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# Nationalized Commercial Banks' Microfinance In The Development Of Self-Help Groups In Tamil Nadu

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## Abstract

The study's goal was to look at the SHG's major tasks and identify the challenges it faces. The study also revealed the advantages of microfinance for SHG. The researcher had adopted a descriptive research design. The data was collected from 560 respondents from various districts of Tamil Nadu using the multistage sampling technique. Herein the researcher had adopted a structured questionnaire to collect the data. Through the result obtained it can be interpreted that, the majority of the respondents in SHG were married and belonged to the age category between 30-41 years having no formal education or illiterate. Also, the important activities carried out in SHGs are Co-ordination among group members is good, In group meetings and the economic problems of members are discussed for finding the solution, Group meetings are conducted at the frequent interval, Members are contributing adequate amount towards savings in our group and Members are actively participating in group discussion. It was identified that a high level of constraints is faced in terms of, inflexibility, delay in loan approval and inadequate management abilities. Further, it was found that Improved Managerial ability, better Management of Groups and increased Independence will result from microfinance assistance.

**Keywords:** SHG, Micro-Finance, Nationalized Commercial Banks'

## Introduction

Microfinance is meant to be a tool for truly alleviating poverty, but if it isn't used to generate new revenue and create self-sustaining economic value, it is only a Band-Aid on the real issue. Their full potential is not achieved, and it is believed that they do not produce the desired results (Das, T., 2013). The main challenge faced by banks offering micro-financial services to the poor, according to SME quarters, appeared to be comparatively high transaction costs, a lack of capital, security risk, and fraud risk in reaching out to a large number of people who required very small doses of credit at frequent intervals (Vinodhini, R. L., & Vaijyanthi, P., 2016). Costs associated with providing savings facilities to small, dispersed savers in rural areas are blamed for the same (Varman, M., 2005).

SHGs have difficulty getting loans from banks due to a lack of management skills, inflexibility and delay, and the legal and regulatory framework. Even if they tried to reach

a bank branch, the long distances and loss of earnings from being away from work while visiting a bank branch were obstacles, and they were never sure whether they would get any service if they did approach the branch (Sinha, P., & Navin, N., 2021). Because of the mutual inconvenience and uncomfortable, the poor regard banking as a nearly unattainable service, and banks believe that banking with the poor is not a 'bankable' proposition. The restrictions and challenges experienced by microfinancing institutions and recipients motivated the researcher to treat them as a "research topic" and conduct a comprehensive study on the state of the microfinancing system as a whole, including SHGs as beneficiaries in Tamil Nadu (Saravanan, M., 2016).

## **Review of Literature**

Self-help groups are essential for overcoming exploitation and instilling confidence in rural people's economic self-sufficiency, particularly among women, who are largely invisible in society. These groups allow people to band together for a shared goal and draw strength from one another in the face of exploitation, which they face in various forms. A group serves as a springboard for action and change (Sarmah, G. N., & Das, D. K., 2012). Through frequent contact and genuine efforts, it also aids in the development of relationships for mutual trust between the promotional organisation and the rural poor (Chakrabarti, R., 2004).

Self-help groups play an important role in distinguishing between consumer and production credit, analysing the credit system for its implications and changes in the target groups' economy, culture, and social position, providing easy access to credit and facilitating group/organization for effective control, ensuring repayments and continuity through group dynamics; setting visible norms for interest rates, repayment schedules, gestation period, extension, and writability. As a result, the self-help group provides microcredit to rural women to assist them to become more innovative and engage in entrepreneurial activities (Oddar, K. K., 2013).

SHGs provide all of the credit needs of disadvantaged women in rural and urban areas. SHGs improve women's status as decision-makers, participants, and beneficiaries in the democratic, economic, social, and cultural realms of life (Jayaraman, R., 2005). The rural poor are under-capable for a variety of reasons, including the fact that the majority of them are socially backward, uneducated, have little motivation, and have a limited economic foundation. Individually, a poor person is not only poor in terms of socioeconomic status, but also in terms of knowledge and information, which are critical components of today's development process (Swain, R. B., & Varghese, A., 2011).

## **Objectives of the Study**

The study aimed at investigating the important activities carried out by the SHG and identifying the constraints faced by the SHG. Also, the study disclosed the benefits of Microfinance if provided to SHG.

### Methodology

The researcher had adopted a descriptive research design. The data was collected from 560 respondents from various districts of Tamil Nadu using the multistage sampling technique. Herein the researcher had adopted a structured questionnaire to collect the data.

### Analysis and Interpretation

Herein analysis was carried out to identify the demographic profile of the respondents considered for the study.

**Table No. 1: Demographic Profile**

<b>Age Group in years</b>	<b>Frequency</b>	<b>Percentage</b>
18-30	170	30.4
31-40	231	41.3
41-50	117	20.9
51-60	42	7.5
<b>Total</b>	<b>560</b>	<b>100</b>
<b>Educational Qualification</b>	<b>Frequency</b>	<b>Percentage</b>
Illiterate	153	27.3
Primary	179	32
High school	109	19.5
H.Sc./Diploma	78	13.9
Graduate	41	7.3
<b>Total</b>	<b>560</b>	<b>100</b>
<b>Marital Status</b>	<b>Frequency</b>	<b>Percentage</b>
Married	346	61.8
Divorced/Widow	138	24.6
Unmarried	76	13.6
<b>Total</b>	<b>560</b>	<b>100</b>

**Source: (Primary data)**

From the percentage analysis performed, it was perceived that the majority of the respondents in SHG were married and belonged to the age category between 30-41 years having no formal education or being illiterate.

Herein rank analysis was carried out using the mean score to identify the status and contribution of members of SHG.

**Table No.2: Rank Analysis – Activities of Members of SHG**

<b>Status and contribution of Members of SHG</b>	<b>Mean</b>	<b>SD</b>
In my SHG, there is strong coordination among group members.	4.705	1
In our club, members are contributing an adequate amount to savings.	3.955	4
Members of the group are subservient to the leaders, and they think together before making a decision.	3.659	6
Group meetings are held regularly.	3.241	13
In our group, many are often hesitant to express their opinions.	4.279	3
Bank loans are sometimes distributed without consulting members.	3.659	6
Members of the group show up regularly.	3.086	15
Leaders are usually the only ones who make group decisions.	3.296	12
My group was successful in meeting the demands of its members.	3.098	14
The gathering discusses loan distribution to members.	3.564	9
Members' economic concerns are discussed in group meetings to find a solution.	3.375	11
The members of the group are actively engaged in the debate.	4.339	2
Members are actively participating in group discussions.	3.904	5
If I have not been a member of SHG, I could have not have got a loan from the bank.	3.604	8
I have faith in my leadership.	3.454	10

**Source: (Primary data)**

From the rank analysis made using the mean score, the important activities carried out in SHGs are Co-ordination among group members is good, In group meetings and the economic problems of members are discussed for finding the solution, Group meetings are conducted at the frequent interval, Members are contributing adequate amount towards savings in our group and Members are actively participating in group discussion.

Herein rank analysis was carried out using the mean score to identify the important constraints faced by the respondents while availing loans.

**Table No.3: Rank Analysis - Level of constraints while availing loan from the bank as Members of SHG**

<b>Level of constraints while availing loan from the bank as Members of SHG</b>	<b>Mean</b>	<b>Rank</b>
Inflexibility	3.966	1
Delay in the loan approval	3.641	2
Inadequate management abilities	2.911	3
A time-consuming procedure	2.888	4
The legal and regulatory structure that is rigid	2.571	5

**Source: (Primary data)**

From the rank analysis made using the mean score, it can be interpreted that a high level of constraints is faced in terms of, inflexibility, delay in loan approval and inadequate management abilities.

**Table No. 4: Rank Analysis – Microfinance Assistance**

<b>Microfinance assistance</b>	<b>Mean</b>	<b>SD</b>
Improved Managerial ability	4.425	1
Managing Groups	3.868	2
Team work	3.657	4
Openness to Criticism	3.186	8
Awareness about entrepreneurship training	3.195	7
Independence	3.659	3
Respect in society	3.475	5
Group decision making.	3.282	6

**Source: (Primary data)**

From the rank analysis using the mean score, it was found that Improved Managerial ability, better Management of Groups and increased Independence will result out of microfinance assistance.

### **Findings and Conclusion**

Through the result obtained it can be interpreted that, the majority of the respondents in SHG were married and belonged to the age category between 30-41 years having no formal education or illiterate. Also, the important activities carried out in SHGs are Co-ordination among group members is good, In group meetings and the economic problems of members are discussed for finding the solution, Group meetings are conducted at the frequent interval, Members are contributing adequate amount towards savings in our group and Members are actively participating in group discussion. It was identified that a high level of constraints is faced in terms of, inflexibility, delay in loan approval and inadequate management abilities. Further, it was found that Improved Managerial ability, better Management of Groups and increased Independence will result from microfinance assistance.

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