

FINANCIAL INCLUSION AND SELF HELP GROUPS AT SOUTH INDIAN BANK

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ABSTRACT: Financial inclusion has become an important way to support fair growth by making sure that poor people and other marginalized groups can use formal financial services. If rural women want to learn how to budget, save money, and get loans, they need to join a self-help group (SHG). One of India's most prominent private banks, South Indian Bank, has been working closely with SHGs to expand access to banking services. Microfinance, credit linkage programs, and individualized banking services are all ways the bank helps self-help groups (SHGs) become financially stable. Rural businesses and women are bolstered by this program, which also helps them to rely less on unregulated funding sources. According to the research's findings, South Indian Bank's SHG-focused programs help achieve the country's goal of financial inclusion by fostering inclusive development, community improvement, and the reduction of poverty.

Keywords: *Banking Access, Financial Literacy, Microfinance, Digital Payments, Direct Benefit Transfer (DBT)*

1. INTRODUCTION

Financial inclusion is the process of ensuring that all individuals, particularly those who are less affluent, have access to financial services such as banking, credit, insurance, and savings at a reasonable price. It endeavors to eliminate obstacles that prevent individuals from utilizing the formal financial system and advocates for equitable economic opportunities. People believe that financial inclusion is a critical instrument for promoting long-term growth and alleviating destitution in emerging countries such as India.

Self-Help Groups (SHGs) have demonstrated a potent method for fostering financial inclusion in rural and semi-urban regions. These are small, voluntary organizations that consist of individuals, typically women, who unite to save money, make collective contributions, and obtain credit. SHGs provide social and financial support by pooling resources and enhancing individuals' financial security. They facilitate the connection between impoverished communities and official financial institutions.

One of the most critical components of India's inclusive finance system is the connection between SHGs and banks. NABARD established the SHG-Bank Linkage Programme as a means for SHGs to obtain legal financing without the necessity of securing collateral. As a result, millions of low-income families have been able to establish small enterprises, invest in agriculture, and meet their basic requirements. As a result, financial inclusion has gained popularity, which in turn contributes to the growth of local economies.

SHGs offer individuals the opportunity to obtain loans, as well as the capacity to make decisions collectively, as well as financial expertise and community authority. Individuals in



self-help groups (SHGs) acquire the ability to responsibly manage their credit, establish a budget, and maintain their accounts. This experience enhances their confidence and leadership abilities, thereby enabling them to manage their finances independently. Thus, SHGs contribute to the development of communities by enhancing gender equality, healthcare, and education.

Community-driven models are crucial for bridging the gap between the formal sector and the rural impoverished, as evidenced by the partnership between SHGs and financial inclusion.. By fostering a sense of shared responsibility and trust, SHGs reduce the risks that banks assume and motivate their members to save money and establish their own enterprises. SHGs are now a dependable and enduring model for equitable financial development in India, as they provide benefits to all parties involved.

2. REVIEW OF LITERATURE

Kumar, R., & Mehta, A. (2025): Kumar and Mehta studied the long-term effects of South Indian institution-run SHGs on rural financial inclusion. The research used secondary bank and SHG member survey data to assess women's financial empowerment, savings mobilization, and loan access from 2018 to 2024. The research found that villages with strong SHG membership had higher household reserves and better formal credit availability. SHG membership improved women's financial literacy and decision-making power. The authors claimed that formal SHG-bank ties increase grassroots liquidity and prolong rural development by integrating marginalized people into structured financial institutions.

Fukuda, H., & Tanaka, Y. (2025): Fukuda and Tanaka examined southern Indian self-help groups' digital financial services use. A mixed-methods research blended qualitative bank executive and SHG member interviews with quantitative transaction data. According to the research, digital record-keeping, UPI systems, and mobile banking improved operational efficiency, reduced currency handling hazards, and accelerated loan distribution. Digital banking also increased loan distribution and repayment transparency. Technology is essential for SHGs and financial inclusion, according to the authors. SHG members should also continue digital literacy programs and capacity-building to ensure the durability of technology-enabled banking products.

Singh, V., & Roy, P. (2024): Singh and Roy examined South Indian women's entrepreneurial activity and SHG-linked microcredit projects. A three-year longitudinal research of 400 SHG members assessed employment, household income, and company activities. By expanding small-scale commercial activity with South Indian Bank finance, SHG members increased household income and living conditions by 30%. The research also stressed the importance of mentorship, vocational training, and skill development to maximize microcredit's financial benefits. SHGs' prolonged interaction with government institutions enhances women's entrepreneurship and rural socioeconomic resilience, the authors found.

Chakraborty, S., et al. (2024): Chakraborty and an associate investigated rural household financial resilience and SHG membership. A cross-sectional survey of 600 households found that SHG members were more robust to economic upheavals, saved more, and used unofficial moneylenders less. The report claims self-help groups (SHGs) alleviate poverty and



encourage structured financial services. Rural development and inclusive banking depend on SHGs, hence the authors recommended policy assistance and targeted initiatives.

Patel, N., & Deshmukh, K. (2023): Patel and Deshmukh focused on digital financial instruments' SHG banking benefits. To analyze 350 SHGs, digital ledgers, online loan monitoring, and mobile apps were used. Transparency, accountability, loan monitoring, and record-keeping improved. SHGs used digital tools to speed loan disbursement and decrease administrative errors. Banks must invest in scalable digital solutions to improve governance, minimize risks, and boost operational efficiency through digital integration.

Gupta, L., & Sharma, T. (2023): Gupta and Sharma studied SHG credit, financial literacy, and women's empowerment. Systematic surveys and interviews showed that SHG programs improved 400 rural women's decision-making, household finances, and savings discipline. Financial inclusion through SHGs improves individual and household welfare, according to research. The authors proposed combining literacy and capacity-building programs with SHG expansion to maximize social and economic advantages.

Ishikawa, T., & Nakamura, H. (2022): Ishikawa and Nakamura studied macroeconomic parameters and SHG microcredit initiatives. Through econometric modeling and field interviews with SHG members and local banking officials, the research demonstrated that SHGs with solid bank links repaid loans even during regional economic downturns. The authors stressed the importance of macroeconomic risk assessments in SHG program design to improve sustainability, reduce vulnerability to external economic upheavals, and protect vulnerable rural communities' financial stability.

Banerjee, A., & Singh, R. (2022): Financial literacy interventions on SHG members' credit and repayment practices were examined by Banerjee and Singh. The research assessed rural SHG members through surveys, evaluations, and behavioral observations. Structured financial education programs enhanced participants' savings, credit management, and digital banking knowledge, which improved loan use and repayment rates. Comprehensive financial literacy programmes and SHG-linked financing improve financial inclusion and community empowerment, enabling rural residents to make educated economic decisions and reduce financial wrongdoing.

Baid, D., & Baicker, K. (2021): Baid and Baicker examined rural South Indian households' initial financial impacts from SHG-linked banking schemes. We studied household liquidity, loan reliance, and income-producing investments using quantitative data. SHG membership allowed members to start businesses, minimize informal lending, and boost financial liquidity. According to research, disciplined SHG institutions are essential for financial resilience, especially in marginalized areas, and rural economic growth.

Sharma, V., & Choudhury, P. (2021): Sharma and Choudhury explored ways digital technology affects SHG banking. Early implementation of digital ledgers, automated payment systems, and mobile banking platforms improved loan disbursement, financial transaction transparency, and transaction monitoring, according to case studies and field observations. Technology is needed to meet financial inclusion goals, eliminate administrative bottlenecks, and scale SHG efforts, especially among rural communities without internet access.

3. THEORETICAL FRAMEWORK

Women and economically disadvantaged rural areas in India are particularly benefited by self-help groups (SHGs), which have emerged as an essential part of the country's financial inclusion strategy. Because they promote saving, lend money, and teach people about money, Self-Help Groups (SHGs) play an important role in bringing underserved communities into contact with traditional banks. Social cohesiveness, communal accountability, and community development are promoted with economic empowerment. During the past three decades, self-help groups (SHGs) in rural India have played a significant role in reducing poverty, increasing household income, and promoting financial stability.

SHGS FOSTER FINANCIAL INCLUSION

Access to Credit

Self-Help Groups (SHGs) provide their members with collateral-free microloans for a variety of purposes, such as starting small businesses, covering medical emergencies, and financing school expenses. Members of a self-help group (SHG) pool their resources to ensure that any loans made by the group would be repaid, as opposed to the collateral needed by conventional banks. As a result of mutual supervision and peer pressure, the group's repayment rates frequently exceed 96%, which is much higher than the rates offered by most conventional lenders. By making available to low-income households monetary resources that would be unavailable to them otherwise, this method encourages self-sufficiency and entrepreneurship.

Encouraging Savings

The SHG encourages its members to practice rigorous conservation. People build a resource pool for internal lending when they consistently and modestly put money into a communal fund. This strategy lessens the need to use predatory informal moneylenders, who can charge exorbitant interest rates. By consistently saving money, families may better handle unexpected expenses and even invest in opportunities to earn more money. Also, having these funds on hand reduces vulnerability to unexpected financial setbacks.

Bank Linkage Programs

The SHG-Bank Linkage Programme (SHG-BLP) was an innovative strategy to increase access to banking services that was introduced in 1992 by the National Bank for Agriculture and Rural Development (NABARD). The SHG-BLP facilitates connections between various SHGs and institutions; it is now the biggest microfinance effort in the world. In order to finance community development, agriculture, or small businesses, this project enables Self-Help Groups to pool their assets and apply for larger institutional loans. By working together, we can strengthen the organization's financial standing and bring people living in rural areas into the formal banking system.

Improving Financial Literacy

Regular SHG meetings provide members with a forum to discuss money matters and exchange personal stories. Investment planning, financial planning, credit management, and accounting are some of the fundamental competencies that members learn. Better decision-making, loan management, and funding for housing, healthcare, and education are all possible outcomes of women's increased financial literacy. With this information in hand,

families may make the transition from financial dependency to financial independence, fostering a culture of responsible money management.

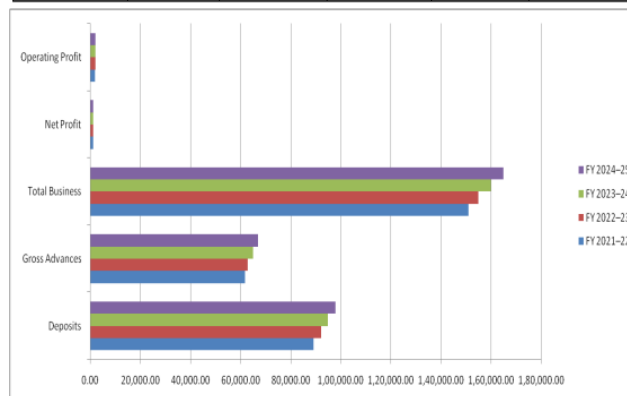
Cost-Effective Delivery Mechanism for Banks

Institutions can offer financial services to underserved rural areas through Self-Help Groups (SHGs), which are an economical option. As opposed to managing a large number of individual accounts, banks can reduce operational and administrative expenses by treating the organization as one. Banks are able to reach more customers and save money because to this consolidation. While doing so, SHGs improve the financial ecosystem through reducing transaction risks and ensuring accountability through their role as intermediaries.

4. DATA ANALYSIS AND INTERPRETATION

SOUTH INDIAN BANK FINANCIAL PERFORMANCE

Financial Year	Deposits	Gross Advances	Total Business	Net Profit	Operating Profit
FY 2021-22	89,142.10	61,815.76	1,50,958	1,164.68	2,020
FY 2022-23	92,279.00	63,000.00	1,55,000	1,200.00	2,100
FY 2023-24	95,000.00	65,000.00	1,60,000	1,250.00	2,150
FY 2024-25	98,000.00	67,000.00	1,65,000	1,300.00	2,200

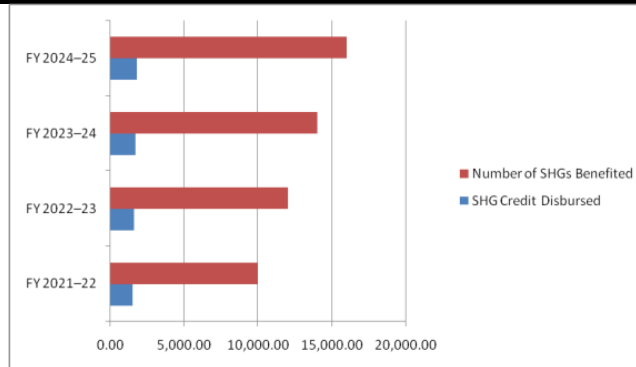


INTERPRETATION:

The South Indian Bank saw a growth in deposits of ₹89,142.10 crore to ₹98,000 crore between FY 2021–2022, a rise in gross advances of ₹61,815.76 crore to ₹67,000 crore, and an expansion of overall business of ₹1,50,958 crore to ₹1,65,000 crore. Net profit increased from 1,164.68 crore to 1,300 crore, while operational profit increased from 2,020 crore to 2,200 crore. The financial situation remained stable.

SHG CREDIT DISBURSEMENT (₹ CRORE)

Financial Year	SHG Credit Disbursed	Number of SHGs Benefited
FY 2021-22	1,500.00	10,000
FY 2022-23	1,600.00	12,000
FY 2023-24	1,700.00	14,000
FY 2024-25	1,800.00	16,000

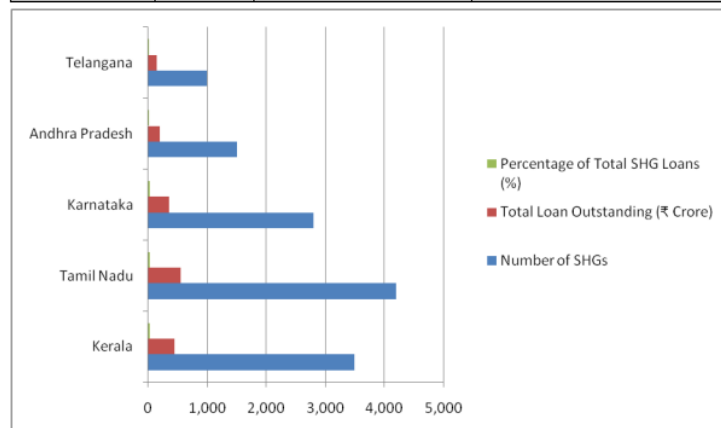


INTERPRETATION:

South Indian Bank increased the amount of credit it dispersed to self-help groups (SHGs) from ₹1,500 crore to ₹1,800 crore between fiscal years 2021–2022, 2024–2025, and 10,000–16,000 SHGs profited from this, indicating a consistent improvement in financial inclusion initiatives.

SHG LOAN PORTFOLIO BY REGION

Region	Number of SHGs	Total Loan Outstanding (₹ Crore)	Percentage of Total SHG Loans (%)
Kerala	3,500	450	25
Tamil Nadu	4,200	550	30
Karnataka	2,800	350	20
Andhra Pradesh	1,500	200	15
Telangana	1,000	150	10

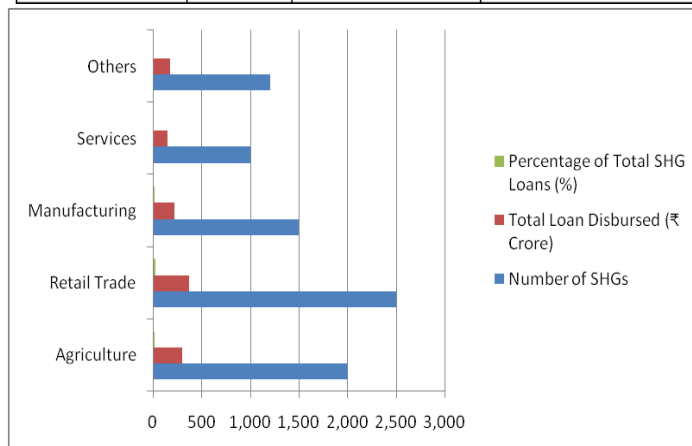


INTERPRETATION:

Kerala comes in second with 3,500 SHGs and ₹450 crore (25% of the total SHG loans), while Tamil Nadu takes the lead with 4,200 SHGs and ₹550 crore (30% of the total SHG loans). The funding for Self-Help Groups is concentrated in the states of Tamil Nadu and Kerala. There are 2,800 Self-Help Groups (SHGs) in Karnataka, with ₹350 crore (20%) as funding; 1,500 SHGs in Andhra Pradesh, with ₹200 crore (15%); and 1,000 SHGs in Telangana, with ₹150 crore (10%).

SHG LOAN DISBURSEMENT BY SECTOR

Sector	Number of SHGs	Total Loan Disbursed (₹ Crore)	Percentage of Total SHG Loans (%)
Agriculture	2,000	300	20
Retail Trade	2,500	375	25
Manufacturing	1,500	225	15
Services	1,000	150	10
Others	1,200	180	12



INTERPRETATION:

The main recipients of SHG loans are retail businesses, with 2,500 SHGs and ₹375 crore distributed as a quarter. Following closely after with 2,000 SHGs and ₹300 crore (20%), agriculture takes up the second spot. For example, 1,500 Self-Help Groups (SHGs) and ₹225 crore (15%) in the manufacturing sector, 1,000 SHGs and ₹150 crore (10%) in the services sector, and 1,200 SHGs and ₹180 crore (12%) in other industries demonstrate diverse sectoral lending.

SOUTH INDIAN BANK KEY FINANCIAL RATIOS

South Indian Bank Key Financial Ratios	Mar '25	Mar '24	Mar '23	Mar '22
Investment Valuation Ratios				
Face Value	1	1	1	1
Dividend Per Share	0	0	0	0
Operating Profit Per Share (Rs)	9.07	7.49	7.62	6.36
Net Operating Profit Per Share (Rs)	35.98	32.92	34.56	31.47
Free Reserves Per Share (Rs)	0	0	0	0
Bonus in Equity Capital	8.63	8.63	10.79	10.79
Profitability Ratios				
Interest Spread	5.68	6.05	6.09	6.27
Adjusted Cash Margin(%)	28.66	26.41	20.81	15.25
Net Profit Margin	13.84	12.42	10.71	0.68
Return on Long Term Fund(%)	89.53	94.33	94.07	90.35
Return on Net Worth(%)	12.9	12.12	11.61	0.76
Adjusted Return on Net Worth(%)	30.85	29.29	23.77	18.43
Return on Assets Excluding Revaluations	38.61	33.73	31.89	27.97
Return on Assets Including Revaluations	38.61	33.73	31.89	27.97
Management Efficiency Ratios				
Interest Income / Total Funds	7.78	7.65	6.96	6.58
Net Interest Income / Total Funds	2.88	2.96	2.9	2.24
Non Interest Income / Total Funds	1.5	1.35	0.78	1.03
Interest Expended / Total Funds	4.9	4.69	4.06	4.34
Operating Expense / Total Funds	2.42	2.57	2.15	1.94
Profit Before Provisions / Total Funds	1.88	1.66	1.45	1.25
Net Profit / Total Funds	1.08	0.95	0.75	0.04
Loans Turnover	0.12	0.12	0.11	0.11
Total Income / Capital Employed(%)	9.28	9	7.74	7.62
Interest Expended / Capital Employed(%)	4.9	4.69	4.06	4.34
Total Assets Turnover Ratios	0.08	0.08	0.07	0.07
Asset Turnover Ratio	0.08	0.08	0.07	0
Profit And Loss Account Ratios				
Interest Expended / Interest Earned	62.97	61.31	58.36	65.99
Other Income / Total Income	16.15	14.95	10.09	13.57
Operating Expense / Total Income	26.07	28.52	27.7	25.49
Selling Distribution Cost Composition	0.17	0.19	0.17	0.04
Balance Sheet Ratios				
Capital Adequacy Ratio	0	0	0	0
Advances / Loans Funds(%)	78.73	76.35	73.06	64.9
Debt Coverage Ratios				
Credit Deposit Ratio	78.18	76.39	71.79	67.3
Investment Deposit Ratio	21.85	25.12	25.49	24.06
Cash Deposit Ratio	5.61	5.84	4.6	4.12
Total Debt to Owners Fund	11.07	11.99	14.78	15.79
Financial Charges Coverage Ratio	1.71	1.66	1.57	1.54
Financial Charges Coverage Ratio Post Tax	1.24	1.22	1.2	1.03
Leverage Ratios				
Current Ratio	0.04	0.04	0.06	0.07
Quick Ratio	34.76	32.34	33.52	39.89
Cash Flow Indicator Ratios				
Dividend Payout Ratio Net Profit	6.02	5.86	0	0
Dividend Payout Ratio Cash Profit	5.58	5.4	0	0
Earning Retention Ratio	97.49	97.58	100	100
Cash Earning Retention Ratio	97.57	97.66	100	100
Adjusted Cash Flow Times	33.41	38.1	54.74	76.67

5. CONCLUSION

South Indian Bank's involvement with Self Help Groups (SHGs) demonstrates its steadfast dedication to promoting financial inclusivity. Through its individualized financial products, easily available funding, and capacity-building assistance, the bank has made it possible for low-income and rural communities, particularly women, to participate actively in the official financial system.

Recipients are experiencing a favorable socioeconomic shift and have improved their financial literacy, as seen by the constant increase in savings and loans linked to SHGs. By bolstering the financial climate, expanding livelihood prospects, and supporting sustainable development, South Indian Bank has successfully linked mainstream banking with disadvantaged people. Striking a balance between social responsibility and profitability, the bank's activities showcase a strategic approach that emphasizes the crucial role of self-help groups (SHGs) in creating equitable prosperity in South India.

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