEL Codes: O47, G21.

PRELUDE

“Empowerment of women would lead to empowerment of the nation”- Prativa Patil, former President of India

Rural Indians are confronted with a lot of problems and that includes illiteracy, poverty, health care, etc. In spite of the supports from the government, these cannot be controlled but these can be solved better by themselves through group effort. In India the concept of self-
help group can be traced back by the 1970’s, Ilaben Bhat, founder member of ‘SEWA’ (Self Employed Women’s Association) in Ahmedabad, had developed a concept of ‘women and micro-finance’. 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 movement.

**SELF-HELP GROUP (SHG)**

A self-help group (SHG) is a village-based financial intermediary usually composed of 10–20 local women. 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. In India, many SHGs are linked to banks for the delivery of microcredit [1].

An SHG as defined by NABARD (2005) has an average size of about 15 people from a homogeneous community. They are encouraged to make voluntary contributions to a common fund on a regular basis. They use the pooled resource to provide small interest bearing loans their members (NABARD (2002). *Progress of SHG-Bank Linkage in India, 2005-06.* [2].

Self-Help Group 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. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by micro finance institutions.

**FINANCIAL INCLUSION**

Financial services actively contribute to the humane & economic development of the society. These lead to social, safety needs and protect the people from economic shocks. Hence, each and every individual should be provided with affordable institutional financial products/services popularly called “Financial Inclusion [3].

GOI (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 [4].

According to Chakraborty (2011), Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players [5].
Another dimension in this regard is that the self-help group bank linkage program (SBLP) opened a new window for the SHG members and this program aims to deliver financial products and services to the section of Indian population that lacks access to formal banking. This segment, often from the lower income meets its financial needs through informal sources such as money lenders, traders, family and friends, etc.

Financial inclusion through Self-Help Group (SHG) and Bank Linkage Program is a revolutionary step in rural banking is the introduction of SHG-Bank Linkage program (SBLP). The formal financial institutions like Commercial banks and Regional Rural Banks play significant role in financial inclusion.

SHGs create positive impact on lives of poor households in a significant way. They reduce poverty through increases in income and enable the poor to build their assets. Savings play a critical role in the livelihoods of the poor households. One of the distinctive features of the SHGs is that it is a savings-led model providing opportunities to the members to pool their small savings within the group [6]. In the study area women’s are motivated to some extent being members of the group. Groups are financially sound and women are engaging with productive activities that leads their profitability. In this study we will compare the earnings and life style before and after formation of SHG.

REVIEW OF LITERATURE

A number of studies have been carried out in India and outside of India on various aspects of SHGs. These are as follows:

Kabeer, (1999), has attempted to construct the indicators of the empowerment of women, by using three-dimensional conceptual framework: (a) the ‘resources’ as part of the pre-conditions of empowerment; (b) the ‘agency’ as an aspect of process; and lastly (c) the ‘achievements’ as a measure of outcomes. The study shows that the most probable indicators for empowerment of women are: family structure, marital advantage, financial autonomy, freedom of movement, and lifetime experience of employment participation in the modern sector.

Sharma, M., (2008), through cross country empirical study examined a close relationship between financial inclusion and development. Further, the study found a positive relation between financial inclusion and different socio-economic variables like income, inequality, literacy, physical infrastructures.

Ramji Minakshi, (2009), took a deliberate attempt to understand the process behind the recent financial inclusion drives in India in the specific context of Gulbarga district in Karnataka. This study finds that the financial inclusion drive, while implemented with a great deal of enthusiasm by banks and bank officials, does not resonate with low-income households. While the actual drive itself suffers from several inconsistencies, the usage of accounts opened is abysmally low.

Mukherjee Arup and Chakraborty Sabyasachi, (2012), observed that Promotion of financial inclusion has been an important social and financial need across countries. In India, the
primary responsibility of ensuring financial inclusion lies with the commercial banks subject to guidelines of the central bank (RBI).

Uma, H. R. and Rupa, K. N., (2013), studied the impact of SHGs on financial inclusion with parameters of increase in bank accounts, increase in avail of credit and percentage of repayment during pre- and post-SHG situations. The study revealed positive impact of SHG on financial inclusion. The study found that the percentage of members having bank accounts, credit availed and repayment of credit had increased in post-SHG situation.

Report of CRISIL, (2013), reported that the level of financial inclusion has consistently been on the rise since 2009. The driving reason for this growth has been primarily due to an improvement in deposit penetration. The authorities now need to focus on the other two parameters (branch and credit penetration).

The above stated review of existing literatures facilitated us to frame the following objectives of our present study.

**OBJECTIVES OF THE STUDY**

The focal objectives of the study are:

1. To highlight the role of SHGs in financial inclusion,
2. To analyze the impact of financial inclusion on women empowerment through SHGs in rural India.

**LIMITATIONS OF THE STUDY**

In this study we have only measured a single aspects of financial inclusion and women empowerment. Though there are several measures of the both. The logic behind choosing only credit availed by SHG member of financial inclusion as maximum (35%) of the respondents ranked on it. On the other hand, among various aspect of women empowerment in financial inclusion only economic status of women has been chosen. Income, consumption and expenditure have been the selected to measure the economic status of the women.

**METHODOLOGY**

For the purpose of the present study both the primary and secondary data have been used.

**Locale:** The study has been conducted in the Lataguri region of the West Bengal.

**Sample size:** A total 60 SHG members have been chosen from 12 selected SHGs in the Lataguri region with the help of stratified random sampling technique.

**Data collection:** A suitable questionnaire has prepared and presented to the respondents to give their views.

**Analytical tools and techniques:** As per the nature of the data, paired sample ‘t-test’ has been applied through SPSS.

**ANALYSIS AND FINDINGS**

To justify the role of self-help groups on financial inclusion, first of all the respondents were asked to give their valuable consents in terms of rating on the various financial services that
have been availed by them through the SHG, further on the basis of this responses, the detailed analysis have been made.

**Table 1: The respondents were asked to rate the various financial services provided by the banks**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Financial Services</th>
<th>Response</th>
<th>Percentage</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Borrowing</td>
<td>21</td>
<td>35.00</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Insurance</td>
<td>08</td>
<td>13.33</td>
<td>4</td>
</tr>
<tr>
<td>3</td>
<td>Payment</td>
<td>06</td>
<td>10.00</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Saving</td>
<td>11</td>
<td>18.33</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Use of Bank Account</td>
<td>14</td>
<td>23.33</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Field work

**Table 2: Number and percentage of bank accounts before and after joining the SHGs**

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Parameter</th>
<th>No. of SHG members</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Before</td>
<td>13</td>
<td>21.66</td>
</tr>
<tr>
<td>2</td>
<td>After</td>
<td>47</td>
<td>78.88</td>
</tr>
<tr>
<td>3</td>
<td>Total</td>
<td>60</td>
<td>100.00</td>
</tr>
</tbody>
</table>

Source: Field work

**Credit availed by SHG members:**

The null hypothesis (Ho): There is no significant difference between the mean values of credit availability before and after formation of Self Help Groups

**Table 3: Result of Paired Sample t test**

**Table 3(I): Paired Samples Statistics**

<table>
<thead>
<tr>
<th>Pair 1</th>
<th>Parameter</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>credit availed after</td>
<td>25500.0000</td>
<td>60</td>
<td>36991.75355</td>
<td>4775.61485</td>
<td></td>
</tr>
<tr>
<td>credit availed before</td>
<td>09500.0000</td>
<td>60</td>
<td>6745.99693</td>
<td>870.90446</td>
<td></td>
</tr>
</tbody>
</table>

**Table 3(II): Paired Samples Test**

<table>
<thead>
<tr>
<th>Paired Differences</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>95% Confidence Interval of the Difference</th>
<th>t</th>
<th>Df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1 CAA CAB</td>
<td>16000.0000</td>
<td>37459.58274</td>
<td>4836.01134</td>
<td>6323.16334</td>
<td>3.309</td>
<td>59</td>
<td>.002</td>
</tr>
</tbody>
</table>

The above table indicates that, in order to test the hypothesis formulated for this purpose, paired t-test was applied. The average mean value of *credit availed after* (CAA) and *before* (CAB) formation of Self Help Groups. The mean values are 25500.00 and 9500.00 respectively.

The calculated t value is 3.309 and the corresponding p value is highly significant. Therefore, the null hypothesis is rejected at 2% significant level and hence the alternative hypothesis that there is statistically significant difference between the mean values of the two samples after the formation of Self Help Groups and before the formation of Self Help Groups, is accepted.
Finally we can say that, there is an increase in the credit availed by the members of the SHGs. Through SHGs, banks generate new business like insurance, loans, etc. especially for the weaker section in the society. On the basis of the above analysis, the conclusion can be drawn that there is highly positive impact of the Self-Help Groups on financial inclusion.

**Impact of financial inclusion on economic status of women through SHGs**

The economic status of the women can be measured by the Income, Employment, Consumption and Expenditure.

**Income of the SHG members**

The null Hypothesis (Ho): There is no significant difference between the mean values of incomes before and after membership of Self-Help Groups

**Table 4: Result of Paired Sample t test**

**Table 4(I): Paired Samples Statistics**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1</td>
<td>After</td>
<td>3050.0000</td>
<td>60</td>
<td>857.17312</td>
</tr>
<tr>
<td></td>
<td>Before</td>
<td>1433.3333</td>
<td>60</td>
<td>799.71746</td>
</tr>
</tbody>
</table>

**Table 4(II): Paired Samples Test**

<table>
<thead>
<tr>
<th>Paired Differences</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>Std. Deviation</td>
<td>Std. Error Mean</td>
<td>95% Confidence Interval of the Difference</td>
</tr>
<tr>
<td></td>
<td>Lower</td>
<td>Upper</td>
<td></td>
</tr>
<tr>
<td>Pair 1 After - Before</td>
<td>1616.666</td>
<td>6779.93965</td>
<td>113.599</td>
</tr>
</tbody>
</table>

The above analysis indicates that, the average mean values of income of SHGs members after the membership and before the membership are 3050.00 and 1433.33 respectively.

The calculated t value is 14.231 and the corresponding p value is highly significant. Therefore, the null hypothesis is rejected at 0% significant level and hence the alternative hypothesis that there is statistically significant difference between the mean values of the two samples after the membership of Self-Help Groups and before the membership of Self-Help Groups, is accepted.

**Consumption and expenditure of the SHGs members**

The null Hypothesis (Ho): There is no significant difference between the mean values of the two variables namely Consumption and Expenditure after (CEA) the membership and Consumption and Expenditure before (CEB) the membership of SHG.

**Table 5: Result of Paired Sample t test**

**Table 5(I): Paired Samples Statistics**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1</td>
<td>Consumption and Expenditure After</td>
<td>23.0000</td>
<td>60</td>
<td>8.39693</td>
</tr>
<tr>
<td></td>
<td>Consumption and Expenditure Before</td>
<td>16.6667</td>
<td>60</td>
<td>7.57262</td>
</tr>
</tbody>
</table>
Table 5 (II): Paired Samples Statistics

<table>
<thead>
<tr>
<th></th>
<th>Paired Differences</th>
<th>Std. Dev.</th>
<th>Std. Error Mean</th>
<th>95% Confidence Interval of the Difference</th>
<th>t</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pair 1</td>
<td>Consumption and Expenditure After - Consumption and Expenditure Before</td>
<td>6.33333</td>
<td>5.81251</td>
<td>.75039</td>
<td>4.83180</td>
<td>7.83486</td>
<td><strong>8.440</strong> 59 .000</td>
</tr>
</tbody>
</table>

The calculated t value is 8.440 and the corresponding p value is highly significant. Therefore, the null hypothesis is rejected at 0 % significant level and hence the alternative hypothesis is accepted. So, we can say that there is significant difference between the mean values of the two variables namely Consumption and Expenditure after (CEA) the membership and Consumption and Expenditure before (CEB) the membership of SHG members.

From the statistical measure of the economic status of the women such as the monthly income, consumption and expenditure has changed by positively just because of being the members of SHGs. Being the members of the groups women are availing various financial services like loans, savings, insurance, ATM, etc. Finally the conclusion can be drawn that SHGs leads the financial inclusions and women empowerment.

CONCLUSION

From the study it has observed that there is a huge impact of SHGs on financial inclusions and empowerment of rural women. The study found that approx 22% of the respondent women did not have saving account in any bank but after joining SHG, women’s have their own account in bank. Most of the women of the Lataguri region before joining to the SHGs used to go to the forest for collecting fuels and sold them to the nearby market, a few numbers were worked as a casual labor of unorganized small tea plantations and they earned a little. So, in terms of earnings they were solely depended on their male counterpart and in case of family decision too. The study has found that the scenario has changed drastically after joining to the SHGs of the women. After joining to the SHGs they opened saving accounts, taking sufficient amount of loans for buying Sal leaf sewing machine and puffing machine, using ATM, etc. on the other hand spending sufficient amount in the family affaires. Finally we can say that they are now financially included and socially empowered.

RECOMMENDATIONS

To protect and to promote the interest of the women or to empower the women through SHGs and financial inclusion in the developing country like India the appropriate authority should follow:

1. Educate and aware the women to form more and more SHGs especially for rural areas.
2. To popularize SHG-Bank Linkage program, more awareness should be created for cooperative formation.
3. More information regarding banking services and their benefits should be publicized.
4. Women entrepreneurship programs should be arranged.
5. Encouraging competition among financial providers by giving more bank licenses.
6. Infrastructures should be developed to minimize cost of transaction in remote areas.

REFERENCES