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## ROLE OF SELF HELP GROUP IN RESPONSIBLE FINANCING: A STUDY WITH SPECIAL REFERENCE TO SELF HELP GROUP (SHG) BENEFICIARIES IN ALAPPUZHA

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### ABSTRACT:

*Responsible Finance (RF) is simply offering financial services in an accountable, transparent and ethical manner and improves capacities to access and use high quality*

*financial services. Financial inclusion means universal access to a wide range of financial services at reasonable cost. Microfinance means the provision of microloans to poor entrepreneurs and small businesses lacking access to banking and related services. The terms have evolved from micro-credit to micro-finance, and now 'financial inclusion'. SHG is nothing but a group of people who are on daily wages, they form a group and from that group one person collects the money and gives the money to the person who is in need and this programme is acting as microfinance programme, providing a lot of financial services at minimum cost with minimum formalities to its disadvantaged people. The researcher attempted to study the influence of Self Help Group micro financing programme in promoting responsible financing among its beneficiaries as disadvantaged area. The main objectives of the study included to identify the level of economic, social, psychological empowerment aspects among the SHG beneficiaries before and after joining to Self Help Group scheme and suggest measures for the overall promotion of Responsible financing in rural area beneficiaries. For the research purpose, both primary data and secondary data are used. In this study the sample unit is consider as rural area Self Help Group beneficiaries in Alappuzha. The sample size is 80 respondents from the place of Alappuzha and the sampling procedure is random sampling. From the study, it is very clear that the SHG Small financing having high role in supporting responsible financing.*

**KEYWORDS:** *Financial Inclusion, Small Financing, Responsible Financing, Financial Exclusion, Self Help Group Financing.*

### INTRODUCTION

Responsible Finance (RF) is simply offering financial services in an accountable, transparent and ethical manner.

RF must focus on financial service providers, (their practices, what they do or do not do) and on clients, (mainly aimed at improving their capacities to access and use high quality financial services). Many microfinance institutions and other industry stakeholders are focusing more on the need to provide safe services, which

offer a good price/quality ratio and generate benefits for poor clients. Thus, three main strategies have been developed to help the development of responsible finance. The first strategy is the protection of the consumer. It is provided by the financial authorities who establish and enforce rules to ensure that services are provided

in a transparent way. This strategy seeks suppliers to treat their customers fairly and do not put them at risk from harm such as over-indebtedness and that effective mechanisms exist to address customer complaints. These condstrategy in the context of responsible finance is the action by which the provider improves his own behavior and its services by using standards or codes of conduct. The final strategy includes interventions to inform and raise customer's awareness and strengthen their financial capacity and help them behave responsibly. For providers, whose mission is to serve the poor, responsible finance has two dimensions: customer protection and management of social performance.

### CONCEPTUAL FRAME WORK REVIEW

A self-help group is a financial intermediary committee usually composed of 10-20 local women or men. Most self-help groups are in India, though SHGs can be found in other countries, especially in South Asia and Southeast Asia's, SHG is nothing but a group of people who are on daily wages, they form a group and from that group one person collects the money and gives the money to the person who is in need Members also make small regular savings contributions over a few months until there is enough money in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of micro-credit.

An SHG may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds; all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by microfinance institutions. To make the bookkeeping simple, flat interest rates are used for most loan calculations. Responsible financing or financial inclusion is the process of providing and ensuring prope financial services for rural sectors at minimum cost and at less procedural formalities. SHG and its system of operations and its financial scheme indicated some sort of role in achieving responsible financing. The research made an attempt to study influence of SHG in responsible financing with title- *"Role of Self Help Group in Responsible Financing: A Study with Special reference to Self Help Group (SHG) Beneficiaries in Alappuzha"*.

### STATEMENT OF THE PROBLEM

"Financial stability depends upon the proper level of demand for and supply of financial services. If any imbalances in the level of proper demand for and supply of financial services, it directly affects financial stability. Small financing has wide role in providing financial services to unbanked sectors in rural area and thereby supporting in maintaining proper demand and supply of financial services in rural sectors in India. Even though there are number of financial institutions functioning and providing different financial services, it could not lead to the overall empowerment of rural people because there are number of factors influencing to the financial access mentality of disadvantaged people. So that the concept of responsible financing is more relevant. The researcher made an attempt to identify the influence of Self Help Group as a micro financing programme in promoting responsible financing by way of providing sufficient financial services at affordable cost with minimum formalities to the Self Help Group beneficiaries as disadvantaged area".

### OBJECTIVES OF THE STUDY

- The study concentrated on the analysis of the level of economic, social, psychological empowerment aspects among the self help group beneficiaries with the help of supporting responsible financing by self help group financing programmes.

**SIGNIFICANCE OF THE STUDY**

- It gives idea about the problem faced by the rural people on account of financial service and how the responsible financing helps to overcome the situations.
- It gives suggestions on measures to achieve the overall inclusive financing among rural people with supporting of responsible financing

**LIMITATIONS OF THE STUDY**

- The study concentrated on few area of the responsible financing.
- Accuracy of result depends upon the accuracy of the Primary data.
- Some of the respondents felt difficulty in understanding the technical words in the questionnaire.
- The size of the sample limited to 80.

**METHOD OF THE STUDY**

The study on the problem conducted by collecting, analyzing, and interpretation of both secondary and primary data. Primary data collected by questionnaire and schedule method. Secondary data collected from journals, magazines, newspaper, websites of government, public institutions. To collect primary data, a sample of 80 respondents selected from the rural area of Alappuzha using random sampling method.

**RESULTS**

**Table 1: Agreement Level of SHG Beneficiaries in Supporting Economic Empowerment with the Help of SHG (SD-Strongly Disagree, DA- Disagree, N-Neutral, A- Agree, SA- Strongly Disagree)**

Dimensions	SD	%	DA	%	N	%	A	%	SA	%
Improvement in Income level and poverty reduction	1	1.25	2	2.5	9	11.25	50	62.5	18	22.5
Improvement in consumption level and Electronics purchase	7	8.25	2	2.5	35	43.75	28	35	8	10
Increase in Savings and Improved infrastructure facility	1	1.25	5	6.25	43	53.75	27	33.75	4	5
Managing Hospital Needs and Health	1	1.25	4	5	38	47.5	27	33.75	10	12.5
Managing textiles and garments needs	5	6.25	5	6.25	45	56.25	16	20	9	11.25

Table-1 shows that 18 respondents opted improvement in income level and poverty reduction, 10 opted improvement in managing hospital needs and health, 9 opted improvement in managing textiles and garments needs, 8 opted in improvement in consumption level and electronics purchase and 4 opted improvement in increase in savings and improved infrastructure facility. It inferred that self help group programmes influenced the economic empowerment aspects of the SHG beneficiaries.

**Table 2: Agreement Level of SHG Beneficiaries in Supporting Psychological Empowerment with the Help of SHG (SD-Strongly Disagree, DA- Disagree, N-Neutral, A- Agree, SA- Strongly Disagree)**

Dimensions	SD	%	D	%	N	%	A	%	SA	%
Self-confidence building	0	0	3	3.75	46	57.5	13	16.25	18	22.5
Self-esteem achievement	0	0	1	1.25	41	51.25	23	28.75	15	18.75
Gaining self-respect	4	5	4	5	42	52.5	20	25	10	12.5
Reaction to abuse	0	0	3	3.75	45	56.25	27	33.75	5	6.25
Self-impression	3	3.75	1	1.25	55	68.75	16	20	5	6.25

Table-2 depicts that 18 respondents opted improvement in self confidence building, 15 opted improvements in self esteem achievement, 10 opted improvements in gaining self-respect and 5 opted improvement in reaction to abuse and self impression. It inferred that 68.75% have more neutral option in self-impression. It inferred that Self Help Group programmes influenced the psychological empowerment aspects of the SHG beneficiaries.

**Table 3: Role of SHG in Social Empowerment among SHG Beneficiaries (SD-Strongly Disagree, DA- Disagree, N-Neutral, A- Agree, SA- Strongly Disagree)**

Dimensions	SD	%	D	%	N	%	A	%	SA	%
Participation in solving social issues	0	0	41	51.25	21	26.25	13	37.5	5	6.25
Participation in social development activities	2	2.5	10	12.5	24	30	42	52.5	2	2.5
Increase in children enrolment to schools	0	0	42	52.5	23	28.75	9	11.25	6	7.5
Awareness of social issue and overcoming	0	0	37	46.25	25	31.25	3	3.75	15	18.75
Better women empowerment	0	0	42	52.5	20	25	6	7.5	12	15

Table-3 indicates that 15 respondents opted improvement in awareness of social issue and overcoming, 12 opted improvements in better women empowerment, 6 opted improvements in increase in children enrolment to schools, 5 opted improvement in participation in solving social issues and 2 opted improvement in participation in social development activities. It inferred that 52.5% have more disagreement with the options of increase in children enrolment to schools and better women empowerment and also agreed by the same percentage of respondents to participation in social development activities. It inferred that Self Help Group programmes influenced the social empowerment aspects of the SHG beneficiaries on an average because there are negative aspects occurred.

**Table 4: Change in Income Level Before and After Joining SHG**

Income Level				
Factors Level	Before joining SHG	%	After joining SHG	%
More	18	22.5	57	71.25
Average	46	57.5	16	20
Less	16	20	7	8.75
Total	80	100%	80	100%

From Table-4, it is inferred that in the income level of the respondents has significantly increased after joining SHG. It inferred that the 71.25% of the SHG beneficiaries has increased their income level after joining SHG.

**Table 5: Change in Saving Level Before and After Joining SHG**

Saving Level				
Factors Level	Before joining SHG	%	After joining SHG	%
More	10	12.5	25	31.25
Average	48	60	47	58.75
Less	22	27.5	8	10
Total	80	100	80	100

From Table-5, it is inferred that in the saving level of the respondents has significantly decreased after joining SHG. It inferred that the savings level after joining SHG had been increased from 12% to 31.25%.

**Table 6: Change in Consumption Level Before and After Joining SHG**

Consumption Level				
Factors Level	Before joining SHG	%	After joining SHG	%
More	29	36.25	42	52.5
Average	24	30	31	38.75
Less	27	33.75	7	8.75
Total	80	100%	80	100%

Table-6 shows that in the consumption level of the respondents has significantly increased after joining SHG. It is inferred that the consumption level of SHG beneficiaries has increased by 16.25%.

**Table 7: Change in Level of Education to Children**

Education to Children				
Factors Level	Before joining SHG	%	After joining SHG	%
More	22	27.5	53	66.25
Average	25	31.25	21	26.25
Less	33	41.25	6	7.5
Total	80	100%	80	100%

Table-7 indicates that in the education in the children level of the respondents has significantly increased after joining SHG. It inferred that the education in the children level of the respondents has been significantly increased by 38.75%.

**Table 8: Change in Level of Participation in Social Activities Before and After Joining SHG**

Participation in Social Activities				
Factors Level	Before joining SHG	%	After joining SHG	%
More	9	11.25	21	26.25
Average	31	38.75	35	43.75
Less	40	50	24	30
Total	80	100%	80	100%

Table-8 reveals that in the Level of Participation in social activities in the respondents has significantly decreased after joining SHG. It inferred that the level of participation in social activities in the respondents has increased by 15%.

**Table 9: Change in Level of Borrowing Money Before and After Joining SHG**

Level of Borrowing Money				
Factors Level	Before joining SHG	%	After joining SHG	%
More	6	7.5	24	30
Moderate	50	62.5	54	67.5
Less	19	23.75	2	2.5
Not	5	6.25	0	0
Total	80	100%	80	100%

Table-9 shows that in the Level of borrowing money of the respondents has significantly decreased after joining SHG. It is inferred that the level of borrowing money has increased by 22.5%.

**Table 10: Change in Level of Understanding Financial Products Before and After Joining SHG**

Understanding Level of Financial Products				
Factors level	Before joining SHG	%	After joining SHG	%
More	1	1.25	42	52.5
Moderate	46	57.5	37	46.25
Less	26	32.5	1	1.25
Not	7	8.75	0	0
Total	80	100%	80	100%

Table-10 depicts that in the Level of Understanding of financial products of the respondents has significantly increased after joining SHG. It is inferred that the level of understanding of financial products has increased by 51.25%.

**Table 11: Change in Level of Interest Calculation Before and After Joining SHG**

Interest Calculation				
Factors Level	Before joining SHG	%	After joining SHG	%
More	5	6.25	38	47.5
Moderate	18	22.5	30	37.5
Less	46	57.5	8	10
Not	11	13.75	4	5
Total	80	100	80	100

Table-11 reveals that in the level of interest calculation of the respondents has significantly increased after joining SHG. It is inferred that the change in level of interest calculation has increased by 41.25%.

**Table 12: Level of Investment Advice Before and After Joining SHG**

Investment Advice				
Factors Level	Before joining SHG	%	After joining SHG	%
More	1	1.25	23	28.75
Moderate	20	25	46	57.5
Less	51	63.75	11	13.75
Not	8	10	0	0
Total	80	100	80	100

Table-12 shows that in the Level of Investment advice of the respondents has significantly increased after joining SHG. It is inferred that the level of change in investment advice has increased by 27.5%.

**Table 13: Level of Entrepreneurial Advice Before and After Joining SHG**

Entrepreneurial Advice				
Factors Level	Before joining SHG	%	After joining SHG	%
More	3	3.75	22	27.5
Moderate	27	33.75	58	72.5
Less	40	50	0	0
Not	10	12.5	0	0
Total	80	100	80	100

From Table-13, it is inferred that in the Level of Entrepreneurial of the respondents has significantly increased after joining SHG. It is inferred that the level of entrepreneurial advice received by SHG members has been increased by 23.75%.

**DISCUSSION**

From the overall analysis and interpretation of the data, general findings and findings on account of empowerment factors, suggestions, general implications of the study, conclusion are given below.

## FINDINGS

Following are the main findings from the analysis and interpretation of the primary and secondary data. The findings indicate that how the Self Help Group influenced its beneficiaries in supporting empowerment aspects and thereby supporting responsible financing.

1. The level of receiving entrepreneurial advice, investment advice received by SHG beneficiaries showed increased tendency after joining to SHG programme.
2. The level of income earning, saving, consumption, borrowing among SHG beneficiaries also increased after joining SHG scheme.
3. The financial literacy level, knowledge about financial products among SHG members showed an increasing trend after the membership of SHG
4. The level of education to children, participation social activities among SHG members also indicated increasing trend

## SUGGESTIONS

Following are the suggestions to attain over all financial inclusion in India. Even though the supporting level by SHG scheme to responsible financing showed an increasing tendency but only at decreasing trend. To achieve full support, following are the some measures.

- ✓ **Innovative schemes:** develop more innovative financial scheme package which will attract more prospective members.
- ✓ **Financial and Awareness programme:** awareness about various schemes, loans, saving scheme, etc. Should be given to SHG members. This can be made possible by awareness programmes, seminar etc.
- ✓ **Motivation of MFI staff:** The managers should motivate staff, officials to deals financial inclusion programs with more care.
- ✓ **Maintain proper customer relationship:** Improve the attitude of customer relationship management towards the customer of micro finance institutions.
- ✓ **Introduce more financial literacy centers:** The MFI should introduce more financial literacy centers to equip more financial awareness among rural people.
- ✓ **Vernacularisation:** Vernacular language (regional language) during banking services and communication and vernacularisation of all for including legal for misconnected with financial operations.

## CONCLUSION

Financial exclusion is the inability of disadvantaged people to access financial services at affordable cost with minimum paper work in timely manner. Financial inclusion is the situation under which disadvantaged people can access financial services in timely manner at affordable cost with minimum effort. One of the ways to achieve the financial inclusion is the practice of responsible financing. Responsible financing is the practice of providing financial services to unbanked sectors of the economy at affordable cost in timely manner. From the review of literature, it is clear that microfinance programmes influenced the practice of responsible financing. From the present study, it is clearly said that, Self Help Group micro financing influenced among its beneficiaries by empowering various aspects such as economic, social, psychological improvements by way of providing proper financial and non financial services at affordable cost in timely manner with minimum paper work. But the level of influence only at increasing at decreasing rate but the study stressed that SHG have wide role in uplifting financial inclusion among disadvantaged group.

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