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## Micro Finance through Self Help Groups as a tool for Financial Inclusive with reference to Bangalore Region –A Conceptual Study

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**Abstract:** Main aim of micro finance is to provide financial assistance to Self Help Groups to variable sustainable status. Self Help Groups (SHGs) is one of the most important strategy for empowering women and to alleviate poverty. The Financial Inclusiveness to Self Help Groups individuals and businesses have access to useful and affordable financial products and services that meet their needs. This paper aims at examining Conceptual the determinants of Micro Finance of SHGs as clients to investors and benefits by them in this transactions. The benefits gained by Deprived sectors, Womens, Farmers, Poor People ( Below Poverty Line). The Micro Finance is provides full financial inclusiveness to SHGs programs are perceived as set as motivate to develop a particular region.

**Key Words:** Micro Finance, Self Help Groups, Financial Inclusiveness.

### 1. Introduction

In the Present era the Micro Finance will play a vital role in the world. The Micro Finance had introduced by Muhammad Yunus, a Nobel Prize winner, in Bangladesh in the form of the "Grameen Bank". ... It includes commercial banks, regional rural banks (RRBs) and cooperative banks in its operations. In 2013, Grameen Capital India was able to loan \$144 million to **microfinance** groups. Microfinance provision of a minor loans to poor entrepreneurs and small businesses lacking access to banking and related services Micro finance Institutions support a large number of activities that range from providing the financial assistance like providing micro finance to startup capital for small business entrepreneur, ( Self Help Groups) and educational programs that teach the principles of investing. These programs can focus on how to start to saving among a set of members and to starts up with the self help groups among themselves. Economic and social activities of poor by other credit agencies including co-operatives led to the emergence of Self Help Groups (SHGs). SHGs are an outcome to the development of the region (Chitagubbi et al., 2011 <sup>[1]</sup>),

SHGs starts as an important strategy for empowering women and in alleviating poverty. SHG is a people scheme and its organisation is a significant step towards the development of women and their development. They are an effective strategy for poverty alleviation, women development and social development. The women of SHGs have enhanced and developed the status of women as participant decision makers and beneficiaries on the democratic, economic, social and cultural spheres of

life and sensitized. The women members to take active part and development in socio-economic progress of rural India.

The Philosopher, Fahreet states that the society has to be formed into small groups and to be engaged in productive activities. The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral free loan, women friendly, peer group pressure in repayment, skill, training capacity building and empowerment.( Fashreet<sup>[3]</sup>).

Many research studies, done in-house as well as sponsored by professional institutions, and some action research projects funded out of the research and development fund of NABARD, to develop the SHG-bank linkage model as the core strategy that could be used by the banking system in India for increasing its outreach to the poorest of the poor, hitherto bypassed by them. The strategy involves forming small, cohesive and participative groups of the poor, encouraging them to pool their thrift regularly and using the pooled resources to make small interest-bearing loans to members, in the process learning the nuances of financial discipline. Bank credit then follows. It needs to be emphasized that NABARD views the promotion and bank linking of SHGs not merely as a credit programme but a part of an overall arrangement for providing financial services to the poor in a sustainable manner and also an empowerment process for the members of these SHGs. NABARD, however, also took a conscious decision to experiment with other successful strategies such as replicating the Grameen Bank (Bangladesh) model. Above all, the need for evolving suitable mechanisms for meeting the economic aspirations of the poor was considered necessary.(Somashekar<sup>[4]</sup>).

The poor sector credit policy is directed credit policy of Nepal Rastra Bank, which is designed to meet micro credit demand of poorer and weaker section of the country. This policy was given for commercial banks in 1990. Under this policy provision, commercial banks are given 3 percent as a loan to deprived people. Since the starts of various policy reforms are carried out to enhance the effectiveness of the policy and programs. The undeveloped sector includes the low income people especially socially deprived women, endogenous, lower caste, blind & hearing impaired, disabled, craftsman, artisan, small & marginal farmer and landless people. Basically, the lending to those people who are deprived of lending from formal financial sector is comes under deprived sector credit. The main objective of deprived sector credit is to uplift the socio economic status of these people [<sup>(4)</sup>].

The Financial Inclusion will help a Women, Below poverty line people, Poor people in a particular region.

**Financial Inclusion - Concept and Scope :** Financial Inclusion is defined 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" (C. Rangarajan Committee on Financial Inclusion, 2008). The objective of Comprehensive Financial Inclusion would be to provide a holistic set of services through multiple delivery channels. The World Bank has made universal financial access by 2020 as one of its goals, and reports that more than 50 countries are actively developing financial inclusion plans and policies. Governments and businesses can be more efficient, and unbanked population will find a better quality of life if financial products are extended to them.

The scope of activities undertaken by the BCs include disbursement of small-value credit; recovery of principal / collection of interest; collection of small-value deposits; sale of micro insurance, mutual fund plans, pension and other third-party products; and receipt/ delivery of small-value remittances and other payment instruments.

BFs provide services such as identification of borrowers; collection and preliminary processing of loan applications; creating awareness about savings and other products; post-sanction monitoring and follow-up for recovery.

According to NABARD "though several initiatives were taken by the Government, the central bank, Nabard and banks to bring the poor into the fold of formal financial service providers, no serious was made to leverage the SHG-BLP to achieve the financial inclusion goals."

The 'Status of Microfinance in India' report observed that a successful programme such as the SHG-BLP, which could link millions of rural poor to the formal banking system, could have been the main instrument for financial literacy and financial inclusion in the country.

"There are a number of plausible ways by which matured SHGs could have been participants in the financial inclusion initiative, including being agents of providing direct banking services to the poor sectors.

"This model is certainly a more cost effective and reliable alternative to the existing inclusion agenda and millions of households, now members of SHG-BLP, would have been the immediate beneficiaries," said Nabard.

2. Statement of the Problem: Self-Help groups have assumed greater importance, which is considered as the most necessary tool to adopt participatory approach for the social, economical, marketing and financial improvement of women, This study will shows the how the problems faced by the self help groups in relation to the availability of Raw materials, Marketing of their produced goods, lack of stability and unity among the women in the groups, exploitation by strong members in the groups, weak financial management faced by the self help groups. This results in lack of knowledge and training in financial matters among the SHGs members.

After the planning and development of government efforts to increase the role of women and to improve the status of women in society, and the large

number of Non-Governmental Organizations (NGOs) and NABARD to enter the rural credit scheme for organizing the poor into informal groups. In this context study is proposed to carry out further risk in micro financing for the development of self help groups in the country.

3. Objectives:

- a. To explain the role and importance of financial inclusion in Self Help Groups.
- b. To examine the role of banking system in extending banking services for Self Help Groups
- c. To explain how government will helps to self help groups for their development.

4. Review of Literature:

- a. Hunt, J &Kasynathan, N (2002) says that microfinance has a positive Impact on women's mobility and helps in reducing the poverty in women's. They observed that women need only a small opportunity to build their own pathway to empowerment. Access to credit and peer support has enabled them to increase their power and decision making capacities in their households. Micro finance has proven to be an effective and powerful tool for poverty alleviation. A new world of micro finance has, thus, emerged not only as a profitable niche for innovative banking services to the poor but also as a new development initiative for inclusive growth.
- b. Dr. G. Sudarsana Reddy (2010) says that the SHG-bank linkage programme plays an important role in women empowerment and their development. The study undertaken was based on various indicators like women household decision making power, financial autonomy, freedom of movement, political participation acceptance to unequal gender role, exposure to media, access to education and experience to members.
- c. Nagayya, 2000 Microenterprises have been recognized for their significant role in poverty reduction by creating self-employment opportunities, supplementing agricultural income, linking agricultural households to local markets through the sale and exchange of products and providing a source of employment for household members where wage employment is scarce
- d. (MurlidharLokhande, 2009) (Robinson, Marguerite, 2001) (Zaman, 2000) These enterprises help in solving poverty and inequality, staggering unemployment, regional disparities and other socioeconomic problems encountered by the society. There is, however, little evidence to show that SHGs have graduated to undertake microenterprises and only the clients with existing microenterprises or employment (often defined as "the economically active") are the only ones benefited from micro finance.

- e. V. V. Desai (2011) in his study says that, the enhancement of entrepreneurship qualities among the members of self help groups is a significant step towards social and economic empowerment of women. Status of women has also improved by joining the SHGs. His suggestions for improvement are the development of skill oriented training programmes, encouragement of good leadership in the group and constant guidance and support through the government and non-government organizations.

#### Self Help Groups – time line in India

In the country of over 121 crore people, where 83.3 crore stays in rural areas and the rest stay in urban areas, only about 22% of the population is considered to be below the poverty line. The continuing urbanization has indeed contributed to creating more employment opportunities for the people.

Self-Help Group model of development is a 20th century social innovation. It has brought a silent revolution in rural households of India. Since nineties of 20th century Non-Governmental Organizations are playing a major role as catalysts in promoting Self-Help Groups. Non-Governmental Organizations and Self-Help Groups are considered as complementary to each other. They are Non-State actors in the dynamic process of development. Self-Help Groups are primarily micro-finance enterprises initiated by the state as well as Non-State actors. The state agents such as banks and government departments and non-state agencies like NGOs work for formation of Self-Help Groups. They are designed to mobilize people to make them financially sound to some extent, give them some voice and build people's organizations that will overcome barriers to participation and empowerment in rural communities. Precisely speaking, central to the ideal of self-help is group-formation; concept of a 'community' and the development of egalitarian relations among the members of a village.<sup>1</sup> Over the years Self-Help Groups has proved to be the most potent tool in building human capital among the deprived. Self realization and self initiative has taken shape through this sustainable development initiative. From an informal group of late eighties these Self-Help Groups have converted themselves into partners in the Self-Help Group movement in 21st century India. The Self-Help Group model is an assisted self-help process where the State, financial institutions and the NGOs play an important role in mobilizing and assisting the poor and the needy. The Indian experience is distinctive in the sense that the Self-Help Groups are mostly formed by women through grassroots mobilization with the help of NGOs and are engaged in poverty alleviation and empowerment activities. They inspire women to 'think differently' and unite them on certain platform. They encourage women to play a dynamic role in development. The prime question for researchers is whether the Self-Help Group movement, no doubt, can be a social movement that would change gender and power relations. The main objective of this chapter is to examine the dynamics and issues of Self-Help Group Movement in India.

Micro Finance in Bangalore

When the MFI model became successful in Bangladesh, it was hailed as the solution to poverty in developing countries—providing institutional credit to the poor was supposed to lift them out of poverty. MFIs entered India in the late 90s. RBI brought MFIs under many regulations in terms of interest rate, loan amount etc. There are four major MFIs in Bengaluru now – Janalakshmi, Ujjivan, GrameenKoota and Equitas.(ref 8)

MFI websites claim that their aim is to develop the poor and improve their lives, create economic and social change etc. They pass many stories of the poor who changed their own lives by investing MFI loans in business, education etc. But the MFI customers that this reporter spoke to, said that for them, MFI was just one more loan source like pawn brokers and local lenders. They used loans from all such sources for the same purposes—routine expenses, crises, repaying old debts etc.(ref 8)

In MFIs beings to provide a small loan to the needy once if it is pays, than they will encourage to provide a larger amount as a loan. Carol Furtado, COO ( south ) at the MFI according to him the repayment rate is 99.8% and that customer retention India. Around 90% of their customers takes group loan only ref 8)

#### Conclusion:

The study results proved that positive impact on micro finance helps selfhelp groups as a tool of financial inclusiveness , in terms of increase in social awareness and participation, savings habits, income level, self employment, asset creation, repayment of other debts, improvement in decision making skills and saving habits. The self help groups have enabled poor women to get access of various financial products and services. The Government also providing various activities which will help to improve and development of Self Help Groups in Bangalore Region.The self help group concept enabled many women to achieve social recognition. Greater emphasis has to be given to provide education, training and creating awareness among the members of the groups.

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