



## Index Of Financial Inclusion By Way Of SHG In Connection With Tamilnadu, India

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### ARTICLE INFO

### ABSTRACT

Financial inclusion plays a vital role in women's empowerment in Tamilnadu. The study aims to determine the extent of financial inclusion through SHG in different districts to use secondary data to evaluate the financial inclusion index for every district in Tamilnadu. The main objective of the study analyse bank accounts opened through SHG and indicators for creating financial inclusion index. The availability of banking services, banking disbursement, and FII Banking penetration are the three criteria used to measure it. The data collected from the SHG report from the year 2018-2019 to 2022-2023. The major findings of the research are only three districts fall under a high financial inclusion index (above 0.6), 12 districts have an average financial inclusion index, 22 districts have poor financial inclusion, and the last three financial years come under high financial inclusion. The government has to be initiated to provide more financial services and banking services through SHG.

**Keywords:** Financial inclusion, SHG, FII.

### Introduction

Financial inclusion is vital for vulnerable people, especially women. It attempts to enable individuals who are typically left out or underserved by the mainstream financial institutions access to reasonably priced and appropriate financial instruments, such as banking, credit, savings, insurance, and payment services. By crafting legislation, generating goods and services, offering education, and utilising technology to reach underserved groups, governments, financial institutions, non-governmental organisations (NGOs), and technical advances all play critical roles in increasing financial inclusion. Throughout the world, initiatives are still being made to increase financial inclusion so that everyone may take advantage of and engage in the formal financial system. Bank partnerships with self-help and financial inclusion were promoted. (Sarma 2008, Frost & Sullivan, 2009).

### Financial Inclusion Index

The FII is one tool for tracking and evaluating the level of financial inclusion in a country or area. It assesses the extent to which financial services, including credit, banking, insurance, and other financial commodities, are available to and utilised by individuals and businesses.

Business Line (15.09.2023) According to the RBI, the value of the FI Index, which gauges the country's overall financial inclusion, rose from 56.4 in March 2022 to 60.1 in March 2023. There was growth in every sub-index. The FI Index was at 53.9 for the fiscal year that ended in March 2021 when it was initially released in August 2021. At the end of March 2017, this index was 43.4.

CRISIL (2015) Beginning at the district level, CRISIL Include gauges the degree of financial inclusion at the regional level. It is a relative index that unifies several types of fundamental financial services into one measure. Furthermore, rather than emphasising the "amounts" deposited or loaned, the input parameters place a great deal of emphasis on the "number of people" contacted or involved.

## **Self Help Group**

When we talk about money and community development, we typically mean self-help groups. It is a small, voluntary group of people who meet together to solve shared concerns. Typically, they come from the same socioeconomic background. SHGs are frequently established to support microcredit availability, increase savings among members, and support entrepreneurial endeavours.

### **Financial Inclusions in SHG**

One tactic to empower marginalised and economically disadvantaged communities is financial inclusion through self-help groups (SHGs), which gives them access to financial services. The overall procedure is as follows:

- Formation of SHG
- Capacity Building
- Group savings and Internal Lending
- Access to micro credit
- Entrepreneurship and Livelihood promotion
- Regular meetings and peer support
- Credit discipline and Repayment
- Linkages with formal financial institutions
- Social and Empowerment Impact

### **Review of Literature**

Gupta and Fearooz (2014) Researchers outline key obstacles that banks and post offices must overcome to promote rapid financial inclusion. Furthermore, there has been a significant increase in the opening of bank accounts in the study area. We also recommend conducting a rising number of awareness programmes in villages to completely inform rural populations of basic banking services.

Mohanty (2015) claims that the Self-Help Group (SHG)-Bank Linkage Programme (SBLP), which has led the way in financial inclusion efforts over the previous 20 years, is still in place. A special importance, especially in the discussion of enabling personal access to financial services. The primary focus of the group savings-linked programme, known as the SBLP, is microcredit supply.

Sethy.S (2016) had done a study on financial inclusion in India that took two major dimensions of financial inclusion such as demand side and supply side indicators. The Financial Inclusion Index may be used to track an economy's progress toward financial inclusion over time and to compare the spectrum of financial inclusion in various economies. The financial inclusion index is to be calculated during the period from 2010 to 2012 and to be categorised by the high, medium and low levels of financial inclusion.

Kaleeswaran et al (2017) stated that one of the most important metrics for assessing the degree of financial inclusion in a given area is the financial inclusion index. The researcher used three different types of data - banking service availability (d1), banking penetration (d2), and banking disbursement (d3) - to build the financial inclusion index using the MGNREG plan.

Vanishri R Hundekar (2018) This research intends to quantify the penetration of financial inclusion through SHGBLP in the state of Karnataka using financial inclusion index as a benchmark. The parameters used to calculate the financial inclusion index were the penetration of banks, credit, and SHG in different Karnataka districts.

Poonam and Archana Chaudhry (2019) This study highlights the scope of banking services provided in India in 2017 and illustrates the disparities in state-by-state growth. The primary components of the research, such as credit, deposit, and office count. The UNDP's index of financial inclusion (IFI) has been utilised to correct the research findings. According to the results, Delhi came in second, Goa moved up to third, and Chandigarh took first place.

Jegadeeshwaran and Basuvaraj (2020) The author analysed 32 districts in tamilnadu, employing FII, high, medium, and low financial inclusion districts were measured. Researchers looked at three factors: availability, accessibility, and use. Reaching out to rural communities has been the fundamental goal of financial inclusion to prevent their complete exclusion from the urban poor. The government should support the model of individual business correspondents, that allows the individual as well as the supplier side a chance to profit from it.

Singh, K. (2021) constructed the principal component method used in this study to generate the financial inclusion index by taking into account four indicators. Seven districts out of the 19 analysed districts saw a rise in the financial inclusion index's value between the years 2019 and 2013, according to the data. Indicators like households with active job cards, fund utilisation, labour cost, and the number of jobs have a substantial impact on financial inclusion, according to the empirical study used to identify the components that determine overall inclusion.

Pradhan and Chandra Das (2022) revealed the planned commercial banks' branch and account counts, deposit and credit balances, and number of accounts. It is found that every district has a poor IFI score, except for Kolkata. The greatest city for financial inclusion is Kolkata. While North Bengal area districts usually have relatively low levels of financial inclusion, South Bengal region districts frequently exhibit quite high ones. Thirumamagal.K (2023) examine three dimensions credit penetration, branch penetration and deposit penetration. The focus of the study different levels of challenges faced by the financial institutions, found underpinning banking services as well as financial regulatory framework priorities. It concludes the government made an effort for effective financial inclusion.

### Methodology

The basis for it is secondary data on SHG that was gathered from several sources. The researcher computed Tamilnadu's total financial inclusion index using data spanning from 2018–2019 to 2022–2023. The district-wise FII was computed using data from 2022–2023.

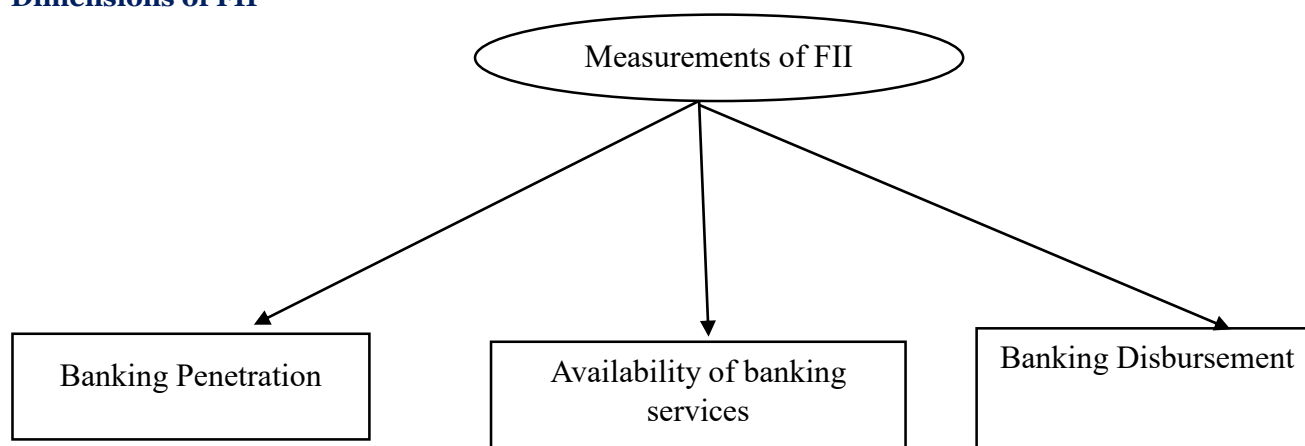
### Scope of the Study

This study is building the financial inclusion index in tamilnadu. The study explains the dimensions of the financial inclusion index and the levels of financial inclusion.

### Objectives of the study

- To analyse the number of bank accounts opened through SHG.
- To find out the vital indicators needed for creating a FII in Tamilnadu.

### Dimensions of FII



Picture: 1. Measurements of FII

### Banking Penetration (D1)

The degree of accessibility and use of financial services within a certain demographic or geographic area is referred to as banking penetration. Rifaya and Kaleeswaran (2017), Bhuvana and Vasantha (2016) calculates the proportion of people or households, relative to the total population, that have access to and actively utilise banking goods and services. The key factors include access to financial services, financial inclusion initiatives, economic development.

### Availability of banking services (D2)

Mandira Sharma (2010), Jegadeeshwaran and Basuvaraj (2020), and Augustina et al (2022) looked the availability of banking services to reach out the rural communities depending on the policies of the bank, their technical developments, and the financial infrastructure of the area or nation, these services may not always be available. The key factors include branches, ATMs and Mobile banking apps.

### Banking Disbursement (D3)

The distribution or payment of funds by a bank or financial organisation is commonly referred to as a banking disbursement. CRISIL (2013), Singh, K. (2021) Pradhan and Chandra Das (2022) observed banks disburse the amount to vulnerable people through SHG.

### Calculation of Financial Inclusion Index

Three factors are taken into account in this study to assess the measure of financial inclusion: banking penetration, which measures accessibility, banking service availability, and banking disbursement. The

Financial Inclusion Index was computed in the NABARD (2009) research, and the suggested Index accepts values in the range of zero (0) and one (1). It was determined that a value of 0 meant "no financial inclusion," while a value of 1 meant "complete financial inclusion."

$$D_i = \frac{A_i - m_i}{M_i - m_i} \quad (1)$$

Where

$A_i$  = Actual value of dimension  $i$

$m_i$  = Minimum value of dimension  $i$

$M_i$  = Maximum value of dimension  $i$

After finishing 1<sup>st</sup> equation, then we will do on 2<sup>nd</sup> formula for calculating the financial inclusion Index (FII).

$$FII = 1 - \sqrt{\frac{(1 - D1)^2 + (1 - D2)^2 + (1 - D3)^2}{3}} \quad (2)$$

$0.5 < FII < 1$

High Financial Inclusion

$0.3 < FII < 0.499$

Medium Financial Inclusion

$0 < FII < 0.299$

Low Financial Inclusion.

**Table. 1 Year wise Financial Inclusion Index**

Year	No. of banks	No. of workers with bank Account	Amount Mobilised	FII	Result
2022-2023	2743	1778627	292952.11	1.0000	High
2021-2022	2743	1778627	292713.34	0.9982	High
2020-2021	2588	1778136	281900.36	0.9103	High
2019-2020	1729	1777048	241746.87	0.5447	Average
2018-2019	38	1731402	216220.42	0.0000	Low

Source: Compiled by Authors

The above table shows, the financial inclusion index in Tamilnadu from 2018-2019 to 2022-23. In the year 2018-2019 low financial inclusion, then the year 2019-2020 average level financial inclusion, and the remaining year 2020-2021, 2021-2022 and 2022-2023 fall under high financial inclusion.

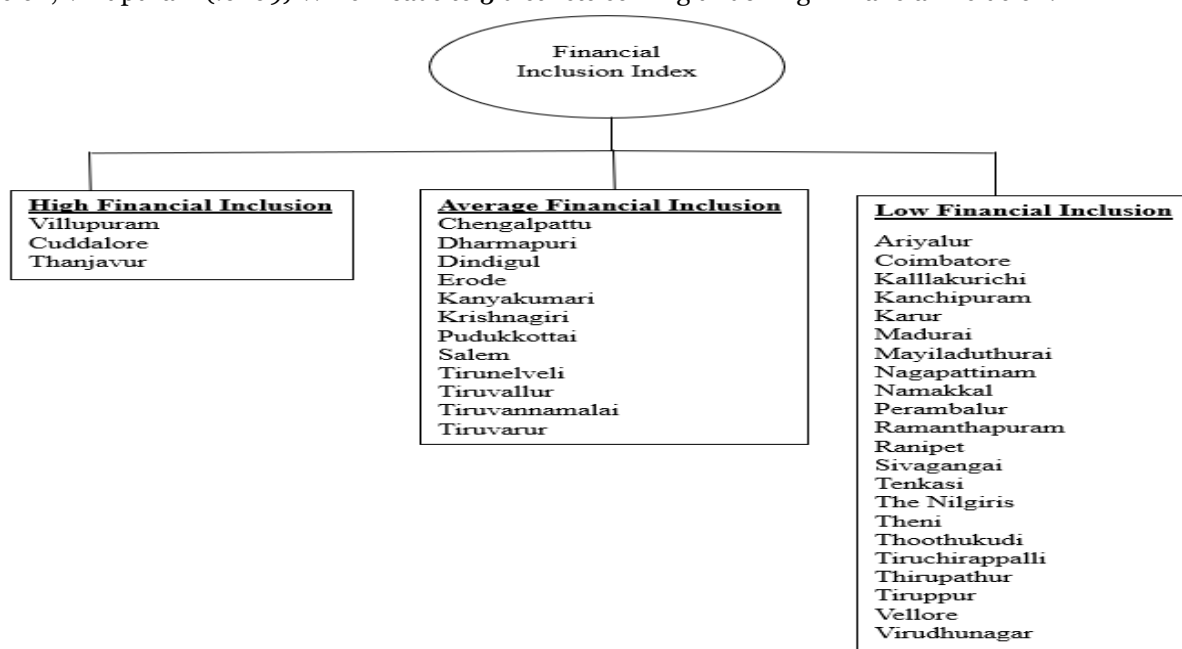
**Table 2. Levels of Financial Inclusion Index in Tamilnadu**

Sl. No	District	D1	D2	D3	FII	Result	Rank
1	ARIYALUR	0.243749599	0.08687734	0.05237272	0.123699991	Low	33
2	CHENGALPATTU	0.653703135	0.3259775	0.21237702	0.368974961	Average	12
3	COIMBATORE	0.201054878	0.06459561	0.22636014	0.160990006	Low	31
4	CUDDALORE	1	0.92961971	0.28726514	0.58650096	High	3
5	DHARMAPURI	0.346803606	0.24488484	0.86118442	0.418010826	Average	8
6	DINDIGUL	0.447381005	0.39925013	0.410438	0.418659163	Average	7
7	ERODE	0.429894869	0.61510445	0.12832353	0.358911258	Average	13
8	KALLAKURICHI	0.362962223	0.2361007	0.13402254	0.238581099	Low	21
9	KANCHIPURAM	0.352963008	0.15736476	0.38596716	0.291544554	Low	16
10	KANNIYAKUMARI	0.240002569	0.30369577	0.38317855	0.306481344	Average	15
11	KARUR	0.073948512	0.01992501	0.03201412	0.0416829	Low	36
12	KRISHNAGIRI	0.312709209	0.26181039	1	0.417679204	Average	9
13	MADURAI	0.435326277	0.17632566	0.28255208	0.290064003	Low	17
14	MAYILADUTHURAI	0.342471326	0.38232458	0.02517352	0.23315505	Low	23
15	NAGAPATTINAM	0.307377722	0.30733798	0.03607284	0.206555637	Low	25
16	NAMAKKAL	0.449350872	0.12158543	0.09098274	0.203939075	Low	26
17	PERAMBALUR	0.073627338	0.00342796	0.01281055	0.029456311	Low	37
18	PUDUKOTTAI	0.662638908	0.29619711	0.12219839	0.321843999	Average	14
19	RAMANATHAPURAM	0.30073299	0.2654526	0.13806869	0.231568736	Low	24
20	RANIPET	0.371027257	0.38371719	0.04080519	0.248231885	Low	19
21	SALEM	0.834652525	0.21146224	0.37063048	0.409735205	Average	11
22	SIVAGANGAI	0.524305729	0.19475094	0.16580996	0.276447625	Low	18
23	TENKASI	0.185003319	0	0	0.057623644	Low	35

24	THANJAVUR	0.993455189	0.74558115	0.33055961	0.586509886	High	2
25	THE NILGIRIS	0.241130247	0.07723621	0.10582612	0.138427165	Low	32
26	THENI	0	0.18939475	0.01747636	0.065043035	Low	34
27	THOOTHUKKUDI	0.197607611	0.07659347	0.54564201	0.246573525	Low	20
28	TIRUCHIRAPPALLI	0.428303274	0.15543653	0.07167882	0.203778753	Low	27
29	TIRUNELVELI	0.749812649	0.67659347	0.18196852	0.47199716	Average	5
30	TIRUPATHUR	0.190855821	0.20792716	0.19613869	0.198275465	Low	29
31	TIRUPPUR	0.222923254	0.14365292	0.21881643	0.194306435	Low	30
32	TIRUVALLUR	0.91256932	0.49191216	0.30354508	0.499717801	Average	4
33	TIRUVANNAMALAI	1.257624312	0.85698982	0.03251523	0.416091054	Average	10
34	TIRUVARUR	0.621435862	0.64102839	0.23873374	0.467178034	Average	6
35	VELLORE	0.302931247	0.05848956	0.25984963	0.199964724	Low	28
36	VILLUPURAM	0.888174376	1	0.36354149	0.626911804	High	1
37	VIRUDHUNAGAR	0.489390555	0.1512587	0.12638498	0.237485084	Low	22

Source: Compiled by Authors

From the table, around 37 districts from tamilnadu financial inclusion index through SHG using three dimensions estimated rank for districts. The districts of Permbalur (0.029) which leads to 22 districts falling under low financial inclusion, Tiruvallur (.4997) which leads to 12 districts coming under Average financial inclusion, Villupuram (.6269) Which leads to 3 districts coming under high financial inclusion.



**Picture: 2. Financial Inclusion Index through district**

From the above picture, 3 districts come under high financial inclusion, 12 districts come under average financial inclusion and 22 districts are included under lower financial inclusion.

### Findings of the Study

- ✓ The highest banking penetration in Cuddalore district.
- ✓ The highest availability of banking services in Villupuram district.
- ✓ The highest banking disbursement in Krishnagiri district.
- ✓ Around 3 districts have high financial inclusion index, 12 districts have average financial inclusion index and 22 districts have low financial inclusion.
- ✓ From the year 2022-2023 to 2020-2021 high financial inclusion
- ✓ 2019-2020 had average financial inclusion and 2018-2019 had low financial inclusion.

### Suggestions

Across most districts, financial inclusion is poor, so the government has to be initiated to provide more financial services and banking services through SHG. The government will organise more awareness programs for SHG members on how to access and usage of banking products.



### Conclusion of the Study

After considering the aforementioned points, it can be said that financial inclusion is an appropriate system that channels all resources from top to bottom, for the growth of the nation. As per the calculation of FII, only 3 districts came under high financial inclusion for 2022-2023. In Tamilnadu recently three financial years from 2020-2021 to 2022-2023 high financial inclusion. The government has to prioritise opening more bank branches above everything else. In addition, it is important to support additional empirical studies to determine the causes of poor financial inclusion at the micro level.

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