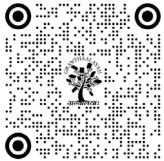


# FINANCIAL INCLUSION AND ITS DETERMINANTS: THE CASE STUDY OF KRISHNARAJANAGAR TALUK

Dr. Shashikala

<sup>1</sup> Associate professor, Government First Grade College, Bannur



DOI  
[10.29121/shodhkosh.v4.i1.2023.2622](https://doi.org/10.29121/shodhkosh.v4.i1.2023.2622)

**Funding:** This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

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## ABSTRACT

In this twenty first century, the society must take an active people centered and growth oriented poverty alleviation strategy- a strategy which seems to incorporate women's aspirations, dynamism and involvement. It is envisaged that, the commercial Banks, RRBs and co-operative Banks have plays a vital role in such strategy. But there is a need for structural orientation of the groups of new business. Micro-credit movement has to be viewed from a long term perspective under SHG framework, which underlines the need for deliberate policy implications in favor of assurance in terms of technology back-up product market and human resource development. Hence, there is a need for the development of an innovative and diversified micro finance sector, which leads to a real contribution to financial inclusion of women and women empowerment. The present study makes an attempt to understand the role of SHGs in women empowerment in study area and how women are benefited through these SHGs. The study presents concepts of financial inclusion, SHGs and women empowerment.

## 1. INTRODUCTION

Financial inclusion is important to achieve poverty reduction and empowerment of women. Financial inclusion emphasizes the importance of creating an appropriate enabling environment to facilitate the provision of financial services to the poor household and the broader community. Access to finance can contribute to improved nutrition, housing and health, especially among female clients. By borrowing, saving or buying insurance the poor can plan for their future beyond the short term. They can build up assets and invest in Education and health. Financial services can help the poor cope in times of need and hardship. Beyond the severe tangible impacts, access to financial services promotes social inclusion and Builds self-confidence and empowerment. Thus financial inclusion provides monetary fuel for economic growth and it is considered critical for achieving inclusive growth.

## 2. FINANCIAL INCLUSION

Financial inclusion is defined, "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" (DrC.Rangarajan). The Reserve Bank of India (RBI) said that financial inclusion is not restricted merely to opening of bank accounts and should imply provision of all financial services like credit, remittance and overdraft facilities for the rural poor. (Commission on Growth and Development 2008).

Financial Inclusion refers to a process of providing the financial products/services to weaker section of the society at affordable cost. Financial inclusion is delivery of financial services to poor people and low-income group at reasonable price. In other word, financial inclusions access of safe, easy and affordable financial services to financially disadvantaged people. People may be financially included through Commercial Banks, Regional Rural Banks (RRBs), Insurance services, Post Office Saving Banks (POSB). In India, RBI has taken a number of initiatives to achieve more financial inclusion viz. No-Frill Account, General Credit Card (GCC), Know Your Customers (KYCs) norms, Business Correspondence Model, Business Facilitators (BF) Model, and Bank Branches & ATMs expansion etc.

#### Reasons for financial Inclusion of the Poor People

1. Absence of reach and coverage.
2. Not having a Suitable Business model.
3. Too much documentation (and hidden cost) and time taken for loan sanction.
4. Lack of viable schemes for implementation unless 'directed' credit target is imposed.
5. Heavy cost of borrowing.
6. Rich/Officials have no compassion for poor.

#### There are some intermediaries which can be used for promoting financial inclusion. They are

1. Linkage of Self Help Groups with bank
2. Linkage of Microfinance Institutions with banks
3. Business facilitators and correspondence model.

Thus financial inclusion provides monetary fuel for economic growth and it is considered critical for achieving inclusive growth. One of the intermediaries like Linkage of Self Help Groups with bank, woman members of SHG were able to increase their disposable income, self/wage employment opportunities, standard of living through enhanced consumption expenditure and health care, saving potential and decision making power. As a result rural women members of SHG through financial inclusion were also able to achieve economic, social and political empowerment.

#### Objectives:

1. To examines the role of Banks in achieving financial inclusion of women and empowering women.
2. To compare the financial inclusion in, with SHG households and without SHG households

**Sampling Design and Methodology:** For the purpose of study krishnarajanagara taluk has been selected, 10 villages of the Taluk were randomly selected. Totally 200 rural households were selected by random sampling method. Out of 200 rural households 120 with SHG households and 80 without SHG households were selected. Primary data on the demographic profile of the family, borrowing and saving details, involvement in SHG were elicited from these households by using pre-tested, well structured schedule.

#### Result and discussion:

**Table- 1 Age wise distribution of house holds**

Parameter	Number
<25	25
26-35	60
36-45	80
>46	35
Total	200

Age is an important demographic variable with which social status is associated in traditional societies. Age and socio-economic activities are interred related. The middle age group women generally constitute which is a positive sign and

actively participate in the socio- economic activities. Table-1 shows that, out of 200 members 80 members in 36-45 years age group, these aged group members had actively participated in SHGs activities and they had an important role in monitoring and solving the problem arising within the group.

**Table-2 Educational distribution of house holds**

Parameter	Number
Illiterate	48
Primary	85
High school	55
Degree	12
Total	200

Education is an important aspect of analyzing the performance of SHGs in study area. Table-2 shows that 48 members are illiterate, 85 respondents are clearly shows having primary education, and 55 members and 12 members are having high school and graduation level education respectively in this area. It is observed that, the low level of education is due to low income level, malnutrition and discouragement to female education. SHG with fairly educated members are functioning more effectively in the study area.

**Table- 3 Households without SHG and with SHG borrowing loan from different agencies**

Banks	Without SHG	With SHG	Total
CBS	30	50	80
RRBS	12	18	30
Co-Operative	38	52	90
Total	80	120	200

Table-3 shows that the sample has also been stratified in terms of credit linkage with different banking agencies, i.e., CBs, RRBs and Co-Operatives. Bank linkage is important to the growth of SHGs and helps in analyzing the saving, loan repayment and income generating activities of the group members. While 80 sample households were credit linked by Commercial Bank, about 30 and 90 households were credit linked by RRBs and Cooperatives respectively. Co-operatives are highest credit linkage compared with others. Table also reveals that, 50 with SHG households borrowing loan from CBs, about 18 and 52 household borrowing loans from RRBs and Co-operatives respectively. But without SHG households borrowing loan from any agency were very less in compare to with SHG households, 30 households borrowing loan from CBs, about 12 and 38 households borrowing loan from RRBs and Co-operatives respectively.

**Table-4 Households without SHG and with SHG availed loan for different purpose**

Parameter	Without SHG	With SHG	Total
Consumption	15	10	25
Production & Trade	17	43	60
Education	14	21	35

Health	11	19	30
Repayment of old loan	18	10	28
Others	05	17	22
Total	80	120	200

The table-4 represents purpose wise demand for credit in with SHG and without SHG households. The member's availed loans for different purpose like consumption, health, festival, and repayment of old loan, business, children education and others. In with SHG households, 10 members credit availed for consumption purposes, followed by 43 for production and trade, 21 for education, 19 for health, 10 for repayment of old loan, 17 for others. Middle income members have taken loan for business and income generating activities purpose. Lower income members have taken loan for consumption and other purpose. But without SHG households, 15 members credit availed for consumption purposes, followed by 17 for production and trade, 14 for education, 11 for health, 18 for repayment of old loan, 05 for others. This reflects that with SHG households are availed more credit for income generation activities.

**Table-5 Distribution of with SHG households, Social changes before and after joining SHG**

Parameter	Before	After	Total
Education	22	98	120
Health	31	89	120
Confidence level	28	92	120
Empowerment	27	93	120
Nutrition	30	90	120

Table-5 shows that social changes of women. One of the objectives of the SBLP is to enhance social empowerment, which includes developing the Self-confidence of members of rural households, especially women through promotion of group. The indicators of social empowerment are to improve the education, health, confidence level and nutrition. Self-confidence is one of the indicators of women Empowerment. Increased self-confidence was especially pronounced when women had been exposed to training on women's rights and social and political issues. Table indicates that, before joining SHG children's education level was very poor. Only 22 SHG households provided education for their children's, but after joining SHG it increased to 98 households, followed by health from 31 to 89, confidence level from 28 to 92, empowerment from 27 to 93 and nutrition level also increased from 30 to 90. This shows women acting as social actors are knowledgeable and capable in processing social experiences and strategizing ways of coping with challenge.

### 3. CONCLUSION

SGH as an important strategy for financial inclusion of women and empowerment of women. SHGs are helping women to be empowered. The study examine the without SHG households and with SHG households. The study presents assessed role of banks and financial inclusion of women and SHG has a positive impact on women empowerment and financial inclusion. The study assessed the impact of SHG on the economic activities, and social empowerment of SHG members. The present study assesses the impact and sustainability of SHG bank linkage on the socio-economic conditions of the individual members and their households in the pre-SHG and post-SHG scenarios. The overall findings of the study suggest that SHG has significantly improved the access to financial services of the rural poor and had considerable positive impact on the socio-economic conditions and the reduction of poverty of SHG members and their households. It has also reportedly empowered women members substantially and contributed to increased self-confidence and positive behavioral changes in the post-SHG period as compared to the pre-SHG period.

### ACKNOWLEDGEMENTS

Authors are thankful to the healthcare practitioners working in GMC, Srinagar who helped directly or indirectly in the collection of data during the field work.

## CONFLICT OF INTEREST

The authors declare no conflict of interest between them.

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