



Role of microfinance in financial inclusion among the rural poor: A comparative study between members of SHGs and members of JLGs in Barpeta district of Assam

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Abstract

Financial inclusion among the people of a country is the key determinant of economic development of the country, but, the level of financial inclusion among the Indian people is very low and India is the second largest country in the world in terms of financial exclusion. Poor access to finance for the deprived section of the society has led to a heavy reliance by rural household on informal financing from money lenders. As the concept of microfinance emerged, the situation has improved for them. Microfinance is one of the key mechanisms to bring financial inclusion. There are various models of microfinance to provide their services. Among these, SHG (Self Help Group) model and JLG (Joint Liability Group) model are very popular. This two models of microfinance has played a significant role to bring financial inclusion among the rural mass of the country. So, the paper is to study the performance of SHG members and JLG members towards financial inclusion in rural areas of Barpeta District of Assam. The study is both descriptive and empirical in nature. Both primary and secondary sources of data has been used. The primary data has been collected from the respondents of the study area through schedule and the secondary data has collected from secondary sources, i.e., from books, newspapers, magazines, journals, articles, e-resources, etc. The sample size considered for the study is 200 SHG and JLG members (100 SHG members and 100 JLG members) and the simple random sampling method has been followed to collect the data. The data has analyzed through SPSS software. The findings of the study reveal that, the financial condition of the SHG and JLG members have been improved after joining the SHG and JLG.

Keywords: microfinance, SHG, JLG, financial inclusion, income, savings.

Introduction

India is expected to be the fourth largest economy by 2025, contributing about 5.50 percent to 6 percent to world GDP after the United States, China and Japan (Kumar, 2020) ^[6]. The economic development of a country mostly depends on the level of financial inclusion among people of the country (Aduda & Kalunda, 2012) ^[1]. But, presently, majority of Indian population are financially excluded, they do not have access to the formal banking or financial services. Almost 190 million people in India do not have a bank account. India is the second largest country in the world in terms of financial exclusion (Sarkar & Swami, 2020) ^[9]. Therefore, to achieve the expected economic growth, the government, financial institutions and NGOs should make necessary arrangement to bring financial inclusion among the financially excluded population of the country. Financial inclusion is the process were vulnerable groups such as weaker sections and low income groups people can access to the financial service timely at an affordable cost (Muralidhar & Sharada, 2012) ^[8]. Financial services includes services like savings, insurance, remittance, payments, etc. (Bhanot *et al.*, 2012) ^[3]. Nowadays microfinance has become one of the key mechanisms to bring financial inclusion among the vulnerable section of the society (Singh & Padhi, 2017) ^[11]. There various models of microfinance to provide their various services to the weaker section of the society. Among the various models SHG model and JLG model are very popular. A Self Help Group (SHG) is an informal association of ten to twenty economically underprivileged women who obtain loans from financial institutions and lend the money to its members, helping them to invest it in some income-generating activities (Vasantha, 2014) ^[12], whereas a Joint Liability Group (JLG) is an informal group of 4 to 10 individuals, who come together for availing loan either singly or through the group mechanisms against mutual guarantee (Cherian & Ramchandra, 2012) ^[4]. This two models of microfinance has played a significant role to bring financial inclusion among the rural mass of the country. So, this paper has been designed to evaluate the role of microfinance in financial inclusion among the rural people of Barpeta district of Assam. These members are involved in various entrepreneurial activities and government interventions are needed for their upliftment in terms of income, education, family planning etc.

Review of Literatures

Muralidhar & Sharada (2012) ^[8] has expressed that through financial inclusion, microfinance has playing crucial role in alleviating poverty in the country. They mentioned that most of the people financially excluded due to lack of regular income. They even don't know about the various products of bank which are beneficial for them. The MFIs work as a business correspondents or business facilitators between the bank and the financially excluded people. Further the authors also mention that, microfinance has helps in improving income level, saving habit, living standard, self-confidence, decision making power, status in family, status in society, etc. of their members.

In a study conducted by Shankar (2013) ^[10], it is found that though MFIs have demolished many barriers to financial inclusion, but there are some areas where people are still financially excluded due to negligence of banking sector and lack of microfinance services. The author found various problems associated with microfinance like weekly group meeting attendance, lack of documentation such as residential proof, and lack of market-oriented activities. The author suggested some measures to improve the access of microfinance services among the rural population, such as, adopt flexible operating models by the MFIs, providing skill development training etc.

Barman *et al.*, (2015) ^[2] in their study have compared two microfinance models to examine the relationship between various models of microfinance and the level of indebtedness to moneylenders in Varanasi, Uttar Pradesh and revealed that, in the case of clients of MFI model, the level of indebtedness to moneylenders is higher. Further they also found that, due to lack information about the credit-worthiness of borrowers, sometimes, the MFIs offers excessive debt to their clients which effect the performance of that particular MFI client.

Hussaini & Chibuzo (2018) ^[5] conducted a study to evaluate the performance of microfinance in poverty reduction and also to study the relationship between financial inclusion and poverty reduction. The authors found that financial inclusion have positive and significant impact on poverty reduction. Further, authors also found that due to financial inclusion the poor household of rural area are able to use various financial services which unlock their productive potentials by involving them in productive activities and help to improve their level of standard.

Milana & Astha (2020) ^[7] in their study have found that the prime objective of microfinance is to eradicate poverty through financial and social inclusion among the poor. The microfinance has teach the adult to save their money in banks and MFIs. They also helps to bring the investment habit (in gold, livestock, real estate, etc.) among the adult.

Objective of the Study

Based on the above literature review, the main objective of this paper is to study the performance of SHG members and JLG members towards financial inclusion in rural areas of Barpeta District of Assam.

Methodology of the study

The study is both descriptive and empirical in nature. According to census report 2011, still 91.30 percent population of Barpeta district lives in rural area and majority of them are living below poverty line. Therefore, the area for the study is chosen as Barpeta District of Assam. Assam is in the north east of India and the Barpeta District is bounded by Nalbari District to the East, Bongaigaon & Chirang District to the West, Baska District to the North and Goalpara and Kamrup District to the South. Both primary and secondary sources of data have used. The primary data has been collected from the respondents of the study area through schedule and the secondary data has collected from secondary sources, i.e., from books, newspapers, magazines, journals, articles, e-resources, etc. The sample size considered for the study is 200 SHG and JLG members (100 SHG members and 100 JLG members) and the simple random sampling method has been followed to collect the data. The data has analyzed through SPSS software.

Data analysis and Interpretation

Table 1: Demographic Profile of the Respondents

Particulars	Age					
	SHG		JLG		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
18-25 Years	9	9%	15	15%	24	12%
26-35 Years	36	36%	48	48%	84	42%
36-50 Years	38	38%	23	23%	61	30.50%
Above 51 Years	17	17%	14	14%	31	15.50%
Total	100	100%	100	100%	200	100%
Particulars	Caste					
	SHG		JLG		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
General	20	20%	29	29%	49	24.50%

OBC	24	24%	26	26%	50	25%
SC	43	43%	33	33%	76	38%
ST	13	13%	12	12%	25	12.50%
Total	100	100%	100	100%	200	100%
Marital Status						
Particulars	SHG		JLG		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Unmarried	6	6%	11	11%	17	8.50%
Married	88	88%	81	81%	169	84.50%
Divorcee	2	2%	2	2%	4	2%
Widow	4	4%	6	6%	10	5%
Total	100	100%	100	100%	200	100%
Types of Family						
Particulars	SHG		JLG		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Nuclear	30	30%	44	44%	74	37%
Joint	70	70%	56	56%	126	63%
Total	100	100%	100	100%	200	100%
Economic Status						
Particulars	SHG		JLG		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
APL	25	25%	23	23%	48	24%
BPL	75	75%	77	77%	152	76%
Total	100	100%	192	100%	200	100%
Educational Qualification						
Particulars	SHG		JLG		Total	
	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
Illiterate	4	4%	4	4%	8	4%
Primary	69	69%	73	73%	142	71%
Secondary	14	14%	11	11%	25	12.50%
Higher Secondary	10	10%	5	5%	15	7.50%
Under Graduate	3	3%	7	7%	10	5%
Total	300	100%	192	100%	200	100%

* OBC= Other Backward Caste, SC= Schedule Caste, ST= Schedule Tribe, APL= Above Poverty Line, BPL= Below Poverty Line **Source:** Field Survey

The table 1 shows the demographic profile of the respondents. It is found that majority (36 percent) of the SHG members are from the age group of 36-50 years of age, whereas, majority (48 percent) of the JLG members are from 25-35 years age group. It indicates that JLG members are younger than the SHG members. Further, in both the cases, it is found that majority of the respondents are belongs to schedule caste category, majority of them are married and from joint family. It is also found that most of the SHG and JLG members are belongs to BPL family. Their level of education is also poor. In both the cases most of the respondents are have education upto primary level only.

Table 2: Distribution of Respondents based on their Occupation

Occupation	SHG		JLG		Total	
	Frequency	%	Frequency	%	Frequency	%
Farming	8	8%	8	8%	16	8%
Handloom	4	4%	2	2%	6	3%
Handicraft	5	5%	2	2%	7	3.50%
Vegetable Cultivation	4	4%	2	2%	6	3%
Ground Masala Making	3	3%	1	1%	4	2%
Restaurant	4	4%	1	1%	5	2.50%
Bakery	2	2%	0	0%	2	1%
Tailoring	6	6%	5	5%	11	5.50%
Farming & Handloom	7	7%	14	14%	21	10.50%
Farming & Handicraft	6	6%	6	6%	12	6%
Farming & Local Wine Manufacturer	3	3%	6	6%	9	4.50%
Farming & Vegitable Cultivation	8	8%	13	13%	21	10.50%
Farming & Tailoring	9	9%	16	16%	25	12.50%
Restaurant & Bakery	4	4%	4	4%	8	4%

Farming, Handloom & Local Wine Manufacturer	5	5%	1	1%	6	3%
Farming, Vermicomposting & Local Wine Manufacturer	3	3%	4	4%	7	3.50%
Farming, Vermicompost & Vegetable Cultivation	8	8%	7	7%	15	7.50%
Farming, Handloom & Vegetable Cultivation	11	11%	8	8%	19	9.50%
Total	100	100%	100	100%	100	100%

Source: Field Survey

Table 2 shows the various entrepreneurial activities of the SHG and JLG members of the study. The table shows that the respondents of the study area are not engaged in a single entrepreneurial activity, they are doing multiple entrepreneurial activities. Entrepreneurial activities like farming, handloom, handicraft, vegetable cultivation and tailoring business are most common among the rural women of Barpeta district.

Table 3: Monthly Income of the Respondents

Income Group	SHG		JLG		Total	
	Pre SHG	Post SHG	Pre JLG	Post JLG	Pre SHG/JLG	Post SHG/JLG
Nil	90 (90%)	0 (0%)	86 (86%)	0 (0%)	176 (88%)	0 (0%)
Upto Rs. 1000	6 (6%)	29 (29%)	11 (11%)	26 (26%)	17 (8.50%)	55 (27.50%)
Rs. 1001- Rs. 2500	4 (4%)	19 (19%)	3 (3%)	35 (35%)	7 (3.50%)	54 (27%)
Rs. 2501- Rs. 5000	0 (0%)	39 (39%)	0 (0%)	24 (24%)	0 (0%)	63 (31.50%)
Rs. 5001- Rs. 7500	0 (0%)	11 (11%)	0 (0%)	13 (13%)	0 (0%)	24 (12%)
Rs. 7501 & Above	0 (0%)	3 (3%)	0 (0%)	2 (2%)	0 (0%)	5 (2.50%)

Source: Field Survey

Table 3 analyses the monthly income of the respondents before and after joining SHG and JLG. The table reveal that, in case of SHG members, 90 percent of the members had no monthly income before they join SHG, but it has increased significantly after they join SHG. After joining SHG, 29 percent respondents able to earn monthly income upto Rs.1000, 19 percent respondents able to earn Rs.1001 – Rs.2500, 39 percent respondents able to earn Rs.2501 – Rs.5000, 11 percent respondents able to earn Rs.5001 – Rs.7500 and 3 percent respondents able to earn Rs.7501 & above. Further the table also reveal that, in case of JLG members 86 percent respondents had no income before the join JLG. Their level of income improved after they join JLG. About 26 percent respondents able to earn monthly income upto Rs.1000, 35 percent respondents able to earn Rs.1001 – Rs.2500, 24 percent respondents able to earn Rs.2501 – Rs.5000, 13 percent respondents able to earn Rs.5001 – Rs.7500 and 2 percent respondents able to earn Rs.7501 & above after they join JLG.

Table 4: Monthly Savings of the Respondents

Savings Group	SHG		JLG		Total	
	Pre SHG	Post SHG	Pre JLG	Post JLG	Pre SHG/JLG	Post SHG/JLG
Nil	96 (96%)	0 (0%)	88 (88%)	0 (0%)	184 (92%)	0 (0%)
Upto Rs. 500	4 (4%)	14 (14%)	8 (8%)	23 (23%)	12 (6%)	37 (18.50%)
Rs. 501- Rs. 1000	0 (0%)	41 (41%)	4 (4%)	27 (27%)	4 (2%)	68 (34%)
Rs. 1001- Rs. 1500	0 (0%)	10 (10%)	0 (0%)	38 (38%)	0 (0%)	48 (24%)
Rs. 1501- Rs. 2000	0 (0%)	29 (29%)	0 (0%)	8 (8%)	0 (0%)	37 (18.50%)
Rs. 2001 & Above	0 (0%)	6 (6%)	0 (0%)	4 (4%)	0 (0%)	10 (5%)

Source: Field Survey

Table 4 shows the monthly savings habit of the respondents before and after joining SHG and JLG. The analysis shows that, in case of SHG members, 96 percent respondents had no monthly saving before the join SHG but their saving habit has increased significantly after the join SHG. After joining SHG 14 percent respondents save upto Rs.500, 41 percent respondents save Rs.501 – Rs.1000, 10 percent respondents save Rs.1001 – Rs.1500, 29 percent respondents save Rs.1501 – Rs. 2000 and 6 percent respondents save Rs.2001 and above. In case of JLG, it is also revealed that 88 percent JLG members had no monthly savings before they join their groups. But JLG association has change their savings habit. Now, after joining JLG, 23 percent respondent are saving upto Rs.500, 27 percent respondents save Rs.501 – Rs.1000, 38 percent respondents save Rs. 1001 – Rs.1500, 8 percent respondents save Rs.1501 – Rs.2000 and 4 percent respondents Rs.2001 and above.

Table 5: Financial Inclusion among the members of SHG and JLG

Particulars	SHG		JLG		Total	
	Pre SHG	Post SHG	Pre JLG	Post JLG	Pre SHG/JLG	Post SHG/JLG
Savings Account with Bank	8 (8%)	100 (100%)	6 (6%)	100 (100%)	14, (7%)	200 (100%)
Recurring Account with Bank	0 (0%)	9 (9%)	1 (1%)	5 (5%)	1 (.50%)	14 (7%)

Savings Account with Post Office	2 (2%)	17 (17%)	4 (4%)	8 (8%)	6 (3%)	25 (12.50%)
Recurring Account with Post Office	0 (0%)	16 (16%)	2 (2%)	10 (10%)	2 (1%)	26 (13%)
ATM Card	0 (0%)	52 (52%)	1 (1%)	45 (45%)	1 (.50%)	97 (48.50%)
Insurance Policy	1 (1%)	6 (6%)	0 (0%)	3 (3%)	1 (.50%)	9 (4.50%)
Loan Taken	0 (0%)	100 (100%)	0 (0%)	100 (100%)	0 (0%)	200 (100%)

Source: Field Survey

Table 5 analyses the level of financial inclusion among the members of SHG and JLG. The table shows that in case of SHG members, 8 percent members had savings account with bank, 2 percent respondents had savings account with post office and only 1 percent respondents had purchased insurance policy before they join SHG. The level of financial inclusion of SHG respondents before joining SHG was very low. But after joining SHG the level of financial inclusion among the members has improved. After joining SHG, all the respondents have their savings account with bank and also borrowed loan from their respective groups. Also 9 percent respondents have recurring account with bank, 17 percent respondents have savings account with post office, 16 percent respondent have recurring account with post office, 52 percent respondents have their ATM card and 6 percent respondents have purchased insurance policy after joining SHG. In case of JLG, it is found 6 percent respondent had saving account with bank, 4 percent respondents had savings account with post office and only 1 percent respondents had recurring account with bank and ATM card before they join their respective JLG. So, it shows that financial inclusion among the JLG members before joining JLG was low. But, it has improved after they join JLG, as, after joining JLG, all the members of JLG have their savings account with bank and also borrowed loan from their respective groups. Further, 5 percent respondents have recurring account with bank, 8 percent respondents have savings account with post office, 10 percent recurring account with post office, 45 percent respondents have their ATM card and 3 percent respondents have purchased insurance policy after joining JLG.

Findings of the study

Following are the major findings of the study:

1. Majority of the JLG members are young and the majority of SHG members are from middle age group.
2. Most of the SHG and JLG are belongs to schedule caste category.
3. The significant numbers SHG and JLG members are married and from joint family.
4. It is also found that most of the SHG and JLG members are belongs to BPL family.
5. The level of education of SHG and JLG members is also poor. In both the cases most of the respondents are have education upto primary level only.
6. The SHG and JLG members of the study area are not engaged in a single entrepreneurial activity, they are doing multiple entrepreneurial activities at one time.
7. Entrepreneurial activities like farming, handloom, handicraft, vegetable cultivation and tailoring business are most common among the rural women of Barpeta district.
8. It is also found that, in case of both SHG and JLG members, majority of them had no monthly income before they join SHG and JLG, but their monthly income has increased significantly after they join SHG and JLG.
9. The study also reveal that, in both the cases most of the respondents had no monthly saving habit before joining SHG and JLG, but their habit of monthly savings has improved significantly after joining SHG and JLG.
10. The level of financial inclusion among SHG and JLG members was very low before joining SHG and JLG. But after joining SHG and JLG the level of financial inclusion among the members has improved.

Suggestions

On the basis of the findings of the study, the following suggestions have been made to improve the performance of SHG and JLG towards financial inclusion among the members:

1. The level of education among the respondents is very poor, so, government should do necessary arrangement for their education.
2. The government and other concern authority should conduct awareness programme about financial literacy and financial inclusion for the SHG and JLG members of the study area.
3. To improve the level of financial inclusion among the rural people the government, MFIs, commercial bank and other financial institution should introduce collateral free loan facilities.
4. The government and other concern authority should also conduct various skill development programme for the SHG and JLG members of the study area.

Conclusion

This paper gives an insight into the current scenario of financial inclusion in Barpeta district of Assam. Though many micro finance organizations are working for the financial upliftment of the society, we are progressing at a very slow pace. This may be because of the inadequate education, lack of training, inconsistency in entrepreneurial activities etc. The study found that, the SHG and JLG members of the study area are not engaged in a single entrepreneurial activity, they are doing multiple entrepreneurial activities at one time. Farming, handloom, handicraft, vegetable cultivation and tailoring business are the most common entrepreneurial

activities among the rural women of Barpeta district. Again, the study also revealed that, monthly income, monthly savings and level of financial inclusion among the SHG and JLG members was low before they join SHG and JLG. But, their monthly income, monthly savings and level of financial inclusion has improved significantly after they join their respective SHG and JLG. Further, the study has suggested to make arrangement for education of the SHG and JLG members, conduct various awareness programme about financial literacy and financial inclusion, conduct skill development programmes and provide collateral free loan to the members.

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