

Financial Literacy Through Self Help Group (SHG) Bank Linkage Programme - A Case Study on Rural Women in Ernakulam District

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ABSTRACT

Since the time of classical thinkers like Adam Smith the role of finance in the development of the economy has been realized. Access to finance by all segments of the society is equally important. The objective of the study is to measure and understand financial literacy of the rural women members of the SHG Bank Linkage programme in the Ernakulam District, Kerala. This paper focused on the different dimensions of financial literacy of the members and mainly aimed at the rural women because women can play a vital role in global economic growth as well as men. This paper is based on primary survey which is conducted among the women members in the Ernakulam District, Kerala. A structured interview method is followed for primary data collection. The major finding the study was there exist no difference in financial knowledge and financial attitude between the members and non- members of SHG Bank Linkage Programme and at the same time the financial behavior of the studied sample shows that the level of financial behavior of the members are better than non-members.

Keywords: Financial Literacy, Financial Knowledge, Financial Behavior, Financial Attitude, Rural Women, Empowerment, SHG Bank Linkage Programme.

INTRODUCTION:

Financial inclusion is a process to bring the weaker and vulnerable sections of society within the ambit of the organized financial system. Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost. (Rangarajan, 2008). Empirical results identify that, a wide variation across states, rural and urban regions in the access of financial products and services exist in India. In the present era, financial inclusion has become a policy priority of the government and it can be achieved through financial literacy. The importance of financial literacy has been recognized by RBI and comprehensive literacy programmes are introduced to enable the unbanked to understand the importance and use of accessing financial products and services. Reserve Bank of India (Reserve Bank Of India, 2017) in co-ordination with the Government of India and other stakeholders with the objective to enhance financial inclusion in the country, introduced many policies. Lead bank scheme, Self Help Group Bank Linkage Programme and Financial Literacy Programmes are few among them. Self Help Group Bank Linkage Programme is one of the main model through which financial inclusion can be achieved. In the rural area, large number of population does not have bank account, insurance schemes and other financial services. In 1992 Self Help Group approach was introduced to include the vulnerable groups such as poor people and low income group who were excluded from financial products and services and from the informal financial system. SBL (Self Help Group Bank

Linkage) Programme was regularized and linked with regular banks viz. Commercial Banks, Regional Rural Banks and Cooperative Banks in 1996.

OBJECTIVE OF THE STUDY:

Objective of the study is to examine the extent of financial literacy of women members and non-members of SHG Bank Linkage Programme in the Ernakulam District.

HYPOTHESIS:

H0: Rural women members and non-members of SHG Bank Linkage Programme do not differ significantly in terms of financial literacy.

LITERATURE REVIEW:

The working definition of financial inclusion as per The Banking Association of South Africa (The Banking Association of South Africa, n.d.) is as below:

“Access and usage of a broad range of affordable, quality financial services and products, in a manner convenient to the financially excluded, unbanked and under-banked; in an appropriate but simple and dignified manner with the requisite consideration to client protection. Accessibility should be accompanied by usage which should be supported through the financial education of clients.”

The key principles underlying the above definition are Access, Affordability, Appropriateness, Usage, Quality, Consumer Financial Education, Innovation & Diversification and Simplicity. So, from the definition of financial inclusion, it is clear that the provision of consumer financial education on the use of financial services is important to the previously disadvantaged to use these services in a fruitful and accountable manner that will not cause them harm. The world bank (The World Bank, 2017) depicts that there are significant challenges remaining even though considerable progress has been made towards financial inclusion. The major challenges faced are (a) ensure financial access and services extend to hard-to-reach populations, including women and the rural poor (b) increase citizens' financial literacy and capability so they understand different financial products and services.

(Ghosh, 2012) in the study found financial outreach play a major role in implementing financial literacy. High level of literacy in banking outreach which will influence financial inclusion. According to the study, there is significant differences in both geographic and demographic inclusion across high and low income states. The study found that there is a need for improving labour regulations, literacy level, financial infrastructure, industrial climate and institutional quality for the greater out reach of banking.

Urban populations continue to be benefited from access to finance than rural communities. In developing economies account ownership tends to be lower in rural areas than in urban areas. India started with lower account ownership among rural adults in 2011, at 33 percent. By 2017 that share had more than doubled— to 79 percent (Demirgüç-Kunt, Klapper, Singer, Ansar, & Hess, 2018). The result of survey shows no one member of groups have ATMs, Mobile banking, Net banking, and financial literacy. It is found that women's family income is very low, although 60 percent of them have got a job in mid-day meal in schools. These women could not take decision for domestic expenditure, but after joining the groups, they are able to spend money without any hesitations and restrictions from family.

Women have improved their social and financial conditions after joining the Self Help Groups. The Self Help Groups are playing very significant role in empowering the women groups to access financial products and services. Literature says that women are not able to take decision on domestic expenditure, but after joining the Self Help Groups, women are able to spend money on their own interest and it is proved that those women have improved their social and financial conditions after joining Self Help Groups (Bajrang & Kumar, 2013) .

RESEARCH METHODOLOGY:

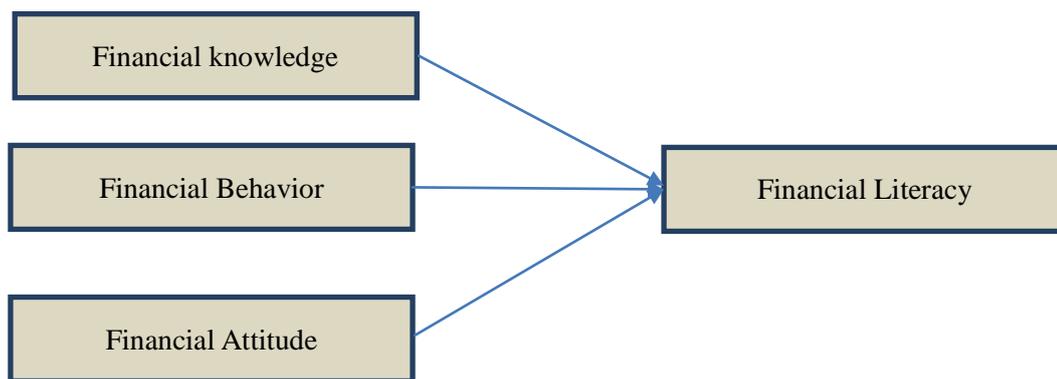
The study focused to explore the level of Financial Literacy of the rural women Self Help Group members in Ernakulam District. The primary data was collected through structured questionnaire from individual women who reside in Ernakulam District and mostly reside in grama panchayats. Individual women represents members and non-members of SHG Bank Linkage Programme in the rural and urban areas of Ernakulam District. Ernakulam District is the universe of the study and rural women who are the members and non-members of Self Help Group Bank Linkage Programme is considered to be the population of the study. Cluster sampling were applied in selection of 810 respondents. The collected data was processed and analysed by using

SPSS software. The statistical techniques such as descriptive statistics, chi-square, Interdependent Sample T test, Regression analysis were applied to analyze the data collected. Regression model was run using Financial Literacy as the dependent variable and financial knowledge, financial behavior and financial attitude were the independent variable

ANALYSIS AND INTERPRETATION:

Financial literacy means the level of knowledge attained for managing personal finance and the change in the financial pattern behavior and financial activities of individuals. It means financial literacy has three dimensions, namely- financial knowledge, financial behavior (the level of financial agreement) and financial attitude (financial requirement). The Organization for Economic Co-operation and Development (OECD) defines “Financial Literacy as a combination of financial awareness, knowledge, skills, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. Financial education will help the people to achieve financial literacy.

Figure 1: Dimension of Financial Literacy



Financial literacy in handling the financial products is required at the macro level, in order to develop new skills and abilities to survive the development. To identify the level of financial literacy among the rural women at macro level, the three dimensions of financial literacy has been analysed and the following hypothesis were framed.

FINANCIAL KNOWLEDGE:

The financial knowledge was tested using their awareness about the various financial products and services available in the market. The various financial products and financial services taken for the study to test the financial knowledge were savings and current bank account, secured and unsecured bank loans, credit and debit cards, simple and compound interest rates, fixed and floating interest rates, Equated Monthly Installment (EMI), stock and debentures, income tax, subsidies by government in various schemes, micro finance, and insurance. The financial knowledge was tested by framing the hypothesis as

H0: There is no mean difference in financial knowledge between the members and non-members of Self Help Group Bank Linkage Programme .

The above hypothesis was tested using Chi Square analysis and, the result exhibited in Table -1

Knowledge in operating the savings and current account is the primary steps towards financial inclusion. The various polices are introduced by Reserve Bank of India (Reserve Bank of India, 2017) in co-ordination with the Government of India and other stakeholders with an objective to enhance financial inclusion in the country such as Lead Bank scheme, Kisan Credit Cards in 1999, No Frill account 2005, Relaxing KYC norms, Branchless Banking. Banks are advised to maintain separate savings and loan account for Self Help Groups.

The test results as per the Table -1 reveals that majority of members have some awareness about the saving and current accounts of various banks. Among the members, only 6.68% have high awareness about the banking services.

Table 1

Variable	Membership	Very high	high	Neutral	Low	very low	Chi-Square	Sig.
Savings and Current Account	Member	88	274	159	94	44	13.772 ^a	.008
	Non-Member	24	64	24	35	4		
Secured and Unsecured Loan	Member	151	257	124	93	31	3.813 ^a	.432
	Non-Member	33	69	26	20	3		
Microfinance	Member	186	219	137	80	34	7.759 ^a	.101
	Non-Member	42	53	30	25	1		
Credit and Debit Card	Member	256	189	123	63	25	9.435 ^a	.051
	Non-Member	51	38	37	23	2		
Life and Term Insurance	Member	178	220	156	68	35	22.186 ^a	.000
	Non-Member	48	36	57	9	1		
Stock and Debenture	Member	351	149	102	29	25	24.172 ^a	.000
	Non-Member	70	26	46	9	0		
Simple and Compound Interest	Member	199	238	113	70	36	15.086 ^a	.005
	Non-Member	51	41	43	13	3		
Income Tax	Member	333	143	107	50	23	27.211 ^a	.000
	Non-Member	57	31	52	9	2		
Subsidy	Member	148	212	157	109	30	13.012 ^a	.011
	Non-Member	34	66	31	20	0		
EMI	Member	214	220	102	82	38	11.175 ^a	.025
	Non-Member	47	55	31	17	0		
Fixed and Floating Interest	Member	170	254	114	74	44	4.335 ^a	.363
	Non-Member	42	57	33	14	5		

Source: Computed data

From the responses, it was identified that there exists significant variation on financial knowledge between members and nonmembers of Self Help Group Bank Linkage Programme in few variables. The rural women members have better awareness towards basic financial products and services such as savings and current accounts, life and term insurance, stock and debenture, simple and compound interest, income tax, subsidy and Equated Monthly Installment (EMI). On the other hand, there is no significant difference in financial knowledge between members and nonmembers in the financial products and services like secured and unsecured loan, microfinance, credit and debit card and fixed and floating interest. It shows that the members already have basic awareness about the financial products and services of the banks. High awareness was reported on subsidy stating significant difference among the members and non-members.

The table-1 reveals that both the members and non-members were having same level of understanding about the various loans and other credit facilities including micro finance provided by the financial institutions and other rural intermediaries. This proves that despite of various joint activities by Reserve Bank of India and Government of India, the financial knowledge level on credit facilities are lacking among the rural population. As the ‘P’ value is greater than 0.05, hereby accepting the null hypothesis stating there is no mean difference between members and non-members in financial knowledge on secured and unsecured bank loans, microfinance, credit card and debit card and fixed and floating interest rate.

FINANCIAL BEHAVIOUR:

Financial behavior is tested as an outcome of financial knowledge. Financial behavior is tested to know whether the rural women population are capable of taking decisions in their day to day life. Five statements were taken for testing the financial behavior. The descriptive statistics of the six variables were mentioned below. The financial behavior relates with long term financial management. The financial behavior helps in identifying the impact of the level of knowledge in financial products and services to its applicability in practical day to day life.

Table 2

Financial behavior	Member		Non-Member		Total	
	Yes	No	Yes	No	Yes	No
If 6 people share Rs.18000 equally each one will get Rs.3000 as share	628	31	139	12	767	43
In inflation as time goes by you can buy less things for the same money	586	72	130	21	716	93
You are less likely to lose money of you save it in different places	470	189	109	42	579	231
You have deposited Rs.1000 into an account which gives 12 percentage as annual interest. The balance after 1 year is Rs. 1120	606	53	129	22	735	75
I am maintaining an account of income and expenses regularly	534	125	98	53	632	178

Financial behavior is a financial attribute, which is a measurement tool for the financial literacy. Typically, both the members and non-members of Self Help Group were equally competent in the day to day management of finance.

FINANCIAL ATTITUDE:

Statistical test were undertaken to study the financial attitude of rural women members and non-members of Self Help Group Bank Linkage Programme. This analysis helps in identifying the usage of various financial products and services by both members and non-members. Group based approach will help the poor to access various financial products and services and also enable them to accumulate capital by way of small savings. Prior studies (Manohar, 2015) reveals that number of Self Help Groups in the Self Help Group Bank Linkage Programme was on the increasing side every year but the financial performance of these Self Help Groups was not up to the mark.

Table 3

I am a member of any Self Help Group Bank Linkage Programme		Bank account	Deposits	Loans	Insurance	Money transfer facility	ATM	Credit Card	Mobile and Internet Banking	Money Advice and Credit Counselling
yes	Mean	3.70	3.41	3.21	3.28	2.67	3.32	2.29	2.25	2.96
no	Mean	3.36	3.24	2.75	3.14	2.51	3.40	2.52	2.42	2.96

Source: Computed data

One of the objective of the linkage programme was to encourage opening of bank account and credit linking. Vertical model of banking activities can be visualized among the members. They prioritize their requirements in the order of bank account (mean value 3.70), followed by deposits (mean value 3.41) and using ATM services (mean value 3.32). Members equally given preference to insurance also (mean value 3.28). Non-members prefer to have ATM services (mean value 3.40) followed by other financial services like bank account (mean value 3.36) and deposits (mean value 3.24). The test was undertaken to test whether there exists any variation in the financial attitude among members and non-members. The following hypothesis was framed to test the variance

H0: there will be no mean difference in financial attitude between the members and non-members of SHG Bank Linkage Programme.

The above stated hypothesis was tested using Independent Sample Test.

Independent Samples Test:

Table 4

		Levene's Test for Equality of Variances		T test		
		F	Sig.	T	df	Sig. (2 tailed)
Mean Financial Attitude	Equal variances assumed	2.223	.136	-.628	808	.530
	Equal variances not assumed			-.665	239.777	.507

Source: Computed data

As the t-value is greater than 0.05, accepting the null hypothesis stating both members and non-members were having same level of financial attitude.

FINANCIAL LITERACY:

“Project Financial Literacy” is the project undertaken by Reserve Bank of India with an objective to improve the financial literacy. The objective of this project is to disseminate information regarding the central bank and general banking concepts to various target groups including rural women. The banking information would be disseminated to the target audience with the help of, banks, local government machinery, schools/colleges using pamphlets, brochures, films as also the Reserve Bank’s website. In order to identify the level of financial literacy among the rural women at macro level, the mean literacy was compared with their membership in various Self Help Groups.

Ho: there will be no mean difference in financial literacy between the group memberships

The above stated hypothesis was tested using Independent Sample Test

Table 5

Group Statistics				Independent Samples Test					
I am a member of any SHG group		N	Mean	Std. Deviation	Levene's Test for Equality of Variances		t-test for Equality of Means		
Mean Literacy	yes	659	1.8733	.56370	F	Sig	t	df	Sig (2-tailed)
	no	151	1.8679	.45977	4.224	0.040	.110	808	.913

Source: Computed data

It was found that the mean literacy between the member and non-members found to be equal (Mean 1.87). However, it was statistically found that there exists no mean difference between the members and non-members of Self Help Groups as the ‘t’ value is greater than 0.05. The sample found to have equal level of understanding about the financial literacy

Regression Analysis on Financial Literacy:

Regression analysis is commonly used measures in statistics. Statistical tools like Regression analysis, F-test, correlation and t-test have been used to assess and interpret data. Both F-test and t-test have been performed to test the statistical significance of the parameters at 5% level of significance. The general equation for the regression is

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_k X_k + \epsilon \dots\dots\dots(1)$$

Where Y is the dependent variable

X1, X2, XK are the independent variables, β is the coefficient, which reflects how dependent variable Y changes when the independent variable, Xi (i =1, 2...K), changes by one unit, while the other independent variables remain constant.

Model 1: Financial Knowledge, financial behavior and financial attitude determines financial literacy

$$\text{Financial Literacy} = \beta_0 + \beta_1 \text{ knowledge} + \beta_2 \text{ behavior} + \beta_3 \text{ attitude} + \epsilon \dots\dots\dots(2)$$

The hypothesis being tested is

H0 = financial knowledge, financial behavior, financial attitude determines the financial literacy

Table 6

Model Summary ^b										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.926 ^a	.857	.856	.32362	.857	1608.695	3	806	.000	1.771

Source: Computed data

a. Predictors: (Constant), Financial Attitude, Financial Behavior, Financial Knowledge

b. Dependent Variable: Financial Literacy Mean

From the table-6, the analysis result shows that the R-square change is 0.857 (85%) and that means dependent variable-Financial literacy mean are completely explained by the independent variables such as Financial Knowledge, Financial behavior and Financial Attitude. This indicates a strong explanatory power of the regression and also shows the success of government initiative in implementing financial literacy among rural population.

Table-7: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	505.444	3	168.481	1608.695	.000 ^b
	Residual	84.414	806	.105		
	Total	589.858	809			

Source: Computed data

a. Dependent Variable: Financial Literacy Mean

b. Predictors: (Constant), Financial Attitude, Financial Behavior, Financial Knowledge

The model significance was seen in ANOVA values with F- stat of 1608.695 and is significant as the level of significance is less than 5%. This shows that the model is significant. In addition, this indicates that the null hypothesis is rejected and alternative hypothesis is accepted. Hence it can be concluded that financial knowledge, financial behavior and financial attitude have significant impact on financial literacy

Table 8: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-.062	.069		-.896	.370		
	Financial Knowledge	.090	.001	.916	67.044	.000	.951	1.052
	Financial Behavior	.023	.008	.039	2.884	.004	.972	1.028
	Financial Attitude	-.002	.001	-.020	-1.459	.145	.940	1.064

Source: Computed data

a. Dependent Variable: Financial Literacy Mean

Financial Literacy = -.062 + .090 Financial knowledge+.023Financial Behavior + ε

To assess the significance of each independent variable on the dependent variable Financial Literacy, it has been found that only financial knowledge and financial behavior affect financial literacy as their t-sig are less than 5%.

FINDINGS AND CONCLUSIONS:

The rural women are segregated into two distinct groups based on their membership in Self Help Group Bank Linkage programme. 81 % of the rural women are grouped into the category of members of Self Help Group Bank Linkage Programme and 19% of the sample are categorized as non-members of Self Help Group Bank Linkage Programme. In order to understand the relationship between membership in Self Help Group Bank

Linkage Programme and financial literacy, the factors of financial literacy such as financial knowledge, financial behavior and financial attitude of the members were compared with the non-members.

The study reveals that, there is a significant difference in financial knowledge between members and non-members about savings and current account, life and term insurance, stock and debentures, simple and compound interest, income tax, subsidy and Equated Monthly Installment (EMI). On the other hand, the study reveals that there is no significant difference in financial knowledge between members and non-members about secured and unsecured loan, microfinance, credit card and debit card, and fixed and floating interest. But the mean literacy between members and non-members found to be equal and it is statistically found there exit no significant difference based on membership as the 't' value is greater than 0.05. The descriptive statistics reveals that the membership in Self Help Group Bank Linkage Programme has linked to the financial behavior. The study reveals that the member's financial behavior is on the higher side since they got the opportunity to practice it on a day to day life and involvement in the group activities of the Self Help Group Bank Linkage Programme. Financial attitude of the members and non-members of the Self Help Group Bank Linkage Programme towards the financial products and services such as bank account, deposits, loans, insurance, money transfer facility, ATM, mobile and internet banking and money advice and credit counselling were analysed using independent sample test and identified that the 't' value is greater than 0.05, there is no difference in financial attitude based on the membership and both the members and non-members were having same level of financial attitude. The statistical analysis reveals that there will be no mean difference in financial knowledge, and financial attitude between the members and non-members of Self Help Group Bank Linkage Programme and hence there is no significant difference in financial literacy between the members and non-members of Self Help Group Bank Linkage Programmes.

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