

## ROLE OF MICRO - FINANCING IN DEVELOPING SELF-HELP GROUPS (SHGS) AMONG WOMEN IN KERALA

\*Akhildev P, \*\*Dr. Reshmi R Prasad

### Abstract

Micro Finance has developed as a need-based initiative for self-help groups among women in Kerala and the rest of India, which will help to improve day-to-day lives in all of the communities across our country. One of the most successful interventions for the development activities by the RBI and NABARD to reduce unemployment is microfinance for unorganised educated and uneducated women. This article offers an essential evaluation of the numerous empirical studies conducted in many Indian states, and it will aid micro finance researchers in creating self-help groups among women to empower them through credit-linked financial services. The research showed that the emergence of self-help groups with the aid of microfinance will lead to the growth of self-employment opportunities, the relief of poverty, the development of socio-economic activities, and more. It will also lessen the unemployment of both educated and illiterate rural people in the state of Kerala.

**Key words:-** Microfinance, Self-Help Groups (SHGS), NABARD, Financial Inclusion.

*M*icro financing, often known as microcredit, is a sort of banking facility used to provide financing to groups of unemployed people who operate small businesses in their local community and would not otherwise have access to financial support. Financially disadvantaged individuals can receive a

microcredit loan with their planned business initiatives and use it as start-up capital without having to provide collateral security. Muhamad Yunus, a Nobel laureate, developed this idea in Bangladesh.

Microfinance plays a critical role in the growth of self-help groups, particularly in empowering women's groups to

*\*Akhildev P, Research Scholar, Loyola College of Social Sciences, Sreekariyam, Thiruvananthapuram.*

*\*\*Dr. Reshmi R Prasad, Principal, All Saints' College, Thiruvananthapuram.*

become financially independent and provide for the welfare of their families. Self-help groups come in a variety of shapes and sizes depending on the local population's financial requirements and area of expertise. Kudumbasree, Sree Narayana Micro Finance, Janasree, and other self-help groups play a significant role in empowering women in the state of Kerala. The microfinance industry is expanding right now, which gives young people without jobs a greater chance to find work in our nation. These groups of people are the primary focus of the majority of non-banking financial companies (NBFCs). All of these financial institutions must strictly abide by RBI regulations. This financial inclusion is a test run for giving our country's unemployed citizens more power. Due to their low income, those who are not eligible for standard banking services can obtain micro loans from these micro financing firms with minimal paperwork and a short repayment term. This will help those with lesser income can obtain additional income for their daily needs and contribute to ending poverty. A group of 10 to 20 people with lower income apply for this financial aid together. These groups are now commonly referred to as self-help groups (SHGs). But nowadays, a greater number of women are included in the majority of these self-help groups. So, it will also aid in empowering the jobless women in our villages too.

### **Self - Helps Groups**

Self-helps groups (SHGs) are modest, unofficial groups established to give members the opportunity to profit economically from one another's assistance, togetherness, and shared

responsibility. Benefits include utilising credit and savings resources and developing group enterprise activities. The group-based strategy not only helps the underprivileged access formal credit facilities but also allows them to amass cash through tiny savings (Shylendra, 1998). Via joint liability, these organisations give the underprivileged a chance to get around the issue of collateral security and escape the grasp of money lenders. The joint liability makes it easier for group members to obtain credit and develops peer monitoring systems that result in improved loan recoveries (Stiglitz, 1993). Additionally, some of the fundamental aspects of SHGs, such as their small membership number and homogeneous composition, promote group cohesion and effective member participation in the group's operations (Fernandez, 1994). In general, SHGs established along the aforementioned lines of operation have been successful in empowering the poor, especially women, by providing them with simple access to resources like savings and credit and empowering them (National Bank, 1995).

### **Scope of the study**

Empirical evidence suggests that women are more involved in the microfinance industry. Their awareness and confidence have increased as a result of the growing SHG-Bank Linkage Project. In general, microfinance is a means of enabling the poorest and most marginalised people to take responsibility for their basic needs. Microfinance is seen as a financially sound strategy to relieve economic vulnerability. In this article, the influence of microfinance on Kerala women's self-help groups' economic and social development is examined.

### Objectives of the study

1. To analyse the impact of micro-financing on the socio-economic status of women in Kerala.
2. To identify the challenges faced by women in accessing and repaying micro-financing.
3. To assess the effectiveness of micro-financing in promoting self-help groups among women in Kerala.
4. To analyse the role of NABARD in developing self-help groups toward the achievement of financial inclusion in the state of Kerala.

### Literature review

Recent years have seen a rise in scholarly interest in the relationship between microfinance and women's empowerment. Several organisations have pushed SHGs by adopting the principle and methodology of successful initiatives providing financing to low-income women. Much research has examined the various aspects of microfinance programmes and women's empowerment since the early 1980s.

“Nothing, arguably, is as important today in the political economy of development as an adequate recognition of political, economic, and social participation and leadership of women” (Amartya Sen, 1999).

Microfinance has benefited women members to enhance their role in society, family decision-making, and mobility. However, on the matter of economic empowerment, the MFOs need to take much more initiative to bring women in the form of economic activities. The

overall conclusion is that the SHG and NHG movement have a beneficial impact on women's empowerment. (C. Krishnan 2009).

From direct assistance and welfare, they were transformed over time into organisations, which focused on “helping the poor help themselves”. By the early 1970s, their work concentrated on working with neighbourhood or village groups on self-help initiatives and grassroots economic projects (Korten, 1987).

Choudhary (1996), in her study, stressed the need for sharpening women's empowering strategies to make them effective and result-oriented. She pointed out that money earned by poor women is more likely to be spent on the basic needs of life than that by men and that this realisation would bring women as the focus of development efforts. She also examined the advantages of organising women's groups thereby creating a new sense of dignity and confidence to tackle their problems with a sense of solidarity and to work together for the cause of economic independence.

The state would take initiatives to change the structure and to create the conditions so that disempowered women could endogenously empower themselves, which is not possible by the exogenous strategy of microfinance only (Samantha, Gopa 2009).

The study of Anjugam, M. (2007) and C. Ramasamy titled “Determinants of women's participation in self-help group (SHGs)-led microfinance programme in Tamil Nadu.” revealed that landless and marginal farm households and socially

backward households participate more in the SHG-led microfinance programme. Livestock and material goods ownership by the member households have been found to be less prior to the group formation. Moreover, households having informal borrowings have been found to have a higher priority in group formation.

The study conducted by Karkar (1995) revealed that as the programme was effectively implemented, the monthly income of the beneficiaries increased substantially. A large number of groups had become mini-banks reducing the dependence on moneylenders. It had also resulted in improving their standards of hygiene and nutrition. The major findings were that the urge for literacy especially for the girl child and the adoption of family planning measures had increased. The group dynamics process strengthened women's networking, homogeneity, and self-esteem.

The study of Kanniammal, K., U. Jerinabi, and A. Arthi. Results proved that the intervention of microfinance through the SHG-Bank Linkage Programme has a positive impact on the economic and social status of the members especially the priority communities, in terms of increase in income, savings, employment generation, asset creation, and decrease in the dependency on money lenders, improvement in decision-making skills, participation in community affairs and the empowerment of women.

Manoharan, Padmaja, Rameshwari Ramachandran, and Nirmala Devi. (2011) an attempt has been made to analyse the financial performance of various microfinance institutions operating in India

based on their profile, financial health, and performance. MFIs must be able to sustain themselves financially in order to continue pursuing their lofty objectives, through good performance and vivid functioning.

### **Financial Inclusion**

Financial inclusion is the process of providing banking services at a low cost to significant portions of the underprivileged and low-income population. Banking services must be made widely and unrestrictedly accessible to everyone because they are by definition public goods. There are two ways to increase financial inclusion's scope. When bankers fail to give certain areas the attention they should, regulations must step in to remedy the situation. This can be done either through state-driven intervention through statutory enactments or through voluntary efforts made by the banking community itself to develop various strategies to bring a significant portion of the population within the ambit of the banking sector.

### **Issues of Micro financing in the Self-Help Groups**

In India, microfinance organisations take on several shapes and forms, including joint liability groups, self-help groups, the Gramin bank model, and rural cooperatives. Self-help groups stand out among these more advanced versions since funds are distributed to smaller groups of 10 to 20 persons in a certain area rather than to an individual. If so, that group is in charge of repaying the loan's principal. Another problem that always arises is that the financial load on the other members of the group will

increase if one or two of the members are unable to make timely payments. Lack of business professionalism and technology could also be a factor in a group’s collapse, which would hurt their ability to pay back loans. Major problems with microcredit agencies include their high-interest rates, excessive reliance on the banking industry, strict payback terms, and so on.

**Role of NABARD in developing Self-Help Groups (SHGs) through Microfinance**

It is important to acknowledge NABARD’s contribution to the expansion of SHGs in Kerala. Several SHGs now have a solid foundation thanks to their financial support as well as their advice on group formation and instruction in leadership, record-keeping, bookkeeping, and accounting. Their prompt intervention gave the thrift initiative the stability it sorely needed. SHG’s establishment and

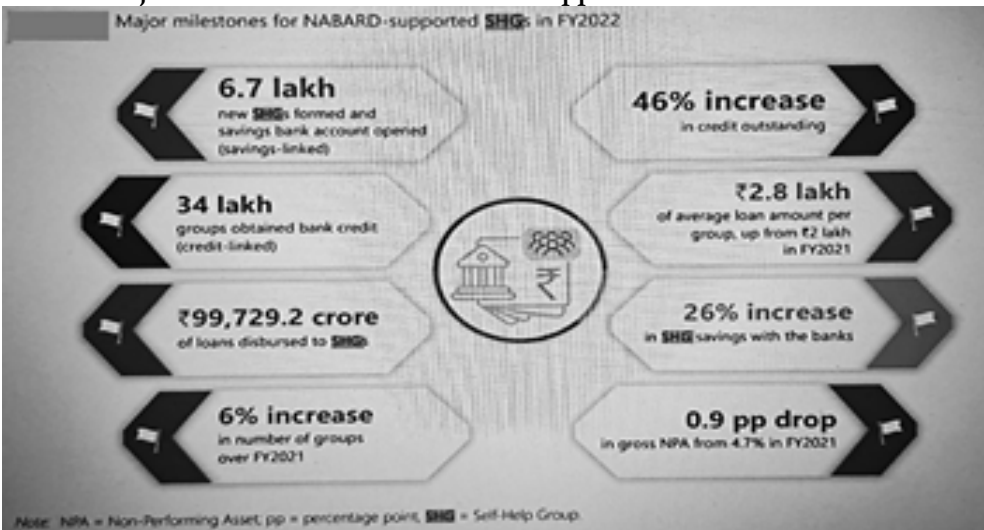
connection with state banks have occurred on two fronts.

1) Through the CDS, an organisation was established with the backing of the State government, local government, NABARD, UNICEF, and banks.

(2) Through the efforts of non-profit organisations and banks supervised by NABARD. SHGs have also been encouraged through farmers’ clubs supported by NABARD under an initiative named **”Vikas Volunteer Vahini.”**

For linking, NABARD has established several standards such as the following SHGs to bank credit, the group should have been around for at least six months and should have received 120 out of 150 points based on its evaluation criteria. As soon as the groups are connected to the scheme, they are eligible for credit in the first stage equal to their level of thrift.

**Figure 1**  
**Major milestones for NABARD – Supported SHGs in FY 2022**



Source: FY reports of NABARD 2022

## MANAGEMENT RESEARCHER

Repeat loans may then be obtained at ratios of 1:2 and 1:4, depending on how well the groups concerned are doing with their repayment obligations. These clauses are thought to encourage members to pressure one another for prompt repayment. Kerala continues to be the third-largest state in the nation in terms of the number of linked groups, behind only Karnataka and Andhra Pradesh, and made up 13 per cent of the total in 1999, linked groups in India. In the linkage programme, 47 organisations supporting self-help were involved; including 6 Vikas Volunteer Vahini and 41 NGOs (Kerala State Focus Paper, NABARD 1999-2000).

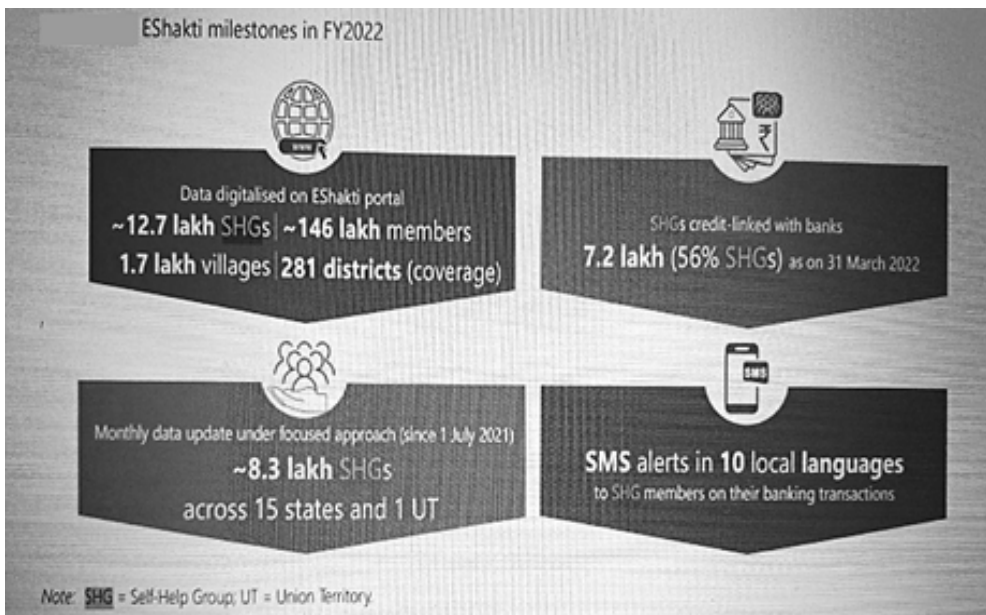
To encourage financial inclusion, the Indian government, RBI, and NABARD launched programmes. All the unbanked villages in Kerala have been brought under the control of banking operations. Inclusion becomes significant only when

## VOL. XXIX NO.2 APR-JUN 2023

the system is used to a greater extent. With the right products and services that are pertinent to the people, usage may increase. Financial Literacy Centres (FLC) was established in all 152 blocks of the State.

Collateral-free lending limit increased from <sup>1</sup> 10 lakh to <sup>1</sup> 20 lakh for 63 lakh women SHGs, which supported 6.85 crore households (Reports of NABARD 2021-2022). It indicates that the latest report of NABARD's contribution to support self-help groups (SHGs) in FY 2022. This year roughly 6.7 lacks of new SHGs were found and saving bank accounts were issued, regarding the non-performing assets reduced from 4.7 per cent in FY 2021 to 0.9 pp. This shows unequivocally that financial institutions and self-help organisations both hold significant financial insertion in the Indian financial market.

**Figure 2**  
**Eshakti milestones by NABARD**

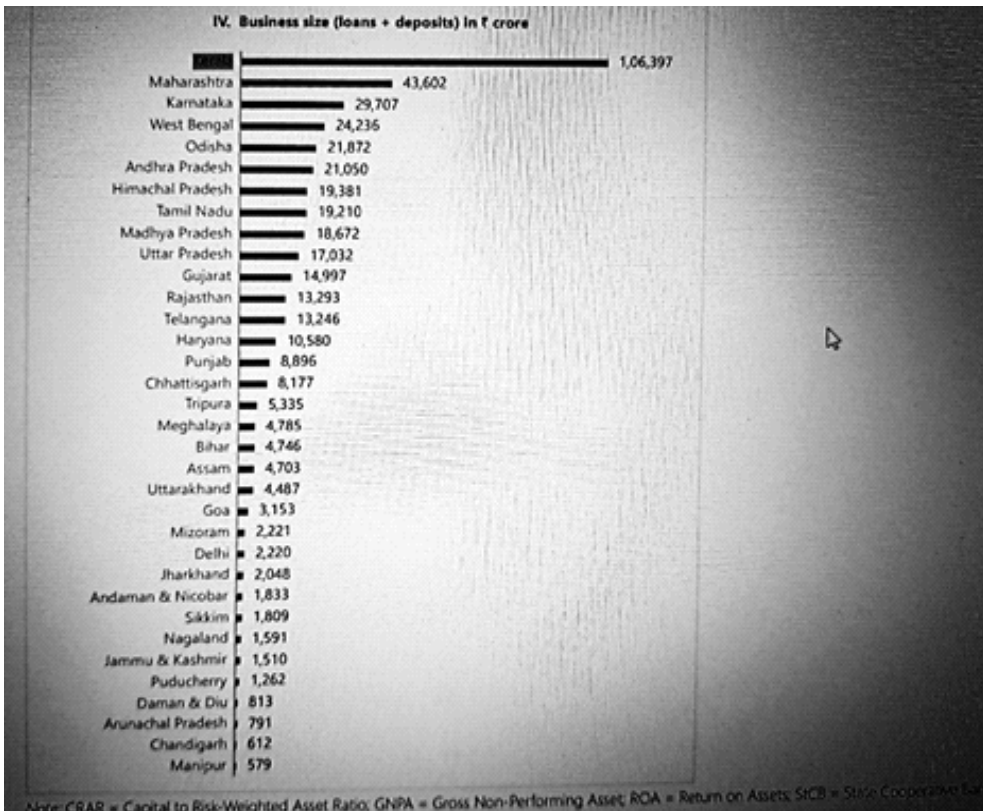


Source: FY reports of NABARD 2022

In the FY reports of NABARD, we can see the digitalisation of all processes in their services to self-help groups of women in our country called Eshakti. Through this, they cover around 12.7 lakhs of SHGs with 146 lakh members and they are equipped to give SMS alerts in 10 local languages on their banking transactions. It will give a milestone to these groups to get speedy services and avoid forgery in this regard. This also gives more confidence to the mind of these groups to come forward to apply the loans and other services from the banks and it makes it more popular among people all over the state as well as the state.

As per the latest report of NABARD, the state of Kerala is the largest business size in terms of loans and Deposits (106,397 crores) and Manipur is the least state having only 579 crores. The state of Maharashtra is in second position having only 43602 crores, even though this is also a very marginal amount when compared to the contribution of Kerala State. In Kerala, 98 per cent of this financial activity is through women, especially from the Kudumbhasre as well as the neighboring groups (Ayalkoottam).

**Figure 3**  
**Business Size (Loans and Deposits) in crores**



Source: FY reports of NABARD 2022

## Conclusion

Based on numerous reviews of the relevant literature and the most recent NABARD financial reports, 2021–2022, this theoretical study was conducted. Kerala is seen as a successful model of financial inclusion for women through micro lending. This is due to the high rates of general and financial literacy among women in this state. Women's self-help groups make a significant contribution, which may explain why Kudumbhasree and neighborhood groups are implemented so well. The states of Kerala, Tamil Nadu, and Karnataka are at the forefront of creating self-help groups that generate a living through a variety of creative business plans.

Moreover, NABARD invests heavily in the creation of credit-linked microcredit facilities through a variety of banks and NBFCs. The digitalisation of all financial procedures in the smallest corner of all Indian states would make all of these activities feasible throughout the country. The innovative self-help groups among students; particularly the girls from upper secondary and above are the other future potential. It would be good to expand the learn-while-earn programme for students in future to include learning while making money from their enterprises. Support for microfinance and self-help groups (SHGs) will both contribute to a positive change in the Indian financial markets.

## References

1. Anjugam, M., and C. Ramasamy. "Determinants of women's participation in self-help group (shg)-led microfinance programme in Tamil Nadu." *Agricultural Economics Research Review* 20.347-2016-16640 (2007): 283-298.
2. Anand, Jaya S. *Self-help groups in empowering women: A case study of selected SHGs and NHGs*. Centre for Development Studies, 2002.
3. Nakafeero, Angela, et al. *African women and ICTs: Investigating technology, gender, and empowerment*. Bloomsbury Publishing, 2009.
4. Krishnan, C. "Role of Microfinance in Women Empowerment: A Study of Selected Experiments in Kerala." *The micro-FINANCE* (2009): 84.
5. Samanta, Gopa. "Microfinance and women: gender issues of poverty alleviation and empowerment." *The Microfinance Review* 1.1 (2009): 100-120.
6. Gaonkar, Rekha R. (2004): 'Role of Self-Help Groups in Empowerment of women', Paper presented in ISTR Sixth National Conference, Toronto, and July 11-14.
7. Shetty, Naveen K. "Index of microfinance group sustainability: Concepts, issues and empirical evidence from rural India." *The Microfinance Review* 1.1 (2009): 131-152.
8. Srinivasan, R. (2000): 'Self-Help Groups as Financial Institutions: Policy Implications Using a Financial Model', *Journal of Microfinance*, 5(1)
9. Rangappa, K. B., R. Bai, and A. L. Sandesh. "Self-help groups and financial inclusion of rural households in dry land villages of Davangere District, Karnataka." *The microfinance REVIEW* (2009): 171-182.