

# “A Case Study on Financial Literacy in Rural Development through SHG”

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## Abstract:

*Microfinance has become a vital tool for empowering marginalized populations and plays a significant role in rural development. This paper explores the impact of microfinance and Self-Help Groups (SHGs) in reducing poverty, empowering women, and fostering sustainable socio economic development. The purpose of this study is to know the level of financial literacy among women entrepreneur through self-help groups of Panhala Block in Kolhapur Distrcts. For the study primary data is collected through interview and questionnaire and Secondary data has been collected from various websites, journals and research papers etc. The findings of the study shows that SHGs have positive contribution towards rural development as well as improvement of financial literacy of the women in Kolhapur District, Panhala Block For this study, the investigator's focus has been on SHG members. The study's objectives are to examine the financial literacy awareness in rural region as well as improving their entrepreneurial skills and its affect on SHG's.*

**Keywords:** Financial Literacy, Rural Development Self help group(SHG), Socio Economic Development.

**I. Introduction:** Kolhapur, located in Maharashtra, India, is a well-established literal and artificial megacity. In Kolhapur, there are numerous self-help groups led by both masculine and feminine individuals from all backgrounds. However, a closer examination reveals that the majority of SHG operators are women (mostly housewives [2],[3]).

Financial literacy is helpful for the people of all ages; transition of economy from general literacy to financial literacy is really crucial for old and young, men and women, household and working. Continuously changing in financial market and with the increase in individual responsibility informed financial decision making is becoming necessity for economic empowerment of women. Having financial knowledge is the key element for making sound financial decisions. Financial literacy helps to grow and manage

finances in a proper way. The importance of financial literacy can never be neglected as it not only contributes in the wellbeing of people but also assist them to become economically empowered. [13]

## II RBI'S Initiatives on Financial Literacy

The Reserve Bank of India has undertaken a project titled "Project Financial Literacy". The Objective of the project is to disseminate information regarding the central bank and general banking concepts to various target groups, including, school and college going children, women, rural and urban poor, defense personnel and senior citizens. The project has two modules, first module is focused on the economy, functioning and activities of RBI and second module is focused on the general banking functions. The Bank on its web site has also created a link to facilitate easy access to information for the common people; the information is available in 13 regional languages which helps people in their dealings with banks.

SEBI's Initiatives in the Field of Financial Literacy Securities and Exchange Board of India (1992) has designed different modules in their financial literacy program at different segments like financial education at school level, at college level. They have different modules for executives, home makers and middle income group. SEBI has their resource person who have the knowledge of financial markets on different aspects and these executives organize different workshops for making aware of basic financial matters like savings, investments, insurance, retirement planning etc to all the target group.

IRDA'S Initiatives in the Field of Financial Literacy Insurance Regulatory and Development Authority Act (1999) has taken various initiatives in the field of financial literacy. They conducted different awareness programs and circulated simple messages about the rights and duties of policyholders through television and radio channels. IRDA conducts an annual seminar on policy holder protection and welfare, and also publishes the "policyholder Handbooks" as well as various comic series on insurance.

**II. Review of related research:** Atkinson & Kempson (2004) argues that numerical skills are important in assisting the understanding of financial skills. There is support in many countries such as Australia and the UK to have financial skills taught at middle school levels across the curriculum.

Financial attitude is an important factor that affects the financial wellbeing. Positive financial attitude is result of financial literacy and is ultimately results in financial wellbeing and economic empowerment of the individual. Financial attitude is linked with financial knowledge (Shim et al., 2009). Financial attitude is an important factor that affects the financial wellbeing. Financial literacy develops financial attitude and financial attitude leads toward financial wellbeing.

Economic empowerment is significantly and positively related with financial literacy, positive financial attitude and financial wellbeing (Judy L. Postmus, Sarah McMahon et. al. 2012). Financial wellbeing is the outcome of financial literacy and positive financial attitude whereas level of financial wellbeing determines the economic empowerment of individuals. Women's economic empowerment is vital to recognize women's right and to accomplish the greater developmental goals such as, poverty reduction, education, economic growth, health and welfare.

In 2018, Dr. Shalini Devi Empowering women in India is a difficult endeavor since it requires us to face the reality that discrimination based on gender has been practised for thousands of years in many different forms. Things won't change overnight, and that is something we have to accept. No amount of time or effort will make the hatred disappear; it won't go away with half-hearted attempts. Creating legislation, rules, and policies is insufficient since, as is often the case, they only ever exist on paper. On the other hand, the situation on the ground merely doesn't change and frequently becomes worse. [4].

**III. RESEARCH GAP** - Numerous studies have examined the about financial literacy through Self-Help Groups (SHGs) Based on a thorough assessment of the literature, it has been determined that no research has been done on the particular subject in the state of Maharashtra.[3] Even though a lot of research has focused on how Financial Literacy affects rural development and improving socio economic development, the subjects and goals of those studies differ from those of this one. SHGs play a significant role in helping them achieve a stable means of subsistence. Slowly but surely, it's turning out to be one of the best ways to combat poverty.

**IV. Methodology:** Data for the study were collected through self-prepared questionnaire which contain ten items related to financial literacy. Data were from primary sources—interactions with the SHG group—forms the basis of the current investigation. The study was carried out in the deliberately chosen Kolhapur district Panhala region of the state of Maharashtra. The study mostly uses the secondary data that are available. Sample for the study was selected on the basis of simple random sampling. Total 60 women group members were selected from the two gram panchayat under Panhala region Kolhapur District Maharashtra. In accordance with the aims specified in the research article, a descriptive research design was used for this study.[1]

### Results and Discussion from Respondents

Results and Discussion from Respondants (SHG Members)						
Sr.No.	Particulars	Pre Joining		Post Joining		Improved Percentage
		Yes	No	Yes	No	
1	Are you aware of government schemes / initiatives related to financial inclusion?	15	45	40	20	66.67
2	Have you ever taken a loan from a formal financial institution?	20	40	42	18	70
3	Are you familiar with the concept of Microfinance?	25	35	38	22	63.33
4	Are you currently saving money for any specific purpose?	20	40	45	15	75
5	Do you have any investments in the stock market or mutual funds?	15	45	41	19	68.33
6	Do you have idea about the actual monthly income of your family?	25	35	44	16	73.33
7	Do you participate in financial decision of your family?	10	50	45	15	75
8	Do you have interest in preparing family budget?	12	48	45	15	75
9	Do you take responsibilities to manage financial risk in your family?	5	55	40	20	66.67
10	Do you have Bank account?	40	20	55	5	91.67
11	Are you confident in Banking Transaction?	27	33	43	17	71.67
12	Do you use ATM card in Bank transaction?	28	32	46	14	76.67
13	Do you use Credit Card?	10	50	45	15	75
14	Are you aware about the Consumer Right?	10	50	40	20	66.67
15	Are you aware of the price of essential commodities in market?	15	45	41	19	68.33

Source: Collected data from the respondents.

### V. Income Generation

The income levels of SHG members before and after the joining the group. The results showed a significant increase in income generation, empowering individuals to become financially independent and contribute to the overall economic growth of their communities. This demonstrates the effectiveness of not only providing skills but also in creating tangible economic benefits for participants. By equipping individuals with the necessary skills and knowledge to start their own businesses or secure employment. As a result, these financial literacy not only benefit the participants themselves but also have a ripple effect on the communities they are a part of, leading to overall growth and development.

This positive impact can be seen in the increased income levels, job creation, and improved quality of life for individuals. Additionally, by empowering individuals to become self-sufficient and productive members of society. Investing in these initiatives is not only beneficial for individuals, but also for the overall prosperity and growth of communities.

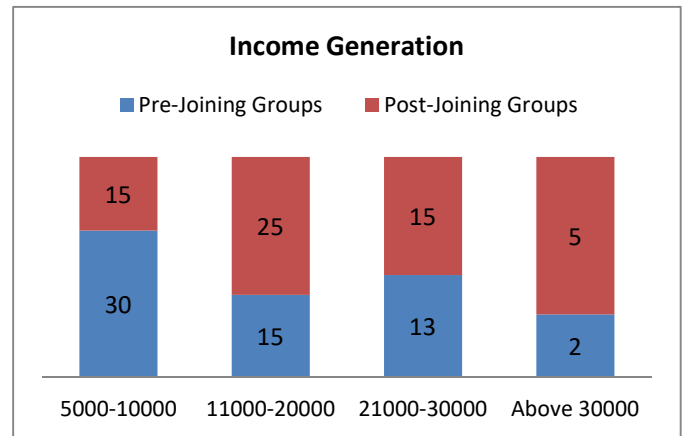
Income Level (Rs.)	Pre-Joining Groups	Post-Joining Groups	Improvement (%)
5000-10000	30	15	25%
11000-20000	15	25	42%
21000-30000	13	15	25%
Above 30000	2	5	8%
Total	60	60	

Source: Author's own calculation from Primary Data

The data reveals significant improvements in income levels post-joining SHG group in Panhala region Kolhapur District with showing notable increases across all income brackets. For example, individuals earning between 11,000 to 30,000 saw their income increase by 67% after joining SHG Group. while those earning above 30,000 experienced a 8% improvement. This suggests that the SHG Group in Panhala region was particularly effective in helping individuals from higher income brackets significantly increase their earnings. Overall, the data highlights the importance of tailored income generation strategies to effectively improve the financial well-being of individuals across different income levels. It is crucial for programmes to consider the specific needs and circumstances of individuals in order to maximise their impact. By targeting resources and support for those in lower income brackets.

This approach can lead to more sustainable and long-lasting improvements in the financial situations of those who are most vulnerable. Additionally, by addressing the unique challenges faced by individuals in lower income brackets, programmes can create a more inclusive and equitable society. This inclusive approach not only benefits those in need but also strengthens the overall social fabric by reducing inequality and promoting greater social cohesion. By recognising and addressing the specific barriers faced by individuals in lower income brackets, organisations can create more tailored and effective solutions that have a lasting impact.

Ultimately, by prioritising the needs of the most vulnerable, society as a whole can move closer towards achieving true economic justice and equality for all. This can lead to a more prosperous and harmonious community where everyone has the opportunity to thrive. This not only benefits those in lower income brackets but also contributes to overall societal well-being and progress.



Source: Author's own calculation

Above table indicates that in Kolhapur district in Panhala region most of SHG members have earned through their business monthly 11000 to 30000. The misconception that entrepreneurs cannot be created or the poor cannot be an entrepreneur, needs to be dispelled. In fact, the poor are the best entrepreneurs because they manage to survive despite working under severe constraints of resources, assets and endowments. There is fortune at the bottom of pyramid but it depends on what kind of design existing for the people below poverty line. The level of financial literacy depends upon the financial needs and behavior of an individual. From the above studies, it is observe that financial literacy among women is highly influence by the SHGs.

Conclusion :

(SHGs) are appropriate and relevant as factors for financial literacy and financial inclusion. The study also infers that most of the factors from the literature apply to the study area and have a good fit. Financial literacy Education is very important now days for any individuals, to take decisions on personal financial planning, investments and to manage their business finances. Policy makers and regulatory bodies must seriously take necessary decisions and actions to promote financial decisions on special group like self-help group members.

Financial literacy is a vital part of India's financial inclusion plans as it aims to achieve double-digit growth in the near future. Ensuring that financial literacy fosters the efficient utilization of financial services by the impoverished is crucial for the triumph of microfinance initiatives in the nation. Financial literacy among women in rural areas is a major concern affecting the growth potentials of an economy. It serves as a catalyst for empowering women in different parts of the world. The proper use of knowledge and skills in financial matter enables women in SHG's to take financial decisions.

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