

**AN REVIEW OF FINANCIAL INCLUSION THROUGH SHGs IN INDIA: WITH SPECIAL
REFERENCE TO DEVANAHALLI TALUK OF BANGALORE RURAL DISTRICT IN
KARNATAKA**

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Abstract

According to research, Financial Inclusion is a very important initiative for the sustainable growth of a country and it is a powerful tool to achieve inclusive growth. Inclusive growth is much needed to include common people in the orbit of development. Social and economic justice can be provided only with the help of the inclusion of finance to various sections of people. A lot of measures were undertaken by the Government of India and the Reserve bank of India together to mitigate the problem of financial exclusion. In this direction emergence of Self Help Groups Programme help extensively to strengthen the poor, especially women. SHGs play a vital role to improve the socio-economic condition of women by developing thrift habits and providing microfinance in times of need and also encouraging micro-entrepreneurs. This study highlighted the role of SHGs in financial inclusion to empower women in rural areas. The purpose of the study is to know the role of financial inclusion through self-help groups and for this the data will be collected from NGOs, NABARD, and Banks by using secondary data. Self Help Groups are considered one of the most significant tools in the participatory approach for the economic empowerment of women. It is an important institution for improving the lives of women on various social components. The basic objective of SHGs is that acts as a platform for members to provide space and support to each other.

Keywords: *Financial Inclusion, SHGs, Bank linkage, Women, Banking*

Introduction

India has secured second place in the world having the highest population, out of the total population, half of the population is covered by women, constituting the largest group that is excluded from the benefits of development. In India, the work participation rate of women is less compared to men. The multiple roles of women and the meager ability to access resources and available assets are areas of concern. It is important to emphasize that women require adequate security and protection to be self-reliant. Among women, widows are the most vulnerable sections of society. Financial Inclusion is a very important initiative for the sustainable growth of a country. With a huge rural population, that is economically challenged, Government in India has rolled out many initiatives like Rural Employment Guarantee Scheme, Sarva Shiksha Abhiyan (Education for All), and Bharat Nirman Programme. But to support the growth, a committee on Financial Inclusion was also formed in June 2006, with Dr. C Rangarajan as Chairman to recommend a strategy to achieve higher Financial Inclusion in the country. The scheme of microfinancing through Self Help Groupshas transferred real economic power into the hands of women and has considerably reduced their dependence on men. Therefore SHGs have been successful in making many rural women economically, socially, and politically more empowered.

For this purpose, a study of 50representing Women empowermentSHGs in Devanahalli taluk of Bangalore rural in Karnatakahas been selected and a random survey is conducted to understand the benefits of such Women empowerment SHGs in obtaining a seat in rural. The results reveal that

Women empowerment SHGs in the rural through in rural have prompted them to have the attitude of Devanahalli taluk of Bangalore rural in Karnataka also. This paper reviews the literature in the field of consumer durables in the Indian context to elucidate the different perspectives on its understanding and various conflicts in its conceptualization, while identifying significant gaps.

Financial inclusion in India

India is a country of 1.2 billion people, spread across 29 states and seven union territories. There are around 600,000 villages and 640 districts in our country. A vast majority of the population, especially in rural areas, is excluded from easy access to finance. 40 percent of the households having bank accounts, but only 38 percent of the 117,200 branches of scheduled commercial banks are working in rural areas. Only 34 percent of India's population has access to banking services. Over 80 million poor people are living in the cities and towns of India and they lack access to the most basic banking services such as savings accounts, credit, remittances and payment services, financial advisory services, etc., and they depend on the informal sector for their savings and loan requirements. The financially excluded sections comprise largely rural masses comprising marginal farmers, landless laborers, oral lessees, self-employed, and unorganized sector enterprises (National Sample Survey report).

At the Indian level, in general, 58.7 percent of households availed of banking services. Across the states, in Andaman and Nicobar Islands, a maximum of about 89.3 percent of households were availing of formal banking services, followed by Haryana with 89.1 percent. In Nagaland, only 34.9 percent of households had accessed banking services. In Karnataka, the percentage of households availing of banking services was above average at 61.1 percent. The credit Delivery and Financial Inclusion report of RBI, Government of India (2012) states, out of 199 million households in India, only 68.2 million households had access to banking services. As far as rural areas were concerned, out of 138.3 million rural households in India, only 41.6 million rural households had access to basic banking services. In respect of urban areas, only 49.52 percent of urban households had access to banking services and only 34 percent of India's urban population with annual income less than 50,000 had access to banking services (Census data 2011).

Financial Inclusion in Karnataka

Financial Inclusion was initiated in the state of Karnataka by the Regional Office RBI in December 2005. RPCD (Rural Planning and Credit Department) requested the State Level Bankers Committee (SLBC), Karnataka to launch the First Phase of Financial Inclusion in the state. On April 24, 2006, in its 97th meeting, the SLBC resolved to adopt the Gulbarga District (Lead Bank –SBI) for the implementation of Financial Inclusion on a Pilot basis in the state. March 31st, 2007 was set as the target date for the completion of the First Phase with the opening of the No Frills Accounts. The "Sarva Kutumb Sameeksha" data from the district/Block Offices of the Government of Karnataka was taken as the basis for the Programme. Further Regional Rural Banks (RRBs), Cooperatives Banks, (Self Help Group) SHG-Bank Linkage Channels, and Micro Financial Institutions (MFI) were all roped in to move towards 100 % FI in the different districts of the State. The first phase of Financial inclusion for the rural districts of Karnataka was declared 100 % done in September-October 2007, i.e. all 29 districts of the state were declared Financially Inclusive by the SLBC. This was except for the Metro area of Bangalore which was for the Exclusive program to be launched subsequently in October 2008. Subsequently, the whole state was declared 100% financially Inclusive (Anurag Rai and Amrita Saha, 2010).

SHGs and MFIs have not just influenced the lives of women but also have had a positive impact on the social life of rural people. SHGs play a vital role in creating accessibility for credit facilities and hence develop the source for income generation activities thus playing a crucial part in the empowerment of rural households. Devanahalli taluk of Bangalore rural In Karnataka, with its long-standing history of cooperative credit societies, considerably less gender discrimination, and

inequitable land ownership trends provide an interesting case for understanding the status of SHGs and their impact on the socio-economic aspects and empowerment of women.

Financial Inclusion through Micro-finance

Micro-finance is a very effective way of offering funds to economically underprivileged sections of society. Micro-finance refers to giving microloans or micro-credit to less fortunate entrepreneurs and small-scale business enterprises. This mode of financing has helped India extensively in cost-effectively achieving financial inclusion. It has impacted the lives of the poorest people in the nation. It includes the provision of loans, savings instruments, and other financial instruments to make more money and save it proficiently for multiple purposes.

Bangalore Rural District

Bangalore Rural district was separated from the erstwhile Bangalore district, as Bangalore city was growing at an enormous rate and it was necessary to segregate the problems faced by rural taluks and address them more effectively. Presently, the Bengaluru Rural district comprises four taluks namely, Devanahalli, Doddaballapur, Nelamangala, and Hosakote. All of them are surrounded by the Bengaluru Urban district and are very heavily influenced by the fast urbanization of Bengaluru City. The most common characteristics of the district include eroding interest of the farmers to cultivate the land due to rising prices of land coupled with high demand for various non-agricultural uses like housing, and industries. The cultivated land is reducing at a faster rate and cultivation is over-dominated by the cultivation of vegetables, having persistent demand in the nearby Bangalore market. Bangalore (rural) district is also dominated by flower cultivation due to the availability of international flower auction centers. The dominant presence of hi-tech agriculture with net houses, greenhouses, and other forms of protected cultivation is found in all four taluks of Bangalore Rural District.

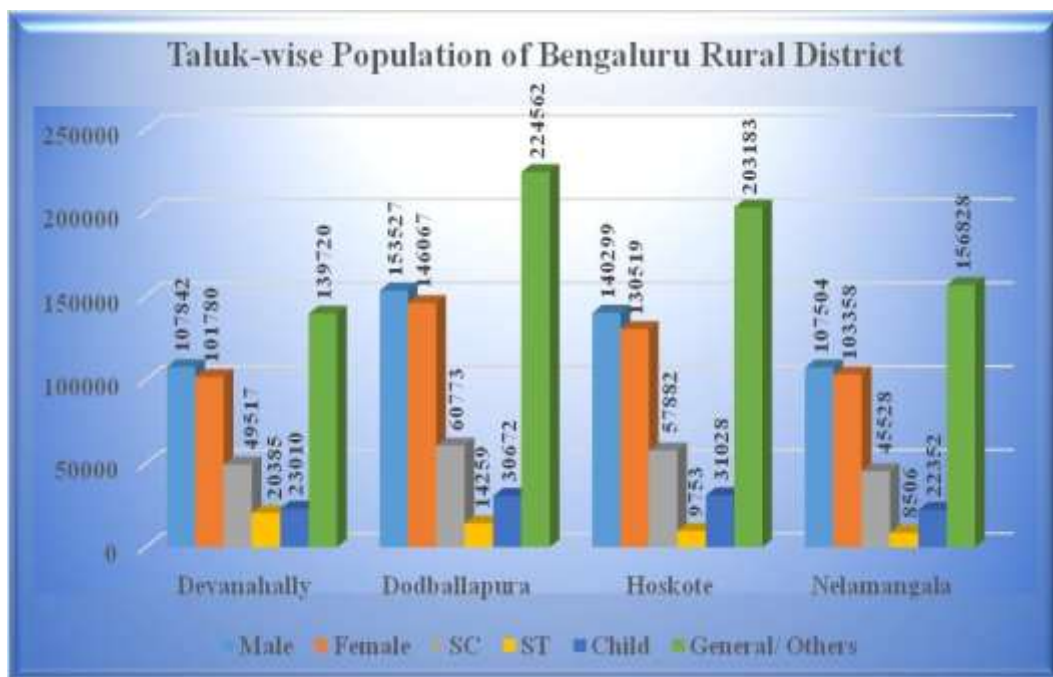
Bangalore Rural District in Population

The total population of the district is 990,896. of this, 509,172 are male and 481,724 are female. SC population is 213,700 (21.6%) the ST population is 52,903 (5.3%). Further, Doddaballapur taluk has the highest population of 299,594 (30.2%), followed by Hosakote with 270,818 (27.3%) and Nelamangala has 210,862 (21.3%). Devanahalli has the lowest population of 209,622 (21.2%). Devanahalli taluk has the highest percentage (23.6%) of the SC population, followed by Nelamangala taluk (21.6%), Hosakote (21.4%), and Doddaballapur (20.3%), whereas the percentage of ST population is highest in Devanahalli taluk (9.7%) followed by Doddaballapur (4.8%), Nelamangala (4.0%) and Hosakote (3.6%). Details are furnished in Table 1.2, Fig. 1.2, and Appendices 1.2.

Table 1.2: Taluk-wise population of Bangalore Rural district

Name of the Block	Population			SC	ST	Child	General/ Others	Total
	Male	Female	Total					
Devanahalli	107842	101780	209622	49517	20385	23010	139720	209622
Dodballapura	153527	146067	299594	60773	14259	30672	224562	299594
Hosakote	140299	130519	270818	57882	9753	31028	203183	270818
Nelamangala	107504	103358	210862	45528	8506	22352	156828	210862

Source:Censusreport2011



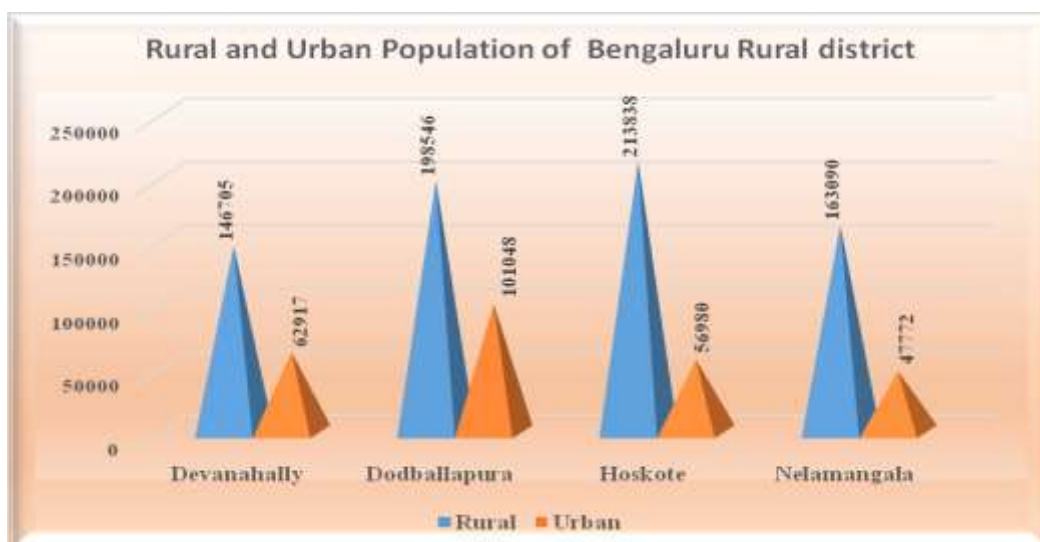
Rural and Urban Population

The district is having a rural population of 722179 (72.9 %) and the urban population is 268744 (27.1%). A higher rural population is an indication of the agrarian nature of the district. Hosakote taluk has the highest rural population of 213838, followed by Doddaballapura (198546), and Nelamangala (163090). Devanahalli taluk has the lowest rural population (146705). Whereas, Urban population is highest in Doddaballapura taluk (101048), followed by Devanahalli (62917) and Hosakote (56980). The lowest urban population is in Nelamangala (47772). Details are furnished in Table 1.3 and Fig. 1.3.

Table 1.3: Rural and Urban Population of Bangalore Rural district

Sl. No.	Block/Taluk	Rural	Urban	Total
1	Devanahalli	146705	62917	209622
2	Doddaballapura	198546	101048	299594
3	Hosakote	213838	56980	270818
4	Nelamangala	163090	47772	210862
Total		722179	268744	990896

Source: Census report 2011



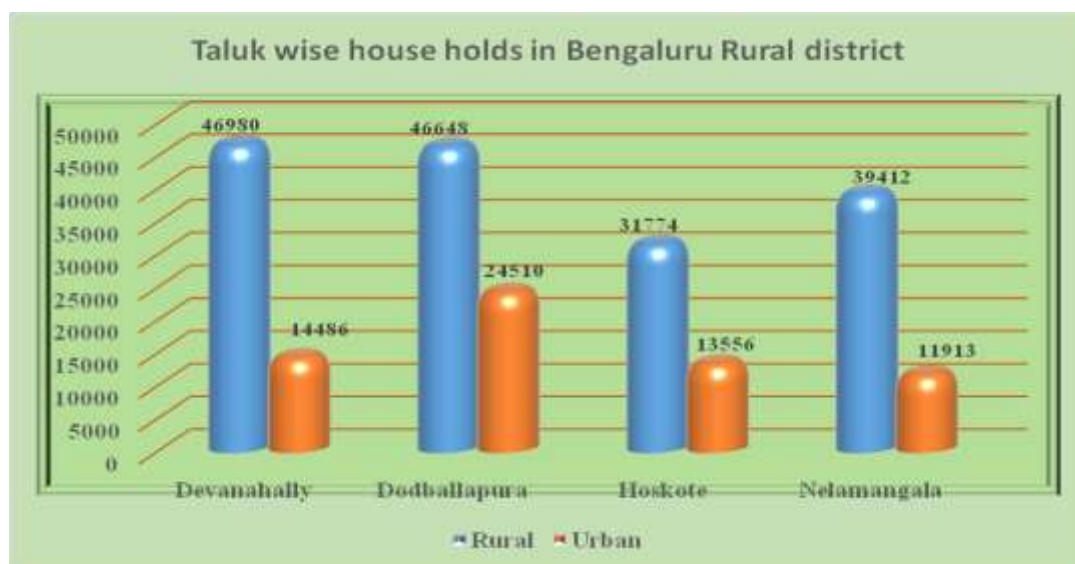
HouseHoldsinBangaloreRural district

The total number of households in the district is 229279. Rural households are 164814 (71.9%) and urban households are 64465 (28.1%). Devanahalli taluk has the highest No. of Rural households (46980), followed by Doddaballapura (46648) and Nelamangala (39412). Hosakote taluk has the lowest no. of rural households (31774). Whereas, urban households are highest in Doddaballapura taluk (24510), followed by Devanahalli taluk (14486) and Hosakote (13556). The lowest Urban households are in Nelamangala taluk (11913). Details are furnished in Table 1.4 and Fig. 1.4.

Table.1.4 Taluk-wise households in Bengaluru Rural district

Sl.No.	Taluk	Rural	Urban	Total
1	Devanahalli	46980	14486	61466
2	Dodballapura	46648	24510	71158
3	Hosakote	31774	13556	45330
4	Nelamangala	39412	11913	51325
Total		164814	64465	229279

Source: Census report 2011



Literature Review

Chavan and Ramakumar (2002) in their study compared NGO-led micro-credit programmes of various countries with state-led poverty alleviation schemes and observed marginal improvement in members' income as a result of micro-credit programmes.

Puhazhendi and Badatya (2002), observed a significant improvement in the savings of SHG members during post-SHG situations. The programme also improves the borrowing pattern of SHG member households in terms of strengthening credit widening and credit deepening.

Sangwan (2006), studied the extent of financial inclusion across various states. He also tried to examine the role of the SHGs bank linkage programme in achieving financial inclusion. The study suggested a significant role of SHGs-led programmes in achieving financial inclusion. Besides this, it also tried to examine the role of other factors like banking density, financial literacy, and per capita income in achieving financial inclusion.

Sahoo et.al (2008), had attempted to develop an index of financial inclusion to examine the progress of financial inclusion and various determinants of financial inclusion using secondary data from various sources.

Kempson and while (1998) opinions that the possibility of financial exclusion is more likely to occur in the lower-income section of society than among others. Besides this, geographical factors

and income inequality are the most important factors in determining the financial inclusion of a country. Minakshi Ramji (2009) studies Financial Inclusion in the Gulbarga district and comes out with the fact that the number of households with bank accounts doubled for the financial inclusion drive, during 2006-07. The study revealed that 36% of the sample remained excluded from any kind of formal or semi-formal savings accounts. The author also founds that Savings in Self-Help Groups remains the most popular form of savings in a formal/semi-formal place.

Self-help Groups Linkage Model and Financial Inclusion

Despite the Indian banking sector has witnessed spectacular progress in the spread of banking networks and extending financial outreaches across the country in the recent past, the relative decline in the supply of credit in rural areas poses the biggest challenge to achieving a hundred percent financial inclusion before the Indian formal financial system. In this context, the self-help group bank linkage model launched by NABARD (1992) can be conceived as an alternative model to bridge the gaps which could not be filled up by the formal banking system. It facilitates extending financial services to the unbanked vulnerable section of society. The NABARD-led SHG bank linkage model is widely accepted as one of the largest and most successful microfinance models in the world.

Objective

The main objectives of the study are;

1. To study the progress of financial inclusion in Karnataka.
2. To study the impact of financial inclusion programmes SHGs thought Devanahalli taluk.
3. To suggest remedies to the problem of Financial Inclusion in Devanahalli taluk of Bangalore rural district in Karnataka.

Significance of the Study

Self Help Groups in Devanahalli taluk of Bangalore rural in Karnataka are considered one of the most significant tools in the participatory approach for the economic empowerment of women. It is an important institution for improving the lives of women on various social components. The basic objective of SHGs is that acts as a platform for members to provide space and support to each other. It leads to particularly, development of all sections of people. Some state governments have introduced special schemes for women, which can be an effective instrument of social security for women.

Methodology

The present study is based on secondary sources of data consisting of government publications, namely the Indian Economic Survey, RBI reports, the Government of Karnataka's Economic Survey, and Reports of the Committee on financial inclusion, etc. Regression analysis, Percentage, compound growth rate, ratio, and percentage were used to analyze the data.

Analysis and Findings

Status of Financial Inclusion in Karnataka State in comparison to National Average

To study the status of financial inclusion in Karnataka researcher has used many indicators of financial inclusion namely the Number of scheduled Commercial Bank branches per 1000 sq. km, Number of SCB per 100000 People, Number of SCB accounts per 1000 Persons, Credit-Deposit Ratio in comparison to India.

Scheduled Commercial Bank Branches per 1000sq. km

Table No.1 Number of Scheduled Commercial Bank (SCB) branches per 1000sq. km

Year	Karnataka	India
2003	25.74	20.71

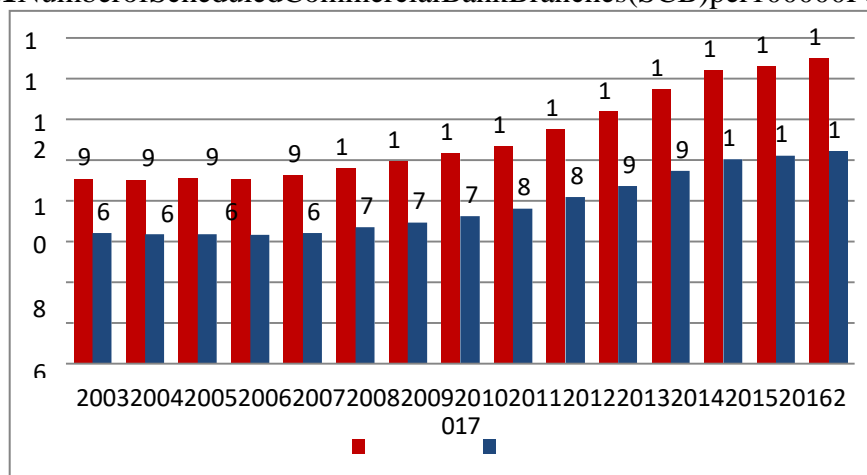
2004	26.03	20.88
2005	26.66	21.29
2006	26.99	21.53
2007	27.96	22.27
2008	29.54	23.64
2009	31.02	24.88
2010	32.70	26.45
2011	33.98	28.02
2012	37.21	30.67
2013	40.65	33.24
2014	44.97	36.80
2015	48.83	39.69
2016	50.26	41.02
2017	52.33	42.65
2018	54.13	43.34
2019	55.92	44.43

Source: Compiled from Various reports of RBI

Table No. 1 exhibits the banking penetration in Karnataka state and India from 2003 to 2017. The number of bank branches per 1000 sq. km is a very effective indicator of banking penetration. In 2003, the number of SCB branches per 1000 sq. km was 25.74 in Karnataka and 20.71 in India. It increased to 55.92 in Karnataka and 44.43 in India in 2019. It reveals that from 2003 to 2019 banking penetration gradually increased in Karnataka and India. But the banking penetration gap between Karnataka and India remains the same. This reveals that geographical financial exclusion exists in India relative to Karnataka. This geographical exclusion results in low banking penetration in India.

Scheduled Commercial Bank Branches per 100000 People

Figure No. 1 Number of Scheduled Commercial Bank Branches (SCB) per 100000 People



Source: Compiled from Various reports of RBI

The number of scheduled commercial bank branches per 100000 people is an effective indicator of measuring demographical access to financial inclusion. The number of scheduled commercial bank branches per 100000 persons in India is 6.4 which was far less than the Karnataka state average of 9.06 in 2003. This reveals that the number of SCB branches per 100000 people is better in Karnataka compared to India's average. In 2017, no. of SCB per 100000 people is 14.97 in Karnataka, and 10.43 in India. There is a marginal increase in SCB per 100,000 people in India and Karnataka but the gap between Karnataka and India remains the same. This in turn results in less development of banking culture in India when compared to the Karnataka state.

Scheduled Commercial Bank accounts per 1000 persons

Table No. 2 Number of Scheduled Commercial Bank (SCB) account per 1000 Persons

Year	Karnataka	India
2010	146.52	100.42
2011	149.9	100.43
2012	144.68	108.09
2013	151.06	104.11
2014	174.19	110.65
2015	181.66	113.03
2016	197.82	125.04
2017	202.03	130.45

Source: Compiled from various RBI reports

Table no. 2 depicts the number of scheduled commercial bank (SCB) accounts per 1000 persons in Karnataka State and India. In 2010, the number of SCB accounts per 1000 persons was 146.52 in Karnataka and 100.42 in India. It increased to 202 in Karnataka and 130 all over India in 2017. In Karnataka, the number of SCBs accounts per 1000 persons is higher compared to India's average. This indicates that Karnataka state is having more access to banking services when compared to India.

Results and Discussion

Table:3 Demographic profile of women empowerment in Devanahalli taluk of Bangalore rural in Karnataka.

Variables	Classification	Frequency	Percentage
Age	Below 15 years	4	8%
	15-35 years	9	18%
	35-45 years	21	42%
	45 and Above	16	32%
	Total	50	100%
Education	Illiterate	19	38%
	Primary/Secondary	11	22%
	Under Graduation	15	30%
	Post-Graduation	5	10%
	Total	50	100%
Occupation	Housewife	21	42%
	Cooli	15	30%
	Beauticians	5	10%
	Tailors	9	18%
	Total	50	100%
Category	SC	8	16%
	ST	6	12%
	OBC	23	48%
	General	13	12%
	Total	50	100%
Income	Below 5,000	31	62%
	5,000-10,000	11	22%
	20,000 and above	7	14%

	Total	50	100%
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Table No: 4 the awareness of banking services among women in the Devanahalli taluk of Bangalore rural in Karnataka

A) Awareness of different types of accounts			
Variable	Category	Frequency	Percentage
Savings account	Well Aware	13	26%
	Little Aware	14	28%
Current account	Not at all Aware	23	46%
	Total	50	100%
Post office account	Well Aware	21	42%
	Little Aware	12	24%
	Not at all Aware	17	34%
	Total	50	100%
No-frill (zero balance account)	Well Aware	35	70%
	Little Aware	9	18%
	Not at all Aware	6	12%
	Total	50	100%
SHGs account	Well Aware	38	76%
	Little Aware	12	24%
	Not at all Aware	0	0%
	Total	50	100%
B) Aware of various bank loans			
Variable	Category	Frequency	Percentage
Agricultural loan	Well Aware	29	58%
	Little Aware	14	28%
	Not at all Aware	7	14%
	Total	50	100%
Education loan	Well Aware	31	62%
	Little Aware	17	34%
	Not at all Aware	02	04%
	Total	50	100%
Vehicle loan	Well Aware	34	68%
	Little Aware	11	22%
	Not at all Aware	05	10%
	Total	50	100%
C) Aware of various financial services and insurance policies			
ATM/Debit card, Cheque book,	Well Aware	25	50%
	Little Aware	16	32%

Credit card, Mobile banking	Not at all Aware	09	18%
	Total	50	100%
Filling bank Challan, Deposit schemes	Well Aware	16	32%
	Little Aware	27	54%
	Not at all Aware	07	14%
	Total	50	100%
Health & life insurance	Well Aware	27	54%
	Little Aware	15	30%
	Not at all Aware	09	18%
	Total	50	100%
Crop insurance	Well Aware	06	12%
	Little is Aware	25	50%
	Not at all Aware	09	18%
	Total	50	100%

Sources: Primary data from respondents

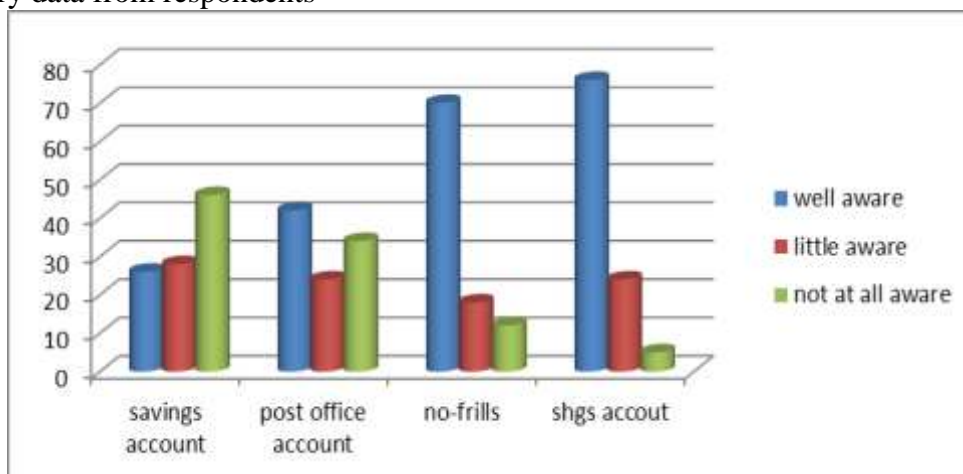


Table: (A) represents the level of awareness regarding different types of accounts. 26% of the people are aware of saving and current accounts, 28% are little aware and 46% are not aware of these accounts, 42% are aware of post office accounts and 24% are little aware and 34% not aware of this accounts, 70% are aware of No-frills account, 18% are little aware and 12% not aware about this accounts, 76 % are aware of SHGs account, 24% are little aware and 00% not aware about this accounts. Most rural households are more aware of SHGs' accounts than post office accounts and savings accounts. They are also financially included in SHGs' financial actions.

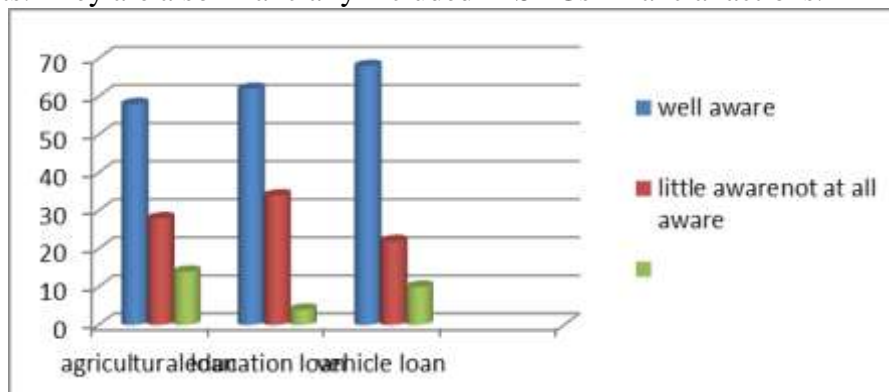


Table:(B) represents the level of awareness regarding different types of bank loans, 58% of the people are aware of agricultural loans, 28% are little aware and 14 % are not aware of these loans. 62% of the people are aware of educational loans and 34% are little aware and 04% not aware of

these loans. 68% are aware of SHGs loans, 22% are little aware and 10% not aware of these loans. 57.5% are aware of vehicle loans, 29.16% are little aware, and 13.33% not aware of these loans. Moreover, many of the respondents are taken loans from SHGs for educational purposes, constructing a house, and fulfilling other needs of the people.

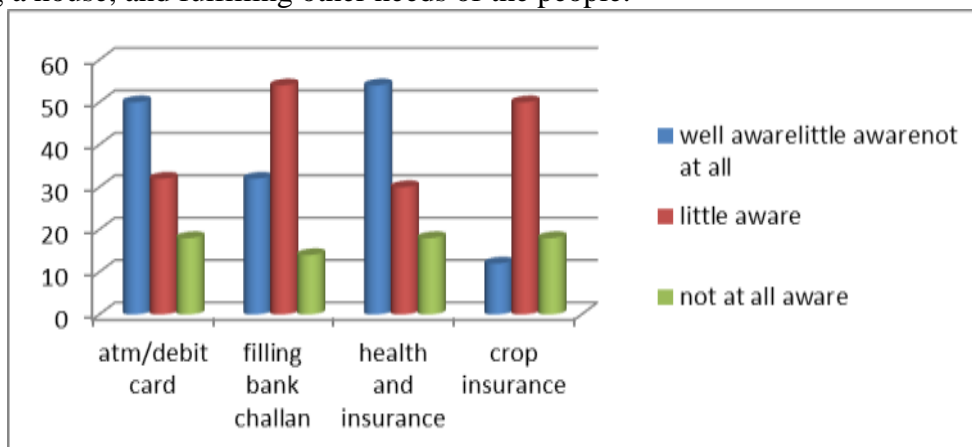


Table: (C) represents the level of awareness regarding different financial services and insurance policies. 50% of the people are using ATM/Debit cards, Cheque book, Credit cards, and Mobile banking, 32% are little using and 18 % are not using these services. 32% of the people can fill the bank challans to deposit or withdraw money and 54% are little aware and 14% not aware of this because of illiteracy. 54% are aware of health insurance schemes, 30% are little aware and 18% not aware of this for the reason that lack of financial knowledge. 12 are aware of crop insurance schemes, 50% are little aware, and 18% not aware of these insurances. Moreover, many of the respondents are not aware of the insurance schemes because of less knowledge about these schemes.

Suggestions for SHGs to empower women

Some of the suggestions are:

- They should follow proper regulation that protects the interest of stakeholders.
- In addition to proper regulation of the sector, field visits can be adapted to monitor the nature of these groups.
- Government should encourage women, especially in rural areas.
- Private Banks should provide loan facilities to women empowerment to improve their self-confidence.
- Financial inclusion programs should develop confidence and courage among women empowerment to improve their skills.

Conclusion

The economic development of the women of the nation is possible only when increasing in the rate of Women's empowerment plays a vital role. Devanahalli taluk of Bangalore rural in Karnataka has been SHGs thoughtwomen empowerment are below the low-income groups so that, they suffering from lack of freedom and women empowerment. If they are not empowered they have to depend upon the men which makes them weak, though they are capable of being independent in society in handling economic, social, and political issues. In this way, the banking sector has taken an initiative through which women's empowerment is put into a stream that helps them in women's empowerment and building self-confidence. The activities carried out by the various SHGs also help to improve their knowledge and skills and play an effective role in the management of the family and society.

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