

## **Banking behavior of self-help group women members in the selected districts of Uttar Pradesh and Uttarakhand**

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### **ABSTRACT**

Self-help groups (SHGs) as clients are financial intermediaries owned by the poor. They usually start by making voluntary thrift on a regular, mostly fortnightly or monthly basis (contractual savings). They use this pooled resource together with the external bank loan to provide interest bearing loans to their members. SHGs represent a unique approach to financial intermediation. The present investigation was taken up with the objective of studying the banking behavior of SHG women in Ghajipur district of Uttar Pradesh and Udham Singh Nagar district of Uttarakhand. The leading banks viz Union Bank of India and Bank of Baroda from Uttar Pradesh and Uttarakhand respectively were taken under the study. Ten SHGs associated with these banks from each locale were selected purposively and five members from each SHG were selected randomly for the purpose of study. Exploratory research was done taking total sample of 100 respondents, 50 from each locale. A pilot study was done on the selected locale based on which the interview schedule was formulated and was used to collect the relevant information. The results revealed that majority of SHG women lacked appropriate banking behavior. They needed support while banking and could not perform banking activities independently. They needed to be trained on various aspects of banking so that they could manage the funds properly.

**Keywords:** Self-help group; microfinance; credit; linkage; banks

### **INTRODUCTION**

A self-help group (SHG) is a socially and economically homogeneous group of 12-20 poor people voluntarily coming together to achieve common goals. These

groups start with savings and not with credit; the group then uses its savings to give loans to members to meet their emergency and other needs. The interest rates on the loans are market driven. The members decide on savings per member,

maximum size of loans, guarantee mechanisms in loan sanction etc (Shrivastava 2004). These are mostly informal groups whose members pool savings and relend within the group on rotational or need basis. The groups have a common perception of need impulses towards collective action. Many of these groups got formed on the basis of specific production activity which promoted saving among members and used the pooled resources to meet emergent needs of members including consumption needs.

Rangi et al (2002) in the study conducted at Fategarh district of Punjab indicated that about 27 per cent of the SHGs had savings between Rs 7500 and Rs 10000; 44 per cent of these groups had between Rs 10000 and Rs 17500; 15 per cent had between Rs 5000 and Rs 7500 and 9 per cent had between Rs 17500 and Rs 25000.

Raghavendra (2003) in the study conducted at Bangalore district revealed that the total number of SHGs credit linked in the country reached a phenomenal 4.61 lakhs by end March 2002. Around 90 per cent of the SHGs linked to banks were exclusive women groups. Periodic studies have revealed that repayment of loans by SHGs to banks has been consistently over 95 per cent. Gurumoorthy (2000) reported that the SHGs are being linked with banks for the internal credit under the projects of rural development.

## **METHODOLOGY**

The study was carried out in the Ghajipur district of Uttar Pradesh and Udham Singh Nagar district of Uttarakhand selected purposively since there were substantial number of SHGs. Lalpur village in Udham Singh Nagar was selected purposively as SHGs had experience of more than one year of running the group account in Bank of Baroda, the leading bank of Uttarakhand. Similarly Bahadurganj village in Gajipur district was selected purposively as substantial number of SHGs had their saving accounts in Union Bank of India, the leading bank of Uttar Pradesh.

From both the locales ten purposively selected SHGs each associated with these banks were contacted personally and five members from each SHG were selected randomly. Thus exploratory research was done taking total sample of 100 respondents, 50 from each locale.

The data were collected by using survey (interview schedule) method and were analyzed by means and percentage. The data were collected on personal profile of the respondents and their knowledge about account management and banking behavior.

### **Personal profile of the respondents (Table 1)**

Data reveal that majority of the respondents viz 56 and 52 per cent in

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Table 1. Distribution of respondents based on age, education level, profession, reasons for joining SHGs and training status

Parameter	Uttar Pradesh		Uttarakhand		Total (n= 100)	
	f	%	F	%	F	%
<b>Age (years)</b>						
20-30	6	12	11	22	17	17
31-40	28	56	26	52	54	54
41-50	15	30	11	22	26	26
<b>Literacy level</b>						
Illiterate	28	56	29	58	57	57
Primary	18	36	8	16	26	26
Secondary	4	8	7	14	11	11
Intermediate	2	4	4	8	6	6
Graduate	-	-	-	-	-	-
<b>Profession</b>						
Stitching	20	40	3	6	26	26
Embroidery	10	20	3	6	13	13
Dairy/poultry	20	40	40	80	60	60
Others	-	-	4	8	4	4
<b>Reason for joining SHG</b>						
Interest	-	-	18	36	18	18
Seeing friends & other women	20	40	2	4	22	22
To improve family's financial condition	9	18	5	10	14	14
To start own business	2	4	3	6	5	5
To have an independent income	2	4	4	8	6	6
To save money and earn interest	17	34	18	36	35	35
<b>Trainings received</b>						
Yes	32	64	21	42	53	53
No	18	36	29	58	47	47

selected districts of Uttar Pradesh and Uttarakhand respectively fell in the age group 31-40 years as against 21-30 and 41-50 years age groups. Almost similar trend was noticed at both the locations of

the study area. Kumaran (1997) reported that in rural areas of Tirupathi block of Andhra Pradesh the mean age of SHG members varied from 22 to 41 years. Gangaiah et al (2006) in a case study

reported that 67.30 per cent SHG women members belonged to the age group of 26-40 years and only 11.90 per cent to the age group up to 25 years. This distribution revealed that 79.00 per cent of the beneficiaries belonged to less than 40 years of age.

The majority of the respondents (56%) in the selected location in Uttar Pradesh were illiterate and the similar trend was observed in Uttarakhand too where 58 per cent were illiterate. None of the women in either location was graduate. Rao (2003) reported that respondents of all women dairy co-operatives had an average 2 years of formal education and 50.00 per cent of them were illiterate.

Majority of the respondents (40%) in the selected locale of Uttar Pradesh were involved in dairy and poultry work and the equal number in stitching. Ten per cent respondents were doing the embroidery work. In the selected locale of Uttarakhand majority of the respondents were engaged in dairy and poultry as against 26 per cent engaged in stitching and 13 per cent in embroidery work. Gangaiah et al (2006) in a study on impact of SHGs on income and employment in Karkambadi village reported that the members were engaged in activities like dairying, flower vending, tailoring, Idly shop and cloth business.

In total 64 and 42 per cent of the respondents in Uttar Pradesh and

Uttarakhand locales respectively had received training in an area of their interest.

In the study it was found that 35 per cent of the respondents joined the SHGs to save money and earn interest followed by 22 per cent who merely joined due to the reason that their friends and other women had done so. In Uttar Pradesh majority (40%) also joined seeing their friends and other women whereas in Uttarakhand 36 per cent each joined the SHG out of their interest or to save money and interest.

#### **Bank account handling and banking behavior of the SHG members (Table 2)**

Almost equal number of respondents (82 and 90%) had knowledge about the fixed deposits of their SHGs in the banks; 78 and 64 per cent had proper plans to utilize their money; majority viz 82 and 75 per cent did not know about the maturity value of the fixed deposit; 84 and 76 per cent did not know about interest rate of the deposited money in Uttar Pradesh and Uttarakhand respectively. Data indicate that majority of the respondents (79%) did not receive training from their banks. Only few SHG members (8%) in Uttar Pradesh received monthly training from the banks. It is evident from the data that in both Uttar Pradesh and Uttarakhand 86 and 92 per cent respondents respectively were not aware of the bank bye laws and rules.

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Table 2. Distribution of respondents based on knowledge about finance handling and banking

Parameter	Uttar Pradesh		Uttarakhand		Total (n= 100)	
	f	%	F	%	F	%
<b>Knowledge about FD in bank</b>						
Yes	41	82	45	90	86	86
No	9	18	5	10	14	14
<b>Knowledge about planning of FD money</b>						
Well planned	39	78	32	64	71	71
No planning	11	22	18	36	29	29
<b>Knowledge about maturity value of FD</b>						
Yes	9	18	16	32	25	25
No	41	82	34	68	75	75
<b>Knowledge of interest rate of money deposited</b>						
Yes	8	16	12	24	20	20
No	42	84	38	76	80	80
<b>Frequency of getting training from the banks after joining SHG</b>						
Monthly	4	8	-	-	-	4
Not fixed	7	14	10	20	47	17
Never	39	78	40	80	79	79
<b>Knowledge of rules and bye laws for banking activities</b>						
Known	7	14	4	8	15	15
Unknown	43	86	46	92	89	89

## CONCLUSION

The study emphasizes that there was need to train the self-help group women on various aspects of banking. The group members need to improve their knowledge regarding banking so that they could maintain and manage the funds properly. There was need on the part of the banks to prepare simple modules so that the members could be taught all about

maintenance of accounts in the banks and handling them

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