

## **Impact of Self Help Groups towards Financial Inclusion In Kancheepuram District Of Tamil Nadu**

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**Abstract:** Financial inclusion is conceived as a major dynamic force to achieve self-sustained inclusive economic growth. Financial inclusion can be defined as the process of ensuring access to financial services and timely availability of adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. Achieving financial inclusion through formal banking system is a difficult task. In this context, Micro-finance approach can be considered as an alternative solution to provide financial services to common section of the society. Self Help group linkage model is one of the indigenously developed and successfully operated models of Micro-finance in India. Under this model, the SHGs are financed by bank without any collateral, peer group pressure is considered as collateral by the lenders. A research has been carried out to study the impact of Self Help groups towards financial inclusion in Kancheepuram district of Tamilnadu. The Working process of SHG's, their achievements, operational difficulties etc are analyzed and finally suggestions are put forward to enhance and strengthen the role of SHG's towards financial inclusion.

**Keywords:** Financial Inclusion, Nationalized banks, Self Help Group

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### **1. Introduction:**

In India, status of women is not treated as equal to men in most of the states. It adversely affect the moral of the women. The first importance is to address this issue with full seriousness which will enable women to play a significant role in decision making process.

People's participation in credit delivery has been recognized and hence Government has taken various steps to improve the credit delivery to the low income groups thereby improving the financial inclusion and developing the economic growth in the country.

Major commercial banks in India have been nationalized with the objective of establishing a strong financial structure and thereby paving the path for the economic and social development of the nation. The outcome of this event is the overwhelming spread and growth of the banking sector nationwide. Even the rural and other areas, which were neglected so far in this context, have also witnessed this growth. Characterized by the strong presence of informal sources of finance, rural India is still a vast untapped market where poor demand credit for agricultural and non-agricultural purposes like small productive needs, working capital, housing, medical aids, and other emergencies. SHG became the intermediary in linking borrowers in the banks.

Self Help Group may be called as small rural entrepreneurial team of women. It is a pathway toward empowerment of rural people especially women and the ultimate improvement of social and economic status of the entire population.

NABARD has become the pioneer of organizing SHG's since 1992 and the program initiated by NABARD as a pilot project by linking around 500 NGOs promoted SHGs with banks. NABARD estimates that there are about 2.2 million Self Help Groups in India, representing 33 million borrowers that have taken loans from banks under its linkage program up to date.

### **2. Review of Literature:**

Puhazhendi and satyasai (2000) studied the improvement in level of income of SHG members between pre and post SHG situations.

Sanghwan (2006) studied the extent financial inclusion across various states. He also tried to examine the role of SHG bank Linkage programme in achieving financial inclusion.

Dr Uma Ravi in her research article titled "An Evaluative study on empowerment of India" has mentioned that empowerment comes from "Women's groups who seek to empower themselves through greater self reliance. Efforts taken by the Government are on to ensure Gender equality but Government initiatives alone would not be sufficient to achieve this goal. Society must take initiative to create a climate in which there is no gender

discrimination and women have full opportunities of self decision making and participating in the social, political and economic life.

Dr Y Lokeswara Choudary and Ms S Chitra in their research article titled “ Women empower through self help groups A Case study of Kancheepuram district in Tamilnadu” has stated that the bank should give adequate credit to SHG according to needs. Uniformity to be maintained in formation and extension of financial assistance to those SHG’s. Marketing facilities for the sale of products of SHG’s to be created. Periodical exhibitions/melas to be conducted at block level may be organized where the members will get an opportunity to exchange their views and develop their group strength.

Mr Perways Alam and Mr Mohammed Nizamuddin in their research article “ Role of Micro finance and Self Help groups in Women Empowerment” has commented that SHG’s have greater impact on both economic and social aspects of the beneficiaries”

Ms Soumitro chakravarty and Mr A N Jha in their research article titled “Women Empowerment through SHG’s – A case study of Jharkand State in India” have analyzed that Government both state and Central should work hand in hand to promote the concept of SHG without political biasness and selfish motives. ( Journal of social and psychological sciences 2011, volume 4 (1) 3-15 ISSN 1756-7483)

A few studies were conducted about SHG in Vellore, Coimbatore ,Cuddalore of Tamilnadu and Puducherry.

### **3. Significance of The Study:**

This paper tries to examine the extent of financial inclusion by self help group bank linkage programme against the environment of growing regional inequalities which the formal banking system faces across various regions in India particularly in Kancheepuram district.

### **4. Objectives of The Study:**

1. To analyze the operating of SHG’s for the mobilization of saving, delivery of credit to the needy group, in building up leadership and establishing linkage with banks.
2. To Study SHG Bank linkage programme in Kancheepuram District of Tamilnadu.
3. To analyze the impact of SHG towards financial inclusion in Kancheepuram district of Tamilnadu.

### **5. Methodology:**

This study was conducted to know about the impact of Self Help groups in kancheepuram district. The data required for this study is collected from secondary sources such as magazines, journals, newspapers, reports and websites like RBI,NABARD,SLBC. Out of 32 districts in Tamilnadu, Kancheepuram District was selected.

### **SHG in Tamilnadu:**

Self Help groups are small informal group of 10-20 individuals promoting the habit of savings among members. The internal savings mobilised by the group are then lent by it to its members for emergent needs or such purposes as decided by the group.

Mahalir Thittam is a socio-economic empowerment programme for women implemented by Tamil Nadu Corporation for Development of Women Ltd. Mahalir Thittam is based on Self Help Group (SHG) approach and is executed in partnership with Non Governmental Organisations (NGOs) and Community based organizations.

The SHG approach was started in a small way in Dharmapuri district in the year 1989 with the assistance of International Fund for Agricultural Development (IFAD). Later the scheme was extended to other districts like Salem and South Arcot districts in the year 1991-1992 and further extended to Madurai and Ramanathapuram in the year 1992-93.

Following the success of the IFAD project, Mahalir Thittam project was launched with funds from State Government in the year 1997-1998 and was progressively introduced in all districts of the State.

The Self Help Group movement which was started in a small way in Dharmapuri District in the year 1989, has now grown into a mammoth movement covering all districts of the State targeting poor families and the marginalized sections of the society.

The project aims to create an awareness among rural women and promote comprehensive development.

The NGO's in the district are organizing Self Help groups in the respective service area. The SHG are functioning successfully and also to increase significant savings.

YEAR-WISE CREDIT LINKAGE DETAILS - TAMILNADU		
Year	Achievement (Rs. in Crores)	Cumulative (Rs. in Crores)
Up to 2001	120.30	120.30
2001-02	97.91	218.21
2002-03	184.65	402.86
2003-04	271.32	674.18
2004-05	490.62	1164.80
2005-06	600.42	1765.24
2006-07	593.45	2358.69
2007-08	800.7	3163.39
2008-09	2174.57	5337.96
2009-10	2791.65	8129.61
2010-11(Upto 31.12.10)	2457.65	10587.26
<b>Total</b>	<b>10,587.26</b>	

Source: TNCDW

The above table shows year wise achievement in the credit linkage details for the entire Tamilnadu and it shows an increasing trend. This clearly indicates that the Government is taking full measures in the SHG credit linkage programme and in turns improves financial inclusion in the state.

Details of SHGs as on 30.09.2012	
No. of SHGs	5,56,311
No. of SHG Members	85,69,676
No. of Rural SHGs	3,72,092
No. of Members in Rural SHGs	57,37,023
No. of Urban SHGs	1,84,219
No. of Members in Urban SHGs	28,32,653
Total Savings	Rs.3440 Crores
Revolving Fund and Credit Linkage	
No.of SHGs Revolving Fund provided	4,92,229

No.of SHGs Revolving Fund provided – Rural	3,62,241
No.of SHGs Revolving Fund provided – Urban	1,30,480
No. of SHGs credit linked	4,93,330
Total credit linked	Rs.17,755.03 crores
<b>Economic Assistance</b>	
No of SHGs provided Economic Assistance	63,522
Amount released for Economic Assistance	Rs.604.76 crores

Source: TNCDW

The above table shows that Rs 17,755 Crores has been credit linked with banks as on 30.09.2012, out of which economic assistance provided to SHG is 604.76 Crores.

No of members in Rural SHG's is more when compared to Urban SHG's and Total savings by SHG's amounts to Rs 3440 Crores.

#### **SHG in Kancheepuram District:**

Kancheepuram is the district head quarter and the Town is connected by rail and road with the adjoining centres like Arakkonam, Chengalpattu, Arcot and Vandavasi. The Great western trunk road from the Chennai to Bangalore also passes through the local planning area.

For Administrative reasons, district has been divided into 4 revenue divisions comprising of 13 taluks with 1137 revenue villages. For development purpose, the district is divided into 13 development blocks with 633 Village Panchayats.

The population density of the Local Planning Area is 17 Persons/Hectare. And for the town is 114 Person/Hectare as per 1991 census. The maximum residential density occurs in bazaar area and surrounding the temples. The minimum residential density occurs in the rural area.

In 2011, Kancheepuram district had population of 39,98,252 of which male and female were 20,12,958 and 19,85,294 respectively. In 2001 census, Kancheepuram had a population of 28,77,468 of which males were 14,57,242 and remaining 14,20,226 were females. Kancheepuram District population constituted 5.54 percent of total Maharashtra population.

Female per 1000 male is 986 and the average literacy rate is 84.49. Male literacy rate is 89.89 and Female literacy rate is 79.02. Scheduled Castes and Scheduled Tribes accounted for 23.71% and 1.03% of the population respectively.

Out of the total population, 2.72 lakhs are agricultural labourers, 0.54 lakhs belongs to household industry and the rest 12.57 lakhs belong to the other activities.

With regard to area distribution, Kancheepuram as a district has total area of 4393.37 square kms, with net irrigation area of 1236.28 square kms, forest area of 426.57 square kms and town area of 82.57 square kms. The district is mainly dependent on seasonal rains.

Agriculture is the main occupation of the people in the district with nearly 47% of the population is involved in it. Paddy is the main crop cultivated in the district. Other major crops are Groundnuts, Sugarcane, Cereals, millets and pulses. The District produces nearly 15000 engineering students every year which is same as Gujarat state.

**Banking Profile in Kancheepuram District:**

There are 710 bank branches in Kancheepuram district as a whole, out of which 230 branches are in Rural location, 254 are in Semi urban location, 195 branches are in Urban Location, 31 branches are in Metro. As on 30<sup>th</sup> June 2016, Total deposits in the district is Rs 26796.08 Crores and advances is Rs 15908.40 Crores. Credit deposit ratio is 59.37 and total Priority sector advances is Rs 8246 Crores. Total agriculture advances is Rs 2712.76 Crores in the district.

**Impact of SHG in Kancheepuram District:**

Inclusive growth is one of the important objectives of eleventh five year plan in India. Financial inclusion is considered a major driving force to achieve inclusive economic growth. Financial inclusion can be defined as the process of ensuring access to financial services and timely availability of adequate credit where needed by vulnerable Groups such as weaker sections and low income groups at an affordable cost (Report of the Committee on Financial Inclusion in India, 2008). Unavailability of adequate financial services like credit, insurances, and remittances to majority population at an affordable cost is a major obstruction for the growth of financial sectors. Hence, Micro finance approach is considered as an alternative solution to provide financial services to provide financial services to low income groups of the society. The Micro finance started getting importance and recognition in India after the launch of the self help linkage model in the year 1992.

Self Help group linkage model is one of the successfully operated models of Micro-finance in India. Under this model, the SHGs are financed by bank without any collateral, peer group pressure is considered as collateral by the lenders. SHG led micro finance approach also helps to reduce the load of heavy transaction cost faced by formal financial institutions/banks in India. Further, various empirical studies also found that micro finance through SHG bank linkage programme has enabled the SHG members to improve their socio economic status through the availability of various micro finance services.

The Mahalir thittam project implemented in Kancheepuram district is functioning from 01-11-2009. It has been implemented through a network of women SHG's which are actually established with the support of NGO's and voluntary organizations.

The main objective of the project is to extend the project to all the rural areas of the district in a phased manner. Subsequently, the scheme was extended to urban areas also. The vision of the project is to reach such women who are below poverty line and to make them and sustainable self help groups which further leads to financially included environment thereby improving the economic growth.

**Savings by Self Help Groups:**

1. SHG's have fixed amounts as compulsory savings in monthly/fortnightly/weekly meetings.
2. Growth in schemes like MNREGS and other schemes have influenced the groups to increase their saving trend.
3. This compulsory savings practice influence the savings habit of the members and it also introduces the voluntary savings.
4. SHG members are advised to open individual bank accounts and deposits the surplus amount thereby increasing the savings habit.
5. With the introduction of PMJDY, members of Self help group opened their accounts and in turn helps them to deposit the surplus money for savings.

**Loans to Self Help groups:**

Loans granted by banks to SHG members are expected to meet the entire credit requirements of the members. Some of the basic characteristics for provision of credit facility by the banks to the group is mentioned below:

1. SHG should have been in existence for at least a period of six months and it should be homogenous.
2. It should have successfully undertaken savings and credit operations from its own resources.
3. All the members in the group should have an equal say and it should be evident.
4. The group should be maintaining proper records/accounts.
5. The banker should be convinced in such a way that the group has not been formed just for availing benefits.

The following Non Government Organisations have been functioning in Kancheepuram district and instrumental for the improvement of Mahalir Thittam in the district for Self Help groups.

- Chengalpet Rural Development Society, Thimmavaram
- Daughters of Mary Immaculate, Thirusoolam
- Tambaram Community Development Society, Vandalore.
- Arivoli Iyakkam, Kancheepuram
- Association for Community Development Service, Kelambakkam
- Women's Education and Economic Development Society. Illedu.
- HAND IN HAND, Kancheepuram.
- Community Association for Rural Development Society, Kancheepuram
- Star Welfare of the Rural Development Trust, Kancheepuram
- Naadu Awareness and Rural Development Organisation, Kancheepuram
- PREPARE-India Rural Reconstruction and Disaster Response Service, Sriperumbudur
- Nilavoli Pallikal, Kancheepuram
- Institute for Rural Development Trust, Uthiramerur
- Women's Education and Development Organisation, Ayanavaram
- Asha Niwas Social Service Centre, Chennai
- Suyam Trust, Medavakkam
- Agency for Rural Development Consultancy Services, Kolappakkam

**SHG Bank Linkage Programme in all the districts of Tamilnadu**

**Achievement for the Year 2014-2015 (as on 31.03.2015)**

**(Rs. in Crores)**

Sl. No	District	Target		Achievement		%
		No.of SHGs	Amount	No.of SHGs	Amount	
1	Theni	8008	266.00	4147	117.01	44
2	Thiruvarur	8954	125.00	6936	107.78	86
3	Dindigul	5672	144.00	6045	131.33	91
4	Karur	6631	122.00	4644	122.01	100
5	Cuddalore	10652	186.00	8422	186.06	100
6	Thiruvannamalai	1867	227.00	9195	227.21	100
7	Dharmapuri	12290	345.00	7990	345.32	100
8	Madurai	10249	189.00	8079	189.34	100
9	Nagapattinam	8724	143.00	6955	143.94	101
10	Pudukottai	6513	146.00	6048	147.47	101
11	Kancheepuram	16000	283.00	16255	286.23	101
12	Sivagangai	4751	139.00	5034	141.42	102
13	Chennai	10371	352.00	9493	358.14	102
14	Trichy	4771	148.00	6012	150.73	102
15	Thirunelveli	11215	322.00	10371	328.31	102

16	Ariyalur	3006	43.00	2788	43.94	102
17	Thiruvallur	7352	170.00	7318	173.90	102
18	Ramnad	5400	121.00	6279	123.85	102
19	Nilgiris	2434	70.00	2223	72.07	103
20	Villupuram	20502	247.00	12445	255.01	103
21	Thanjavur	20291	190.00	10108	196.63	103
22	Salem	8741	252.00	9587	261.58	104
23	Thoothukudi	9350	137.00	5989	142.77	104
24	Kanyakumari	5394	178.00	5190	186.32	105
25	Tiruppur	4224	102.00	4452	106.81	105
26	Virudhunagar	7951	148.00	7476	160.92	109
27	Coimbatore	7272	191.00	8085	216.94	114
28	Perambalur	2030	36.00	2565	40.90	114
29	Vellore	11350	252.00	13581	290.06	115
30	Krishnagiri	18631	509.00	16919	611.76	120
31	Erode	6598	116.00	6336	158.83	137
32	Namakkal	5067	101.00	4986	147.15	146
	<b>Total</b>	<b>272261</b>	<b>6000.00</b>	<b>241953</b>	<b>6171.74</b>	<b>103</b>

Source – SLBC Tamilnadu

In the above mentioned table, it clearly shows that Kancheepuram stands second in Tamilnadu in terms of formation of number of SHG's ie 16255 thereby achieving the target of 16000 which is 101% achievement ( as on 31.03.2015). This clearly indicates that Self Help groups are getting finance from banks thereby improving the status of the individual members also.

To encourage the credit linkage programmes, Tamilnadu Government has announced various awards in the state. Manimegalai award was introduced for the Best SHG's in the district and award money is fixed as Rs 25000/- which will definitely improve the performance of the SHG.

#### **FIDINGS OF THE STUDY:**

1. In Tamilnadu, Credit linkage with banks is on increasing trend which shows SHG's are given importance to improve the economy.
2. SHG are performing well in the district of Kancheepuram and the annual target is achieved. It stands second among districts in Tamilnadu in terms of number of SHG linked to banks and achievement is 101%.
3. Tamilnadu Government is also giving much importance to Self Help groups and announcing award money for the best Self help groups.
4. With the overwhelming achievement in SHG Bank linkage programme in turn leads to the financially included society which contributes to the economic development.
5. Through SHG bank linkage model helps banks to reduce transaction costs which increases the credit linkage programme in future.

### **Implications and Conclusion:**

Even though the Self Help groups perform well in the district they still lack education, training, lack of freedom to take decisions, family restrictions, doubt about women performance, restricting the women to household activities.

Government should take efforts to curb Gender discrimination which will ensure gender equality. This will enable the women to take independent decisions and they will participate actively in the group activities. More importance to be given to rural women which will reduce the disparity across the places.

Non Government organizations should take active part in training of SHG's and importantly training should be given in the field of marketing.

Insufficient loans given by the banks and financial institutions are another major cause. Banks are having resistant towards lending to SHG since the percentage of Nonperforming assets is high in such loans. Banks in hand with the Tamilnadu Corporation for development of women limited should conduct training programmes which will improve their financial products awareness and also their financial discipline. Based on the past credit history of SHG, loan amount shall be increased to such groups which will bridge the gap of insufficient loans.

Financial literacy programme shall be arranged in the villages of the district thereby educating about the savings, micro insurance products, digital banking etc which will help to improve the savings habit of the members thereby improving the financial stability.

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