



## Barriers to financial inclusion: A study with reference to self-help groups in SPS Nellore district, Andhra Pradesh

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### Abstract

According to the latest data released by the National Bank for Agriculture and Rural Development (NABARD), more than 80% of self-help groups (SHGs) are established by women, and the loans they give are around 85.5%. Almost half of SHGs are still not credit-linked. There are also regional differences between the number of funds and the average loan amount. The southern region of India accounts for 36% of all bank connections, while the northern (5.4%) and northeastern (5.6%) regions account for less. There are many factors hindering progress in women's financial inclusion; the most important of these is the influence of culture. The main objective of the study is to identify the barriers that limit women's access to financial services. The study finds that financial inclusion has 5 items with Cronbach's alpha of 0.738, it can be interpreted that there is high reliability in the items. Barriers have five items that exhibited high reliability with Cronbach's alpha of 0.769. The sampling frame is the rural and urban areas in Nellore district which is comprised of 5 revenue divisions and 47 mandals. The sample size is 400. Quota sampling has been adopted to collect the necessary data. Both primary and secondary data have been collected for the present study. The study found that the age group ( $F = 4.979$ ,  $p < 0.05$ ), years of relation with SHGs ( $F = 3.952$ ,  $p < 0.05$ ), duration of availing microfinance with SHGs ( $F = 4.482$ ,  $p < 0.05$ ), education qualification ( $F = 8.379$ ,  $p < 0.05$ ), nature of employment ( $F = 4.002$ ,  $p < 0.05$ ) and location ( $t = 14.715$ ,  $p < 0.05$ ) of SHG's members have association with barriers of financial inclusion. However, it is found that average income ( $t = .964$ ,  $p < 0.05$ ) and family size ( $t = .870$ ,  $p > 0.05$ ) have no association with barriers to financial inclusion. It is concluded that the lack of Knowledge, Traditions, and customs, Lack of property, Lack of sustainable cash flows, and Family permission are some of the barriers faced by women members of SHGs.

**Keywords:** Self-help groups, financial inclusion, barriers, sustainable cash flows

### Introduction

According to the latest data released by the National Bank for Agriculture and Rural Development (NABARD), more than 80% of self-help groups (SHGs) are established by women, and the loans they give are around 85.5% (NABARD, 2012). Additionally, the Rangarajan Finance Committee found, based on NSSO data analysis, that nearly 51% of households across the country do not have access to credit through institutions or offices. Almost half of SHGs are still not credit-linked. There are also regional differences between the number of funds and the average loan amount. The southern region of India accounts for 36% of all bank connections, while the northern (5.4%) and northeastern (5.6%) regions account for less. The strength of SHG is crucial because poverty and disadvantages are increasing in these regions (S.Vijayalakshmi. Microfinance Report, NABARD, 2020-21). As women are deeply rooted in the familial environment women empowerment should start from the family. Therefore, the empowerment of women resembles an apt solution for the major issues haunting society. If the right start has been given in the right perspective, women will enter the mainstream of development.

### Review of Literature

A review of the literature is the basis for research. A review of literature is a critical, in-depth evaluation and integrating the earlier research studies and it is an important step in understanding the research. In this regard, various secondary

sources are reviewed such as theses, books, research articles, and abstracts, etc. only a few of the studies on financial inclusion are presented in the following lines:

Abreham Adera & Lamessa T. Abdisa, (2023) <sup>[1]</sup>, this paper examines the hypothesis that financial inclusion contributes to women's economic empowerment using a larger sample of women in Ethiopia. The study utilizes data from the 2016 Ethiopian DHS and employs endogenous switching regression and instrumental variables to establish causal inferences. As hypothesized, the findings provide evidence that financial inclusion has a positive and significant impact on women's economic empowerment.

Shalu Kumari, (2022) <sup>[4]</sup>, the study aims to identify the impact of Financial Inclusion on women's empowerment. The Financial Inclusion agenda continues to rise, as demonstrated by the much-awaited 2017 data set recently published by the World Bank, Global Findex. Although significant progress has been achieved, there is a persistent gender gap in access to basic accounts in the financial system. The study found that women and women-led businesses have access and use multiple financial services. The access allows them to contribute to economic growth and enhance their opportunities to take advantage of the opportunities that the future of work will bring.

Manju (2022) <sup>[13]</sup>, studied the empowerment of rural women as essential for the sustainable development of rural India. Sustainable development through Self Help Groups (SHGs) helps poor women to build self-confidence and development opportunities. It paves the way for underprivileged sections

of society for economic upliftment and livelihood opportunities. The government has taken initiatives to build the capacity of rural poor women and to enhance the micro-entrepreneurship strategies through the financial institutions. Sintayehu Hailu Alemu *et al* (2018) <sup>[14]</sup> conducted this study to examine the impact of self-help groups (SHGs) on women empowerment in the Chencha district of Southern Ethiopia. Impact was measured using similarity scores based on cross-sectional surveys among SHG members and non-members. The findings show that SHG participation is effective and has a positive impact on community empowerment.

Pallavi Mathur *et al.* (2017) <sup>[15]</sup> aimed to investigate the role of Self-Help Groups (SHGs) in empowering rural women in India. The author believes that SHG's empowerment approach has led to improved women's empowerment. The authors believe that SHG is an effective method that is not only credit-based but also incorporates many other factors needed to improve the authorization process.

Arindam Laha *et al* (2014) <sup>[16]</sup>, argued that the promotion of microfinance services is seen as a way to improve the economy of the female population and has a significant impact on women's empowerment. In this regard, there are many differences in the provision of microcredit to the families of poor women around the world. In India, women's empowerment is also higher in states where microfinance support is higher.

Kato, M. P., *et al.*, (2013) <sup>[17]</sup>, argue that the status of women has always been lower than men in Tanzania. Women are poor, uneducated and follow rules and regulations. Therefore, women's empowerment is one of the most important issues in Tanzania and the world. Financial services are seen as a starting point or tool for empowering women. However, it is still believed that MFIs take money from poor women at exorbitant interest rates, leading to social unrest and, in some cases, domestic violence. Using quantitative and qualitative data from three districts in Tanzania, this study found that female owners of microfinance institutions (MFIs) were more powerful than non-owners in unserved areas.

Garikipati, S. (2012) <sup>[18]</sup>, This study investigates the impact of microfinance on men's and women's time use and uses the findings to analyze the relationship between social scores and women's empowerment. The findings, based on data from rural households in India, show that although a small amount of money does not impact women's time, it can help their husbands make the transition from paid work (associated with negative income and status) to self-employment. Most of the loans given to women are used to transfer household assets into men's ownership. Additionally, research shows that women who use loans only for self-employment can devote more time to self-employment.

### Need for the Study

It is prudent in the recent past that women are part of this inclusive growth. This will help them gain social, economic, and political power. There are many factors hindering progress in women's financial inclusion; the most important of these is the influence of culture. Almost all aspects of daily life, including financial services, are influenced by culture. They negatively impact women's Inclusion because they limit women's ability to perform certain activities, interact with male representatives, or even interact with

them on the phone. Cultural norms about what women can do? where do they go alone? and who they can have relationships with? can limit women's access to financial services. Hence, the researcher attempted to study the barriers and how degree of empowerment women can attain through the efforts of SHGs.

### Objective of the Study

The main objective of the study is to identify the barriers that limit women's access to financial services.

### Hypotheses

To fulfill the research objectives of the present study, the following alternative hypotheses are framed and tested by suitable statistical tools.

**H<sub>1</sub>:** The SHG members have differences of opinion towards barriers to financial inclusion concerning Demographic factors.

### Pilot Study

A pilot study is a small-scale market research project to test its effectiveness before investing more time and money into a large-scale project. For the research also the researcher had conducted the pilot study to check the reliability and validity of the instrument. The researcher collected the data from 50 respondents from the Nellore and Gudur areas.

### Reliability Test

- The study finds that financial inclusion has 5 items with Cronbach's alpha of 0.738, It can be interpreted that there is high reliability in the items.
- Barriers have five items that exhibited high reliability with Cronbach's alpha of 0.769.

### Validity Test

- To validate the scale the study employed confirmatory factor analysis on the constructs of financial inclusion. The factor analysis has categorized the questionnaire into ten components and grouped the questions as per the constructs.

### Sampling Design

A sample design is a framework of the sample selection and it is a mathematical indication of the sample. The rural and urban areas in the Nellore district of Andhra Pradesh have been chosen as a sampling unit to carry out the study. The sampling frame is the rural and urban areas in Nellore district which is comprised of 5 revenue divisions and 47 mandals.

### Size of the Sample

Adequate sampling techniques and sample size reduce method biases. The total population size of SHG members is 1,63,704 (Source: 2011 census). Population Proportion of 50%, margin error of 5%, and 95% confidence level. The calculated sample size is 384. Hence this study has rounded off the sample size to a higher number considering 400 as the sample size of the study. Since the study has to cover the vast geographical area of SPSR Nellore District and a finite population without a population frame, Quota Sampling is followed to distribute the sample size according to revenue divisions and mandals list of SPSR Nellore District. There are five revenue divisions and 47 mandals, hence the total sample size is divided according to the number of mandals.

**Sampling Technique**

Quota sampling has been adopted to collect the necessary data. Quota sampling is defined as a non-probability sampling method in which researchers create a convenience sample involving individuals that represent a population.

**Sources of Data**

Both primary and secondary data have been collected for the present study.

**Research Instrument**

The study has designed a structured questionnaire for collecting the perspectives and opinions of women that will be subjected to statistical analysis. The structured questionnaire is self-administered by the researcher, as many of the rural and urban women may not be fluent in English.

**Statistical Tools Employed**

The data collected and compiled from different sources were classified, tabulated, analyzed, and interpreted the data. The collected data was tested through quantitative metrics to give a scientific touch to the data like the Simple Percentage method, Factor Analysis, Weighted Mean, Cronbach's Alpha, Correlation, Regression, ANOVA, and t-test.

**Analysis of Variance of Barriers to Financial Inclusion among Demographic Groups**

The following section analyzes the opinion on barriers to financial inclusion among various demographic factors such as Age Group, Education Qualification, Average Income, Years of relation with SHGs, Duration of availing microfinance with SHGs, Nature of Employment, Family Size and Location of Residence. The study has hypothesized that *The SHG's members have different agreements towards barriers to financial inclusion with respective Age Groups, Education Qualification, Average Income, Years of relation with SHGs, Duration of availing microfinance with SHGs, Nature of Employment, Family Size and Location of*

*Residence.* To test the hypothesis the study employed ANOVA and t-test, by employing demographic factors as independent and barriers for financial inclusion as dependent variable. The test results are been summarized in the following table -1.

It can be observed from the following table that age group (F = 4.979, p < 0.05), years of relation with SHG (F = 3.952, p < 0.05), duration of availing microfinance with SHG's (F = 4.482, p < 0.05), education qualification (F = 8.379, p < 0.05), nature of employment (F = 4.002, p < 0.05) and location (t = 14.715, p < 0.05) of SHG's members have association with barriers of financial inclusion. However, it is found that average income (t = .964, p < 0.05) and family size (t = .870, p > 0.05) have no association with barriers to financial inclusion.

In addition, it is observed that all the age groups have differences in agreement towards barriers, the age group 20-30 years has a Weighted Mean Score of 4.22, similarly in order 31-40 years have a Weighted Mean Score of 4.24, 41-50 years have weighted mean score of 3.98 and 51 and above years have weighted mean score of 4.00. Overall, all the age groups have agreed to the statements related to barriers to financial inclusion, further, it is also understood that lower age group members have higher agreement towards barriers to financial inclusion.

The study observes that among the two income groups, the lower income group (Weighted Mean Score = 4.11) has higher agreement towards barriers compared to the higher income group (Weighted Mean Score = 3.90). Further, it is observed that members' relation with SHGs in years has revealed that 11 and above years followed by 8-10 years of relation with SHGs have higher agreement towards barriers of financial inclusion comparatively with other member groups. In addition, it is observed that members with 0-3 years of relation with SHG have Weighted Mean Score of 3.99, 4-7 years of relation group has Weighted Mean Score of 3.96, 8-10 years of relation group has a Weighted Mean Score of 4.12 and 11 and above years of relation group has a weighted Mean Score of 4.20.

**Table 1:** Analysis of Variance of Barriers towards Financial Inclusion

SL. No	Demographic Factor	Sample Size (N=400)	Mean	F-Ratio/ t-test	Significance	
1	Age	20-30 Years	67	4.02	4.979	.002
		31 -40 years	96	4.21		
		41-50 years	173	4.00		
		51 and above years	64	3.94		
2	Average Income	0-3 Lacs	361	4.04	.964	.327
		4-7 Lacs	39	4.12		
3	Years of Relation with SHG's	0-3 Years	126	3.93	3.952	.008
		4-7 Years	14	4.02		
		8-10 Years	218	4.08		
		11 and above years	42	4.20		
4	Duration of availing Micro Finance from SHG's	0-3 Years	132	3.98	4.482	.004
		4-7 Years	67	3.92		
		8-10 Years	159	4.11		
		11 and above years	42	4.20		
5	Education Qualifications	SSC	52	4.36	8.379	.000
		Intermediate	12	4.21		
		Graduation	87	3.97		
		Post Graduation	17	4.23		
		Others	232	3.98		
6	Nature of Employment	Full Time	11	4.27	4.002	.019
		Part-Time	71	4.16		
		Unemployed	318	4.01		

7	Size of Family	0-2 Members	75	4.00	.870	.351
		3-5 Members	325	4.05		
8	Location	Rural	138	4.17	14.715	.000
		Urban	262	3.98		

The study observes that groups based on duration of years of availing microfinance from SHGs reveal that members availing microfinance from SHGs from 8-10 years group members have a Weighted Mean Score of 4.11 followed by 11 and above years group members have Weighted Mean Score of 4.20 are having higher levels of agreement towards barriers of financial inclusion comparative to the other groups like 0-3 years (Weighted Mean Score = 3.98) and 4-7 years (Weighted Mean Score = 3.92).

The study results reveal that SSC followed by postgraduate SHG members have higher agreement towards the statements of barriers comparatively with other education groups. The SHG's members with SSC qualification have a weighted mean score of 4.36, similarly in order intermediate group has a weighted mean score of 4.21, the graduation group has a weighted mean score of 3.97, the post-graduate group has a weighted mean score of 4.23 and others have a weighted mean score 3.98.

The following results table reveals that full-time employed SHG members have higher agreement towards barriers compared to other types of employment groups. Further, the study finds that full-time employment members have a weighted mean score of 4.27, the part-time group has a weighted mean score of 4.16 and the unemployed group has a weighted mean score of 4.01.

It is observed from the study that the larger family size (Weighted Mean Score = 4.05) has higher agreement towards statements of barriers to financial inclusion compared to the smaller family size (Weighted Mean Score = 4.00). Similarly, the rural SHG members (Weighted Mean Score = 4.17) have higher agreement towards barriers compared to urban SHG members (Weighted Mean Score = 3.98)

Hence it can be concluded that the alternative hypothesis is partially accepted since the hypothesis is accepted among the demographic groups of i) age groups ii) years of relation with SHG's iii) education qualification and iv) nature of employment v) duration of availing microfinance from SHGs and vi) location. However, the hypothesis is rejected for the demographic factor of average income and family size.

**Conclusion**

The study also examined the barriers for women to use financial services and found that Lack of Knowledge, Traditions and customs, Lack of property, Lack of sustainable cash flows and Family permission are some of the barriers faced by women members of SHGs. Hence the present study is successful in finding useful insights into financial inclusion, which can be utilized by academicians for their future research studies and policymakers to focus on key policies that can enhance the accessibility of financial services for women in rural and urban areas more effectively.

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