

## **Effect of membership in Self Help Group Bank Linkage Programme on Financial Knowledge, Financial Usage and Economic Empowerment of Rural Women: A study in Ernakulam District**

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### **ABSTRACT**

Women Self Help Groups have been considered as a mechanism for achieving financial inclusion of rural women. Where Self Help Groups link themselves to commercial banks and access formal credit and rural women, who are members of Self Help Groups, get an opportunity to enhance their knowledge in finance-related matters, thereby enable them to use formal financial systems more effectively. This, in turn, can lead to their financial empowerment. The present study attempts to reveal whether membership in Self Help Group Bank Linkage Programme helps rural women to increase their financial knowledge, usage and empowerment.

**Key Words :** Self Help Group Bank Linkage Programme, Financial Knowledge, Financial Usage, Financial Empowerment

### **INTRODUCTION**

Financial inclusion is an attempt at ensuring easy access by low income groups like rural communities to formal financial system at affordable cost (Kamath, 2007). The Rangarajan Committee on Financial Inclusion had found out that majority of Indian households did not have access to institutional or non-institutional credit. Dependence on formal borrowings by farming households was very low (NABARD, 1999; NSSO, 2006). Measures like nationalization of banks, setting up of NABARD, establishment of regional rural banks, Self Help Groups and many other government sponsored plans aimed at achieving financial inclusion. Since the last decade of the twentieth century, with the Self Help Group movement and the NABARD initiated Self Help Group Bank Linkage Programme. The Self Help Groups have been recognized as an effective vehicle for financial inclusion. Benefits to the members include mobilization of savings, access to credit facilities and pursuit of group-related activities, in addition to small savings (Shylendra, 1998).

Financial knowledge is the ability and confidence of an individual to use his/her financial

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knowledge to make financial decisions. It is a measure of how well an individual can understand and use personal finance-related information (Huston, 2010). It is the ability to read, analyze, manage and communicate about the personal financial conditions (Cude *et al.*, 2006). There are evidences to prove that people who are less financially literate are more prone to problems with debt, usually buying costly credit, and less likely to make long-term planning (Suganya, 2017). There is a positive impact of economic development and financial literacy on financial inclusion (Bijli, 2012). Factors like financial socialization and financial knowledge can help to predict financial well-being of consumers (Fazli Sabri *et al.*, 2012). Thus, there is a need for individuals to improve financial knowledge (Van Nieuwenhuizen, 2009). Since one of the benefits of membership in Self Help Group Bank Linkage Programme is to access formal financial system, it may be perceived that access and usage of financial services like deposits, credit, insurance, advisory etc. is higher amongst rural women who are members of Self Help Group Bank Linkage Programme when compared to non-members.

## METHODOLOGY

The study was conducted in Ernakulam District in Kerala. The sample consisted of 410 women selected from the households in the Ernakulam District. The total sample was divided into 2 groups, based on their membership in Self Help Group Bank Linkage Programme. There were 259 members of Self Help Group Bank Linkage Programme and 151 non-members. Primary data were collected using a structured questionnaire. The results were analysed employing SPSS. The hypotheses were tested using Chi Square Test.

### Objectives of the study :

The following were the objectives of the study:

1. To identify the level of financial knowledge, usage of financial services, and economic empowerment of rural women
2. To find out whether financial knowledge, usage of financial services, and economic empowerment of rural women is associated with their membership in Self Help Group Bank Linkage Programme.

## RESULTS AND DISCUSSION

The respondents were evaluated on their levels of financial knowledge, use of financial services and the economic empowerment they had achieved. The attempt was to identify whether there existed any relation between their membership in Self Help Group Bank Linkage Programme and their levels of knowledge, use of financial services and the economic empowerment.

### Financial knowledge :

The level of financial knowledge was tested by evaluating their awareness and knowledge on various financial products and services. The response was recorded on a five-point scale ranging from very high to very low. Knowledge on savings and current account, secured and unsecured loans, microfinance, cards, insurance, interest rates, taxes etc. were evaluated.

The reliability of the measures was proved by Cronbach's Alpha (0.933).

The following Hypothesis was formed:

“There is no association between membership in Self Help Group Bank Linkage Programme

and financial knowledge of rural women”

This hypothesis was tested by employing Chi Square Test. The results are presented in Table 1. The results shows that in all variables except floating and fixed interest rate, and secured and unsecured loans, all other variables showed a significance value of less than 0.05. Thus, it can be inferred that there is a significant association between level of financial knowledge of rural women and their membership in Self Help Group Bank Linkage Programme in majority of the variables. The study rejects the hypothesis “There is no association between membership in Self Help Group Bank Linkage Programme and financial knowledge of rural women.”

**Table 1: Chi-square test results on financial knowledge**

Cronbach's Alpha 0.933			
Sr. No.	Variable	Chi-square value	Sig.
1.	Savings and current account	13.772	0.008
2.	Secured and unsecured loans	3.813	0.432
3.	Microfinance	10.223	0.010
4.	Credit and debit cards	9.435	0.041
5.	Life and term insurance	22.186	0.000
6.	Financial Securities	24.172	0.000
7.	Simple and Compound interest	15.086	0.005
8.	Income Tax	27.211	0.000
9.	Subsidy	13.012	0.011
10.	Equated monthly instalment	11.175	0.025
11.	Floating and fixed interest rate	4.335	0.363

Source- Survey Data

### Usage of financial services :

The level usage of financial services by rural women was tested by evaluating their response on the use of eight various financial services. Their response was recorded on a five-point scale ranging from very frequently to very rarely. Their usage level of deposits, loans, insurance. Money transfer, cards, net banking, advices etc. were evaluated. The reliability of the measures was proved by Cronbach's alpha (0.867).

The following hypothesis was formed:

“There is no association between membership in Self Help Group Bank Linkage Programme and usage of financial products and services by rural women”

The hypothesis was tested by Chi Square Test. The results are presented in Table 2. The results prove that except in case of deposit facility and use of ATM facility, there was a significant association between membership in Self Help Group Bank Linkage Programme and usage of financial services by rural women (level of significance less than 0.05). Thus, the study rejects the hypothesis “There is no association between membership in Self Help Group Bank Linkage Programme and usage of financial services by rural women.”

### Economic empowerment of rural women :

The economic empowerment achieved by rural women was evaluated by assessing their response on various variables like control over use of money, contribution to family income, decision on use of money, sense of financial securities, personal belongings, sharing family expenditure, ability to improve income and financial status, knowledge on formal financial system, and knowledge

<b>Table 2 : Chi-square test results on use of financial services</b>			
Cronbach's Alpha 0.867			
Sr. No.	Variable	Chi-square value	Sig.
1.	Deposits	4.665	0.323
2.	Loans	46.896	0.000
3.	Insurance	12.651	0.013
4.	Money transfer facility	21.243	0.000
5.	ATM	7.212	0.125
6.	Credit /Debit card	12.363	0.015
7.	Mobile and net banking	14.231	0.007
8.	Money Advice and Credit counseling	19.016	0.001

Source- Survey Data

on basic banking procedures. Their response was recorded on a five-point scale ranging from very high to very low. The reliability of the measures was proved by Cronbach's alpha (0.787).

The following hypothesis was formed:

“There is no association between membership in Self Help Group Bank Linkage Programme and economic empowerment of rural women”

The hypothesis was tested by Chi Square Test. The results are presented in Table 3. The results show that except in case of sense of financial security (significance level 0.129) and sharing a part of family expenditure (significance level 0.102), in all other variables, the level of significance was less than 0.05. Thus, it can be concluded that there is a significant association between membership in Self Help Group Bank Linkage Programme and economic empowerment achieved by rural women. The study rejects the hypothesis “There is no association between membership in Self Help Group Bank Linkage Programme and economic empowerment of rural women.”

<b>Table 3: Chi-square test results on economic empowerment</b>			
Cronbach's Alpha 0.787			
Sr. No.	Variable	Chi-square value	Sig.
1.	Control over use of money	18.207	0.001
2.	Contribution to family income	28.825	0.000
3.	Decision making on money use	11.574	0.041
4.	Personal belongings to satisfy personal needs	13.687	0.008
5.	Sense of financial security	7.141	0.129
6.	Share a part of family expenditure	7.734	0.102
7.	Know how to Improve income and financial status	10.169	0.038
8.	Knowledge on formal finance and types of financing	21.978	0.000
9.	Know basic banking rules and procedures	14.669	0.012

Source- Survey Data

### **Findings and Conclusion :**

Self Help Groups have been conceptualized a vehicles to ensure financial inclusion of rural women by enabling rural women come together and through collective effort, accessing and using formal financial system. Thus, their membership in Self Help Group Bank Linkage Programme may bring about changes in their financial knowledge, usage of services and thereby contribute to economic empowerment. It is seen that in case of financial knowledge, out of the 11 independent variables, only two variables showed a p value above 0.05. Thus, it can be concluded that there

exist association between membership in Self Help Group Bank Linkage Programme and financial knowledge of rural women. In case of usage of financial services, six out of eight variables had a significance level less than 0.05, thereby proving significant association between membership in Self Help Group Bank Linkage Programme and usage of financial services. Similarly, there was also significant association between membership and economic empowerment, proven by Chi-Square test results.

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