

# A Study on Role of SHG in Financial Inclusion and Poverty Eradication- With Reference to Mepayyur Village, Calicut District, Kerala

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## Abstract

Poverty is a contaminated and dangerous disease which is spread in every socio – economic zone in India .Poverty is mostly rampant in rural as well as in urban areas . Rapid urbanization is the main culprit of creating poverty. The Indian governments have come up with many strategies in eradicating this dangerous disease. One of the strategies created is to attain hundred percent financial inclusion. One of the steps to achieve financial inclusion is the formation of Self Help Groups. Self Help Group Bank Linkage Program is sponsored by NABARD (National Bank of Agriculture and Rural development). It is a successful model striving towards upliftment of poor. Individuals, mainly women with homogenous social and economic backgrounds, voluntarily join together and form a group. They mutually agree to contribute to a common fund and float a small business. These people who pool their resources save small sums of money. They convert their savings into a common fund known as the Group Corpus to be used through a common management scheme. The formation of SHGs have benefited its members (mainly women), in numerous ways, not only by eradicating poverty but also empowering the women folk.

*Key Words: Financial Inclusion, Self Help Group, Group corpus.*

## INTRODUCTION

“Poverty is the Worst form of violence”-  
Mahatma Gandhi

Mahatma has led India to independence but the violence of poverty and unemployment is following even today. Poverty eradication and unemployment generation have been the two main cuses of India since independence. The government of India has formulated many strategies to eradicate poverty. The main reason for poverty is unemployment. The unemployment rate in India was 9.4% in the year 2009-2010. As Nehru said “to build a strong nation we have to make the women of our country play a vital role in educational, technical and financial infrastructure.” To develop our nation, we have to eradicate unemployment and empower women. Many schemes were introduced by the government to solve these major issues .The biggest challenge of Indian banking system is attaining hundred percent financial inclusion in the country. Self Help Group is one such scheme. In SHG the female members in a village voluntarily form a group. They pool their resources and start a small business. They convert their savings into a common fund known as the group corpus .They organise a weekly meeting known as “Ayalkuttam” .In the meeting they will collect the minimum savings amount from the members and with this fund they will repay the loan amount.

The study focuses on the functioning of SHG in Meppayur village in Calicut district, Kerala.

## FINANCIAL INCLUSION

Financial inclusion is defined as the process of ensuring access to appropriate financial products and services needed by all sections

of society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players (Dr. K.C. Chakrabarty, Deputy Governor, RBI). In the past, various steps like cooperative movement, setting up State Bank of India, nationalisation of banks, lead bank scheme, regional rural banks, service area approach, formation of self help groups etc. But many of them failed because of absence of good banking technology, absence of proper reach and coverage and not having proper business model. In 2004, Reserve Bank of India has set up the Khan Commission to look into the aspect of financial inclusion. RBI has initiated several measures like no frills account, Know Your Customer (KYC) norms, Engagement of Business Consultants (EBC), adoption of EBT, simplified branch authorization and opening of branches in unbanked rural centers.

### SELF HELP GROUP

Self Help group is a voluntary association of small and homogeneous groups of 10 – 20 local women in a village. The members with common interest join together and form a group. There is no political interference in a self help group. These women members make small regular savings and raise the capital to start a business. The Self Help Group empowers the poor, especially the women's community. The main objectives of self help groups are to create employment opportunities, empower the women, to alleviate poverty to mobilize and encourage savings.

### OBJECTIVES

The objectives of the study are:-

- To study the functions of SHG in Meppayur, Calicut District, Kerala.
- To understand the effectiveness of SHG in financial inclusion.
- To understand the reasons for joining SHG
- To study the income, savings pattern of the members

### Hypothesis

**H0:** There is no significant relationship between monthly income and the increase in the women's own income.

**H1:** There is a significant relationship between monthly income and the increase in the women's own income.

### Research Design

Descriptive research design is used for the study. The research design reveals the study of existing facts.

### Sources of Data

Both Primary data and secondary data were collected for the study. Primary data was collected by issuing the questionnaire and by direct interview of the members of SHG in Meppayur, Calicut District, Kerala.

Secondary data were collected from the published records, journal and website.

### Sample Size

The data was collected from 150 respondents on a random basis.

### Tools

For the analysis of the data, tools such as percentage analysis and chi square test were used.

### ANALYSIS AND INTERPRETATION FROM PRIMARY DATA

**Table 1 Reason for Joining SHG**

Particulars	Number of Respondents	%
Poverty	50	33
Unemployment	45	30
Mobilize Saving	35	23
Family Pressure	20	14
Total	150	100

Table 1 shows that poverty (33%) and unemployment (30%) are the major reasons why the members have joined SHG.

**Table 2 Monthly Income**

Income	Number of Respondents	%
Upto Rs.3000	50	33
Rs.3000-Rs.4000	30	20
Rs.4000-Rs.5000	40	27
Above Rs. 5000	30	20
Total	150	100

From Table 2 we can infer that 33% of the respondents are earning up to Rs.3000 per month, 27% are earning between Rs. 4000-5000 per month, 20% are earning is above Rs.5000.

**Table 3 Problems Faced by the members**

Particulars	Number of Respondents	%
Formation of group members	30	20
Resistance from family	50	30
Raising Loan	40	0
Objection from the group members	30	0
Total	150	100

From Table 3 it can be seen that the resistance from the family members(30%) is the major problem the members are facing. Formation of group members (20%), Raising Loan(20%) and objection from the group(20%) are some of the other problems faced by the members

**Table 4 Association with Banks**

Particulars	Number of Respondents	%
Cooperative Bank	80	53
State Bank of India	30	20
Gramin Bank	40	27
Other Banks	-	
Total	150	100

From Table 4 we can infer that majority of the members (53%) are maintaining transaction with the Cooperative bank, 20% of the members are maintaining with State Bank of

India, and 27% of the members are maintaining accounts with the Gramin Bank.

**Table 5 Type of Business**

Particulars	Number of Respondents	%
Agriculture	60	40
Manufacturing food	60	40
Polutary farming	30	20
Total	150	100

From table 5 it can be inferred that 40% of the members are engaged in agriculture business and food manufacturing business. Only 20% of them are engaged in poultry farming.

**Table 6 Frequency of Conducting Meeting**

Particulars	Number of Respondents	%
Weekly	150	100
Quarterly	-	
Monthly	-	
Total	150	100

The members conduct meeting on weelky basis and are known as "Ayalkuttam"

**Table 7 Purpose of conducting Meeting**

Particulars	Number of Respondents	%
To take decision	40	27
To collect savings amount and loan amount	47	70
To decide upon financial requirement	6	10
To maintain relationship	20	30
Total	150	100

The table 7 reveals that 47% of the group conduct meeting to take to collect the savings amount and loan amount, 27% conduct meeting to take future business decision , 6% of them conduct meeting to decide upon the financial and loan requirement for the business and 20% of them conduct meeting

to maintain good relationship with the members.

**Table 8 Increase in Income**

Particulars	Number of Respondents	%
Strongly Agree	70	47
Agree	50	33
Neither Agree nor Disagree	30	20
Disagree	-	-
Strongly Disagree	-	-
Total	150	100

Table 8 reveals that 47% of the members strongly agree that their income have increased, 33% of them agree and 20% of them have no opinion since they are new members.

**Table 9 Increase in Decision making skill**

Particulars	Number of Respondents	%
Strongly Agree	75	50
Agree	75	50
Neither Agree nor Disagree	-	-
Disagree	-	-
Strongly Disagree	-	-
Total	150	100

Table 9 shows that the 50% of the members strongly agree and agree that their decision making power and skill have increased.

**Table 10: Easy Access to Finance**

Particulars	Number of Respondents	%
Strongly Agree	20	13
Agree	60	40
Neither Agree nor Disagree	5	3
Disagree	45	30
Strongly Disagree	20	14
Total	150	100

Source: Primary Data

From table 10 it can be seen that 40% of the members agree that there is easy access to finance, 30% disagree that the loan is easily available, 13% strongly agree that loan is easily available, and 14% strongly disagree that there is easy access to finance.

**Table 11 Easy to follow Bank Procedure**

Particulars	Number of Respondents	%
Strongly Agree	50	33
Agree	80	53
Neither Agree nor Disagree	20	14
Disagree	-	-
Strongly Disagree	-	-
Total	150	100

From Table 11 it can be inferred that 53% of the members agree that it is easy to follow the bank procedures, 33% of them strongly agree and 14 % of them have no opinion regarding the understanding of the bank procedure

### Chi Square

The Chi Square test is an important test among the several tests of significance developed by statisticians. The Chi square value is often used to judge the significance of population variance. It is an important non – parametric test. It is a technique through the use of which it is possible to test the goodness of fit, test the significance of association between two attributes and test the homogeneity or the significance of the population.

$$\chi^2 = \frac{(O-E)^2}{E}$$

### Result

Ho : There is no significant relationship between monthly income and the increase in the women's own income.

H1: There is a significant relationship between monthly income and the increase in the

women's own income.

$$\chi^2 = \frac{(O-E)^2}{E} = 57.59$$

Degree of freedom =

$$(c-1)(r-1) = (4-1)(5-1) = 12$$

The Table value of chi-square for 12 degrees of freedom at the five percent level of significance is 21.0. The calculated value of Chi-Square is 57.59. The calculated value of Chi-square is higher than the table value and hence it is proved that there is a significant relationship between monthly income and the increase in the women's own income.

### FINDINGS

Poverty and unemployment are the major reasons why the members have joined SHG. 33% of the members are earning up to Rs 3000 per month.

30% of the members were resisted by their family for joining in SHG. 40% members are engaged in manufacturing of food and agriculture.

The Majority of the members strongly agree that their income have increased.

50% of the members strongly agree that their decision making skill have increased.

### SUGGESTIONS

Awareness programme should be conducted among the younger generation to participate in SHG.

More training programmes should be given to the members to increase their efficiency. A session on awareness and importance of SHG should be given to the male members.

### CONCLUSION

The study was undertaken in SHG of Meppayur village in Calicut District. Many studies show that men contribute 50 to 60% of their salaries to the collective household fund but women tend to keep nothing for themselves. This study shows that how women are efficient in saving and loan repayment. Presently the rate of saving has reduced due to increase in

expenditure. But this factor is not affecting the loan repayment. Thus, based on the above study, we can conclude that SHG has helped in financial independence and social upliftment of women in Meppayur village in Calicut district, Kerala.

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