



# "An assessment of microfinance schemes and banking services for empowering self-help groups: challenges and opportunities".

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**ABSTRACT:** This study aims to assess the impact of microfinance schemes and banking services on the empowerment of Self-Help Groups (SHGs). Microfinance plays a crucial role in improving the financial inclusion of marginalized communities by providing them with access to credit and other banking services. The research explores various microfinance models, examining their effectiveness in promoting financial independence and socio-economic development among SHGs. Additionally, the study identifies the challenges faced by SHGs in accessing and utilizing banking services, such as high-interest rates, lack of financial literacy, and limited access to formal credit systems. It also investigates the opportunities for enhancing the role of microfinance institutions (MFIs) and banks in supporting SHGs. The findings highlight the importance of tailored financial products, effective training programs, and policy interventions in addressing the needs of SHGs and fostering sustainable development. This research contributes valuable insights to policymakers, banking institutions, and development practitioners involved in promoting financial inclusion and empowerment through microfinance.

**Keywords:** Microfinance schemes, banking services, Self-Help Groups, financial inclusion, empowerment, financial independence, socio-economic development, challenges, opportunities.

## INTRODUCTION:

The government sponsored several programmes and projects to bring the excluded poor into the mainstream 'development'. Poverty can be alleviated and the economic and social structures can be transformed fundamentally by providing financial services to low-income households. These institutions, united under the banner of 'microfinance', share a commitment to serving clients that have been excluded from the formal banking sector. (Shetty. N., 2008)

The study seeks to assess the impact of the self-help group (SHG) microcredit scheme on the economic empowerment of its members, examine the effectiveness in meeting its goals,

identify challenges in its execution, and propose recommendations for enhancing the scheme's success.

The SHG members stated that the SHG has helped resolve economic and social problems and helped improve self-confidence, mobility, recognition in society and interaction with outsiders. The SHG's platform had helped improve access to credit, improved habit of savings and provided access to loans at lower interest rates. The heterogeneity in response was found to be statistically significant indicating that some indicators of social and economic empowerment were affected more positively than the others.

Microfinance refers to the provision of financial services, such as small loans, savings accounts, and insurance, to individuals or groups who do not have access to traditional banking services. It primarily targets low-income individuals, small entrepreneurs, and marginalized communities, often in developing countries. The goal of microfinance is to empower these individuals economically by offering them the opportunity to start or expand small businesses, improve their livelihoods, and achieve financial independence.

Microfinance institutions (MFIs) usually provide loans with low interest rates and flexible repayment terms. In addition to loans, some MFIs also offer training and support services to help borrowers manage their businesses effectively. One of the key principles of microfinance is the use of group lending models, where borrowers are organized into self-help groups, which helps reduce the risk of default and fosters social solidarity.

Microfinance has been hailed as a powerful tool for poverty reduction and women's empowerment, as it enables individuals, particularly women, to become financially self-sufficient and improve their socio-economic status. However, critics have raised concerns about high interest rates, over-indebtedness, and the sustainability of some microfinance models. Despite these challenges, microfinance continues to play a significant role in promoting financial inclusion and economic development in underserved communities.

Formal banking services and microfinance programs are essential components of financial inclusion, providing savings, credit, insurance, and investment opportunities to underserved populations, particularly women.

the study highlights several key areas that need improvement for the better functioning of Self-Help Groups (SHGs). First, it suggests simplifying loan documents and streamlining repayment processes to make them more accessible and user-friendly for SHG members. It also emphasizes the importance of establishing efficient systems for monitoring and documenting the progress of these groups to ensure transparency and accountability.

Furthermore, the study stresses the need to strengthen SHGs by providing necessary inputs for their long-term sustainability, such as skill training and value-added services. It highlights that continuous support, or "hand-holding," is crucial to help SHGs achieve financial independence and stability.

Additionally, the study recommends linking SHGs to markets and offering basic entrepreneurship training to women. This will help them develop essential management skills, making them better equipped to run successful enterprises. Lastly, it emphasizes the importance of facilitating bank linkages and increasing awareness of government schemes.

Such initiatives will aid in both the economic and social empowerment of women, improving their financial capabilities and overall well-being.

## STATEMENT OF PROBLEM

- **Limited Access to Banking Services:** Many women face challenges in accessing banking services due to socio-cultural norms, geographical barriers, and lack of identification or documentation.
- **Lack of Financial Literacy:** A significant proportion of women lack the financial knowledge and skills necessary to effectively engage with financial services, further hindering their inclusion.
- **Inadequate Representation in Decision-Making:** Women's limited participation in financial decision-making processes, both at household and institutional levels, undermines their economic empowerment and access to resources.
- **Digital Divide:** The growing reliance on digital financial services has exacerbated inequalities, as many women lack access to technology, connectivity, or digital literacy.

## LITERATURE REVIEW:

- **Gender Differences in Access to Financial Services: A Review"**
  - **Scholar:** Leora Klapper
  - **Journal:** The World Bank Research Observer
  - **Research Gap:** While Klapper provides a comprehensive overview of **gender differences** in access to financial services, including banking and microfinance, there's still a need for more focused studies examining specific barriers faced by women, particularly in low-income and rural areas.
- **"Gender Differences in Access to Financial Services in Rural India"**
  - **Scholar:** Nidhiya Menon
  - **Journal:** The Journal of Development Studies
  - **Research Gap:** Menon's study sheds light on gender disparities in **financial access** in rural India but leaves room for further investigation into the effectiveness of microfinance programs in addressing these disparities and empowering women economically.
- **"The Role of Microfinance in Women's Economic Empowerment: A Review of the Literature"**
  - **Scholar:** Amelita King Dejardin
  - **Journal:** Gender & Development
  - **Research Gap:** Dejardin's review highlights the potential of **microfinance in women's economic** empowerment but underscores the need for more empirical research to assess the long-term impacts of microfinance programs on women's financial inclusion and overall well-being.

## Objectives of the Study:

- i. Fostering Economic development through Self-Help Groups.
- ii. Encourage self-employment
- iii. Create opportunities for involving in entrepreneurial activities establish production centres and develop themselves
- iv. Promote financial self-reliance and enhance the economic strength of self-help groups.

## NEED OF THE STUDY

- **Socio-Cultural Barriers:** In many societies, socio-cultural norms and practices can act as barriers to women's financial inclusion. Understanding these barriers and finding ways to overcome them is crucial for designing effective interventions and policies to promote women's financial inclusion.
- **Economic Growth:** SHG's supporting to Women's economic participation is increasingly recognized as a driver of economic growth and development. Therefore, promoting women's financial inclusion can contribute to broader economic growth objectives.
- **Policy Implications:** Assessing the effectiveness of existing policies and programs aimed at promoting SHG's is essential for identifying gaps and areas for improvement. This research can inform policymakers and practitioners about the most effective strategies to enhance women's access to financial services.

## SCOPE OF THE STUDY

This study is focus on urban and rural areas of Chikkaballapur residents. This study Investigate the socio-economic factors such as education, employment status, household dynamics, and cultural norms to banking services and microfinance programs. The research will evaluate a selected set of financial schemes and services implemented in banks. Some of the Banking schemes for providing micro financial are listed below:

### LIST OF BANKING MICRO FINANCE SCHEMES

Sl. No.	Banking Schemes	Microfinance Programs
1	Pradhan mantra Jan dhan yojana (PMJDY) Facility:- 5000 overdraft facility AND 1 LAKH ACCIDENT INSURANCE COVERAGE on debit card. Beneficiary:- women.	Self-Help Groups (SHGs) Amount limit:- 1,50,000-3,00,000 Beneficiary:- Rural women

2	Stand-Up India Scheme Amount limit:- 75% of project cost Beneficiary:- SC/ST women	Grameen Bank Model Ujjivan, Grameen shakthi Beneficiary:-group of 5 people are created(subsidies)
3	Mahila Coir Yojana Amount limit-25lakhsper project BENEFICIARY-rural women artisans	Bandhan-Konnagar Model Beneficiary:-5-20 members group, education loan, health programs, unemployment programs
4	Sthree Shakti Package Amount limit:- 25 lakhs Beneficiary:- women entrepreneurs	ASA Model (Association for Social Advancement) Beneficiary:-education, irrigation and primary health of women

## METHODOLOGY:

The study was carried out using qualitative and quantitative methods.

**The primary data collection:** the primary data collected from the focus group discussion with selected SHGs, grading the SHGs, survey of beneficiaries, verification of records, interview with respondents.

A survey was carried out with the beneficiaries of the microcredit scheme in the chosen SHGs. The survey aimed to interview those who had utilized the microcredit for income-generating activities, as well as those who had not used it for such purposes.

The focus group discussion helps the evaluation team held in-depth Focus Group Discussions (FGDs) with each of the selected SHGs to gain insights into the loan application process, its utilization, and the overall impact of the scheme.

**Secondary Data Collection** The sources of secondary data for the study are; existing literature and data in websites, various publications such as books, magazines, newspapers, reports, articles, and seminar papers published by universities and research institutions. Secondary data and information has been collected from the following sources;

- Karnataka Women Development Corporation, Bangalore
- Journals and Magazines
- Department of Women and Child Development
- Economic Survey Reports • Various databases including websites.

**Sample design:** The sample was selected using the systematic random sampling using an intensity of chikkaballapur district.

Self-Help Groups (SHGs) were chosen from all taluks in the district. In other instances, an effort was made to select one urban/semi-urban taluk and one rural taluk, based on the assumption that urban areas have better market access, while the rural taluk represents a different context. The SHGs within each taluk were randomly selected from the list of benefited groups.

### **LIMITATION OF THE STUDY.**

The study was constrained by the absence of baseline data regarding the social and economic status of the beneficiaries and SHGs, making it challenging to evaluate the scheme's impact using concrete facts and figures. Additionally, as the beneficiaries have been members of SHGs for a considerable period, their perception of growth and empowerment may have been influenced by this long-term involvement. It was also noted that beneficiaries acknowledged their access to the microcredit scheme as a result of being SHG members.

These factors made it challenging to isolate and clearly identify the specific benefits of the microcredit scheme. The long-term SHG membership and lack of baseline data complicated the assessment of its impact.

### **FINDINGS OF STUDY.**

The microfinance scheme has enabled SHGs to access financial resources, which were utilized to enhance existing income-generating activities. This has led to increased profits for the beneficiaries. In some instances, beneficiaries have used the funds to purchase productive assets.

#### Eligibility Criteria (as per scheme guidelines)

- SHG and its members must have active bank account
- Members should be residents of Karnataka.
- Should not have any outstanding loan.
- SHG must have group insurance Records to be submitted for Loan sanction • Loan application prescribed by the cooperation for groups.
- Grading document of the groups
- Record for opening the bank account and its transaction made by the group
- Records of saving made by the group

One of the major objectives of mobilising community-based institutions such as the self-help group is to make them pressure groups to advocate for the cause of socially relevant issues and achieve social empowerment.

**Conclusion.** In conclusion, it can be stated that the microcredit scheme has provided support to the existing income-generating activities of SHGs, thereby promoting self-employment. The respondents are able to clearly recognize the economic and social benefits of being members of SHGs. The study clearly brought out the need for strengthening of the SHGs.

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