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MICROFINANCE PROBLEMS AND PROSPECTS AMONG SELF-HELP GROUP MEMBERS IN COIMBATORE, TAMIL NADU

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Abstract: Microfinance plays an important role in promoting financial inclusion, savings, credit access and livelihood development among economically disadvantaged communities through Self-Help Groups (SHGs). However, its effectiveness is influenced by members' socio-economic characteristics, participation and challenges in accessing and utilising financial services. Against this background, the present study examines the problems and prospects of microfinance among SHG members in Coimbatore, Tamil Nadu, South India. The study is based on primary data collected through a structured questionnaire from 774 SHG members. The questionnaire covered socio-economic characteristics, SHG involvement, reasons for joining SHGs and microfinance-related problems. Ten SHG involvement statements were measured using a five-point Likert scale, while descriptive statistics, chi-square, Kruskal–Wallis and Garrett's ranking techniques were employed for analysis. The findings indicate that financial freedom was the leading reason for joining SHGs, recording a mean score of 6.11, followed by healthier saving spirit (6.09) and interaction opportunities (5.88). Among the major constraints, lack of confidence in repayment ranked first with a mean score of 6.26, followed by lack of guidance (5.89) and family discouragement (5.75). Other constraints included loan-sanction delays, intermediaries' commissions, poor loan utilisation, documentation requirements, difficulty accessing authorities and limited awareness. The study demonstrates that although SHG-based microfinance creates important financial and social opportunities, its effectiveness is constrained by repayment concerns, inadequate guidance and institutional barriers. The findings emphasise the need for timely credit delivery, financial literacy, simplified procedures and continuous institutional support to strengthen sustainable microfinance participation.

Keywords: Microfinance; Self-Help Groups; Financial Inclusion; SHG Participation; Microcredit; Financial Literacy; Women Empowerment; Socio-economic Development.

1. Introduction

Microfinance has become an important tool for providing financial services to the economically vulnerable, who do not have access to regular banking systems. The SHG model is an important community based approach which focuses on the promotion of savings activity, access to credit among other community based financial activities and socio-economic conditions of the members of the group in India. The key activities of SHGs are generally collective saving, providing mutual loans to their members and linkages with formal financial institutions, which have the purpose of fulfilling the financial needs of the households and livelihoods of the members. SHGs provide economic role as well as socialization, joint decision-making, economic participation and capacity building of individuals and groups.

The impact of microfinance is not only influenced by the credit availability, but also the active engagement of the members in SHG activities and their effectiveness in utilising the financial resources of the group. The proportion of group meetings attended, savings, internal lending, repayment and other group activities undertaken may affect the outcome of SHG microfinance for members. Thus, it is crucial to understand the level of participation of SHG members and their relationship to socio-economic status in order to gauge the impact of microfinance programs.

1.1 Contribution of the study

1. The present study helps to understand the microfinance in empirical way and gather the primary data regarding the members of SHG by using a questionnaire and analyze the experiences of members of SHG in Tamilnadu.
2. It explores the depth of engagement among SHG members, and how the socio-economic attributes relate to engagement in SHG activities.
3. The study identifies and categorizes the major issues faced by the SHG participants which include lack of confidence/confidence in repayment, lack of guidance, family discouragement and institutional barrier.
4. It focuses on how SHGs can facilitate access to credit and savings and financial services; and the different impediments to the ease of use of microfinance.

2. Related works

The role of microfinance in improving financial inclusion of the poor and vulnerable population is becoming well known. Self-Help Groups are a variety of collective institutional strategy to help members collectively save, borrow and carry out income generating activities [1]. Moreover, the SHG model incorporates financial services, involving the group, thus giving its members the chance to improve their financial situation and participate in the decision making process at the household and/or community level [2]. Furthermore, the involvement in SHG has been linked with the wider socio-economic empowerment, especially for rural women [3].

Similarly, socio-economic profile and household profile of the members of the microfinance based SHG determines the involvement of the household members in SHG. Personal factors, economic conditions, and the benefits felt from membership contribute to differences in an SHG decision and continued membership [4]. Hence, the socio-economic profile of the members of SHGs is important to reveal the differences between their participation and inclusiveness towards the microfinance programmes [5]. In addition, the terms of a loan can influence the way that the borrower will behave and their incentives to pay back the loan. The evidence from the self-help groups and joint-liability groups indicates that the group-based financial mechanism can generate behaviour and institutional incentives that can affect the financial commitment of borrowers [6]. Thus, the collective organization of SHGs is a key consideration to understand the SHGs' behaviour in their microfinance.Collective organization of SHGs is an important factor which can be understood at the member level in the functioning of microfinance institutions [7].

But, there are challenges that members may encounter in their entrepreneurial and income generating activities. Furthermore, the capacity of SHGs is related to their contribution towards the economic sustainability of the households in the long run [8]. Members of Sustainable SHGs can be supported by the collective savings and financial resources and livelihood oriented activities of the group. Hence, the continuity of institutions and group's economic activities is important points to consider when evaluating the future of SHG based microfinance [9]

In Tamil Nadu, the working of the SHGs is affected by the type of socio-economic and institutional context in which the SHGs are operating. The experiences of SHG members and leaders from the region suggest that group management and operation of SHG and institutional support issues are likely to face problems [10]. Therefore, it is essential to conduct an investigation in each of the regions and suggest some feasible constraints for SHG members which may not be applicable in other geographical regions. [11]

In addition, SHGs have the potential to bring about economic development in the area through a collective production and livelihood activities. Community-based production systems highlight how SHGs could be an effective way to move beyond savings and credit to productive economic involvement [12]. Therefore, an analysis of how members use financial resources and productive activities they conduct is crucial to the assessment of the sustainability of the economic benefits of microfinance [13]. In recent years, rural areas' poverty reduction and women empowerment through SHGs has been studied as well. Their ability to provide financial services as well as collective action can create a platform for economically disadvantaged women to enhance their access to resources and to be more actively involved in livelihoods [14]. However, ongoing engagement and support by institutions are crucial for interventions such as these to be effective [15]

Similarly, microfinance is said to be a means of reaching out to the vulnerable groups in the society and empowering women. With the assistance of SHG, one can avail the resources which are not easily available in the conventional financial institutions and provide some financial services [16]. However, effectiveness of such interventions relies on the ability of women to have meaningful control over their financial resources and on being able to transform them into productive and sustainable economic activities [17]. In addition, recent research shifted the focus from SHGs to a broader development context and correlated women's economic empowerment with social and rural development and inclusive growth. In addition to the typical microfinance objectives, involvement of SHGs can have an effect on the livelihoods, social inclusion and economic resistance [18]. Therefore a multi-dimensional perspective of assessing SHGs enables a more comprehensive understanding of the role of SHGs in the rural development process [19]

In recent years, sustainability of the community groups has been more common. Practical experience in rural India shows that community ownership and community institutional capacity and mechanism that enable the community to remain active and bankable is critical to the sustainability of the SHGs beyond the donor/external support [20]. Finally, it has been observed that the relevance of SHG based micro-finance in women empowerment and sustainable development is still relevant in the recent days in southern Tamil Nadu. It should be noted that the effect of microfinance will be different in different regions depending on the economic conditions, institutions, and the structure of the members [21]. Hence, there is a need for empirical studies which can capture the involvement in SHG, reasons for involvement in SHG, socio-economic factors and the problems which are actually encountered in accessing microfinance. [22]

2.1 Research Gap

In all the various literature reviewed, it can be validated that the SHGs are involved in financial inclusion, mobilisation of savings, women empowerment, entrepreneurship and well-being and livelihood development in

the rural areas. But the current literature mostly looks at these dimensions in isolation and individual studies focus on empowerment or repayment performance, entrepreneurship, sustainability or participation. In spite of these contributions however little attempt has been made to explore the issues and possibilities of SHG-based microfinance in an integrated way at member level in Tamil Nadu context. Specifically, the level of SHG participation, reasons for participation, socio-economic aspects of SHG participation and obstacles to accessing and utilizing the microfinance services can be discussed together.

To fill this gap, the present study attempts to elaborate an integrated empirical study of the study of SHG based microfinance in Tamilnadu, south India. The study includes an analysis of participation and member's motivation and constraints, and provides a balanced perspective on the opportunities and constraints of participation in microfinance. This also provides the baseline to inform policy and institutional measures to improve the effectiveness and sustainability of SHG microfinance.

3. Methodology

3.1 Research Design

The study employed quantitative, cross sectional, empirical research design with an aim of studying the problems and prospects of the participation of the members of the Self-Help Groups (SHG) in microfinance in Tamilnadu, South India. The study aimed to measure the participation of the members of SHGs in group activities, to explore some of the main motivations for joining SHGs, to understand the challenges faced by the respondents in accessing and using microfinance services and to explore the relationship between the socio-economic characteristics of the respondents and their level of SHG involvement. Tamil Nadu was identified as the study area as SHGs are a significant institutional arrangement for savings mobilization, access to credit, livelihood support and financial inclusion at the community level.

The analysis unit was the individual SHG member. The primary resources used in this empirical investigation were first-hand responses from the SHG members, not the secondary institutional level. This method helped the study to reflect members' perception and experience on participation, financial access and financial constraints related to microfinance given in Figure 1.

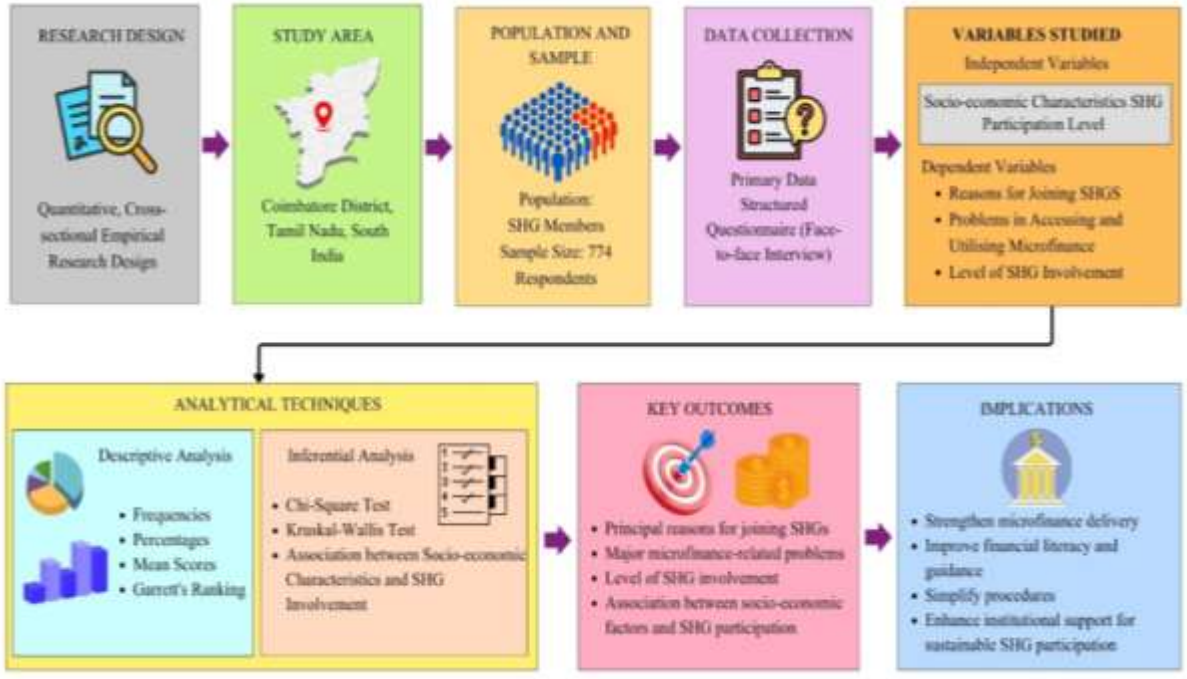


Figure 1: proposed methodology

3.2 Study area

Coimbatore District was chosen for the study as it had a high concentration of SHGs and they were actively participating in various activities of savings mobilisation, internal lending, linkages with institutional credit, and livelihood activities. The ten taluks of Annur, Coimbatore South, Coimbatore North, Kinathukadavu, Madukkarai, Mettupalayam, Perur, Pollachi, Sulur and Valparai were the study areasin Figure 2. The geographical coverage was aimed at representing the entire district and exploring the experiences of SHG members in different administrative and socio-economic environments.

The unit of analysis was the individual member of the SHG. This study focused on the socio-economic characteristics of the respondents, their participation in SHG activities, the reasons for participation in SHGs and their problems related to the access and use of microfinance services.

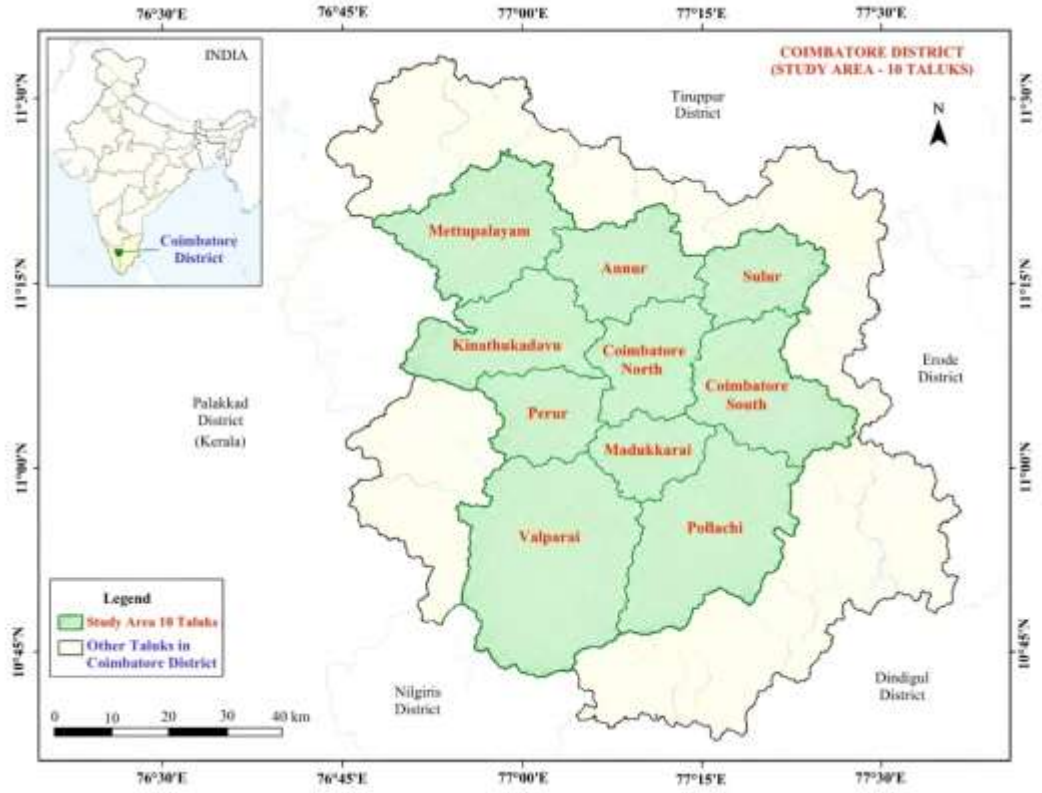


Figure 2: study area

3.3 Sources of Data

Both primary and secondary data were used to get an integrated assessment of SHG based microfinance.

3.3.1 Primary Data

The main empirical aspect of the study was primary data. A pre-tested and structured questionnaire was used to collect the data directly from the selected 774 members of the SHG. The questionnaire aimed to collect data on the socio-economic status of the respondents, their participation in the SHGs, attitudes towards the SHGs and difficulties faced in accessing and availed microfinance services.

Use of primary data allowed the study to reflect the perceptions, experiences and behavioural reactions of individual members of SHGs, something that cannot be adequately captured through institutional or aggregate level secondary data.

3.3.2 Secondary Data

The secondary information were gathered from the published reports and authenticated databases releasing information about microfinance and SHG development. The major sources were publications and information from the Reserve Bank of India (RBI), National Bank for Agriculture and Rural Development (NABARD), Tamil Nadu Government departments and the official records at the district level. Other contextual information was gathered from research-based articles in peer-reviewed journals, books, handbooks, institutional publications and other relevant academic sources.

3.4 Sample Size and Sampling Procedure

The sampling frame included 7,751 members of the SHGs having more than 10 years duration in Coimbatore District from the 10 taluks. This population was sampled to obtain 774 members of the SHG as the final sample for this study.

The respondents were selected using systematic random sampling technique. The standard systematic sampling formula was used to select the sampling interval as follows (Eq 1):

$$K = \frac{N}{n} \quad (1)$$

where:

- K= sampling interval,

- N= total population size,
- n= required sample size.

With a population of 7,751 SHG members and a sample of 774 respondents (Eq 2):

$$K = \frac{7751}{774} \approx 10.01 \quad (2)$$

Hence, an approximate interval of 10 was employed after sorting the sampling frame alphabetically for systematic sampling. This process helped to identify a structured way of sampling respondents from the identified population, and minimised the risk of arbitrary sampling of respondents.

3.5 Questionnaires and collecting data.

A structured questionnaire was developed based on research objectives and the dimensions studied in the previous microfinance and SHG studies was used to gather primary data. The questionnaire was divided into four main sections.

The information was collected on socio-economic characteristics of respondents in Section I. These variables served as the basis in creating the profile of the respondents and to examine their relationship with SHG involvement. The level of involvement of the respondents in SHG activities was checked in the next section (section II). Ten items were used to assess the construct on a five-point Likert scale that ranged from strongly disagree or strongly disapprove to strongly agree or strongly approve. Responses were tallied to get an overall involvement score for each respondent. The key drivers for participation in SHGs were summarized in section III. The specified reasons were asked to be ranked in terms of their relative importance by the respondents, namely financial freedom, development of a saving habit, interaction opportunities, social reorganisation and loans.

In Section IV, the major problems faced by the respondents in accessing and using the microfinance services were discussed.

3.6 Measurement of SHG Involvement

The involvement of SHGs was operationalised as the level of participation of the respondents in the activities of their SHG. A multidimensional aspect of participation was captured using 10 statements from a questionnaire. These statements were evaluated on a 5 point likert scale.

For each respondent i, the overall involvement score was calculated based on the responses to the 10 statements (Eq 3):

$$I_i = \sum_{j=1}^{10} X_{ij} \quad (3)$$

where $I_i$represents the overall SHG involvement score of respondent i, and X_{ij}represents the response of respondent ito the j^{th}involvement statement.

The obtained scores were divided into three groups—low, medium and high involvement—according to the mean and standard deviation of the scores obtained. This classification allowed the study to analyze the distribution of respondents by the various levels of participation and to compare the level of participation by socio-economic factors.

The third approach was to measure reasons and microfinance problems.The third approach was to measure reasons and microfinance problems.

Reasons to join the SHGs and the problems faced in the microfinance were treated as rank order variables in the study. The respondents were asked to order the factors given from most important to least important.

Financial freedom, saving behaviour, interaction, social reorganisation, availability of loan and household circumstances were the reasons for joining SHGs. In the same way, the microfinance-related issues were repayment confidence, guidance, discouragement of family members, delay in loan sanctioning, commissions of intermediaries, poor utilisation of loans, fear of moral issues, problems in authorities and problems with documentation and awareness.

Individual ranks were converted to scores with Garrett's ranking technique and, therefore, comparisons were made between respondents.

The percentage position corresponding to each rank was calculated as (Eq 4):

$$PP = \frac{100(R_{ij} - 0.5)}{N_j} \quad (4)$$

where R_{ij}denotes the rank assigned to factor iby respondent j, and $N_j$denotes the total number of factors ranked by respondent j. The corresponding Garrett score was obtained using the standard conversion table, and the average score for each factor was calculated. Factors were subsequently ordered according to their mean scores.

3.7 Data Processing and Quality Control

The data of the questionnaire were then processed by conducting a systematic data screening and preparation process after collecting the data. Completeness and consistency of completed responses were checked prior to coding. The questions in questionnaires were given a separate code for each question and the categorical responses were assigned numerical values for statistical analysis of the responses.

Data processing was done in four steps: screening, coding, cleaning and analysis. A screening process was carried out that involved re-checking questionnaires for missing data and data matching. Responses were structured in an analytical system. As part of the cleaning process, it was determined that there might have been any data entry errors and inconsistencies. This gave a final screened sample of 774 valid observations that were then analysed statistically.

Using the Likert items to construct an overall scale for involvement in SHG, the internal consistency of the scale should be analyzed using an appropriate scale reliability coefficient (Cronbach's alpha). The coefficient of reliability should be included in this section, if this analysis was carried out on the original data, not the assumed or theoretical threshold.

3.8 Statistical Analysis

The statistical analysis was arranged according to the goals and type of the measurements performed in the research.

3.8.1 Descriptive analysis

The socio-economic characteristics of the respondents were described using frequency and percentage distribution. The responses in relation to the involvement scale of the SHG were summarised using means and standard deviations.

3.8.2 Chi-square test of independence

The association between selected socio-economic characteristics and the categorical level of SHG involvement was analysed using chi-square test of independence.

The null hypothesis was:

H_0:"There is no significant association between socio-economic characteristics and SHG involvement."

The alternative hypothesis was:

H_1: The socio-economic characteristics are significantly associated with the involvement of SHG.

The association observed was tested as statistically significant with the chi-square statistic and p value.

3.8.3 Kruskal–Wallis test

The Kruskal–Wallis H test was used to look at differences in asset-holding patterns among relevant groups of respondents. The non-parametric procedure was suitable if the measurement characteristics or assumptions necessary for the use of conventional parametric procedure were not met.

Use the H statistic, degrees of freedom and p-value to report the results. If statistical differences are found then a post hoc analysis may be performed to establish which groups are significantly different.

3.8.4 Garrett's ranking technique

The ranking technique of Garrett was used on each of the reasons for joining SHGs and each of the problems faced in microfinance separately. The method transforms the rank of the factors into numerical values, so as to be able to determine the relative importance of all the competing factors.

4. Results and Discussion

4.1 Description of the socio-economic profile of the respondents.

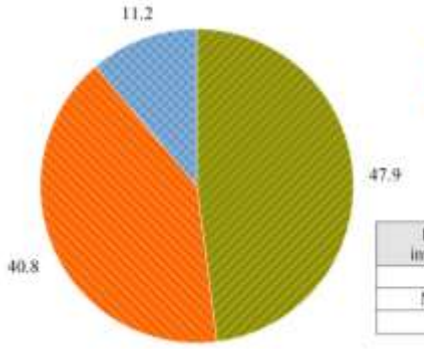
The empirical analysis was done by taking samples of 774 members from the established 100 SHGs in Coimbatore District. The respondents are diverse in their socio-economic characteristics in terms of age, religion, community, marital status, education, housing, family structure, employment and income. This is because SHG participation is not only dependent on the access to microfinance but also on household and socio-economic conditions (Table 1).

Table 1. Socio-Economic Profile of SHG Members

Characteristic	Category	Frequency	Percentage (%)
Age	20–30 years	95	12.27
	30–40 years	232	29.97
	40–50 years	270	34.88
	50–60 years	136	17.58
	Above 60 years	41	5.3
Religion	Hindu	544	70.28
	Christian	118	15.25
	Muslim	112	14.47

Community	Forward Community	101	13.05
	Backward Class	401	51.81
	Most Backward Class	188	24.29
	Scheduled Caste	62	8.01
	Scheduled Tribe	22	2.84
Marital status	Married	635	82.04
	Unmarried	62	8.01
	Widow/Divorced	77	9.95
Education	Illiterate	75	9.69
	School education	602	77.78
	ITI/Polytechnic	28	3.62
	Collegiate education	69	8.91
Family type	Nuclear	601	77.65
	Joint	173	22.35
Monthly income	Below ₹2,000	83	10.72
	₹2,000–₹4,000	297	38.37
	₹4,000–₹6,000	315	40.7
	Above ₹6,000	79	10.21
Total		**774**	**100**

Source: Primary data.
According to the results, the respondents were mostly in 40-50 years age group (34.88%), and 30-40 years age group (29.97%). Thus, almost two-thirds of the respondents were between 30 and 50 years. The majority of the population was Hindu (70.28%) and the largest community category was that of the Backward Class (51.81%). The sample was also predominantly married (82.04%) and had school-level education (77.78%).



Level of involvement	Frequency
High	371
Medium	316
Low	87

Figure 3: Level of Involvement of SHG Members

The dominance of nuclear families (77.65%) and the concentration of monthly income in the range ₹4,000 to ₹6,000 suggest that many of the respondents had relatively low household economic conditions. These attributes are important to consider when understanding the desire for financial independence, as well as the challenges reported with loan repayment. The study examined the level of participation of the members in the activities of SHG based on ten statements in the questionnaire which were measured by 5 point likert scale. The overall involvement score was segmented into high, medium and low involvement.

The results show fairly high participation in figure 3. Almost half (47.67%) of respondents had a high involvement and a further 40.83% had a medium involvement. As a result, 88.76% of those responding were described as having medium or high involvement. Of those that reported, 11.24% said they were not involved at all. In the study area, distribution suggests that SHG membership typically equated to participation in SHG activities. 4.3 Age and SHG Involvement

4.3 Age and SHG Involvement

Age was studied to see if involvement varied by life cycle stage of the respondents in Table 2 and Figure 4. The cross-tabulation shows that high involvement was more common among most age groups, but with slight differences in distribution.

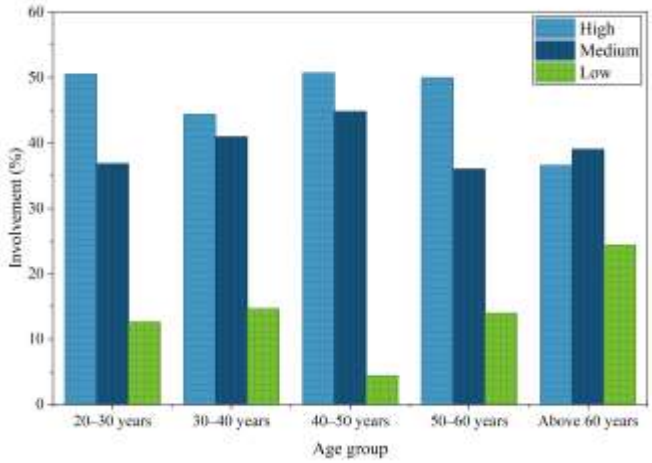


Figure 4: Age-wise Classification and Level of SHG Involvement

The 40–50-year group recorded the highest number of highly involved respondents (137), while the 20–30 and 50–60 groups also recorded approximately 50% high involvement. The proportion of low involvement increased to 24.39% among respondents above 60 years, suggesting that advanced age may be associated with comparatively lower participation.

Table 2. Chi-Square Test: Age and SHG Involvement

Statistic	Value
Pearson χ^2 calculated	**25.50**
χ^2 critical value	**15.52**
Degrees of freedom	**8**
Significance level	**5%**
Decision	**Reject H_0**

Result	**Significant association**

Source: Primary data.

The calculated χ^2 value of 25.50 exceeds the critical value of 15.52 at the 5% significance level. Therefore, the null hypothesis of no association is rejected. The evidence indicates a statistically significant association between **age and SHG involvement**.

The result suggests that participation is not uniform across age groups. This is relevant for SHG programme design because training, financial counselling and group responsibilities may need to account for differences in members' age-related circumstances.

4.4 Religion and SHG Involvement

The analysis further investigated whether religious affiliation was associated with the level of involvement in SHG activities in Figure 5.

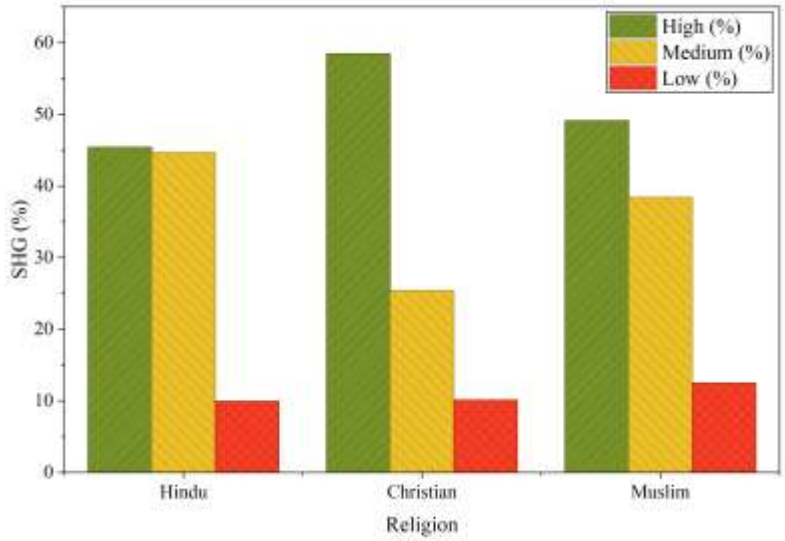


Figure 5. Religion-wise Classification and SHG Involvement

Christian respondents recorded the highest proportion of high involvement at 58.47%, followed by Muslim respondents at 49.11% and Hindu respondents at 45.40%. The χ^2 statistic of 15.95 was greater than the critical value of 9.49, indicating a statistically significant association between religion and SHG involvement. The result in table 3suggests that socio-cultural context may influence participation patterns. However, the finding should be interpreted as an association rather than evidence of a causal effect of religious affiliation.

Table 3. Chi-Square Test: Religion and SHG Involvement

Statistic	**Value**
Pearson χ^2 calculated	**15.95**
χ^2 critical value	**9.49**
Degrees of freedom	**4**
Significance level	**5%**
Decision	**Reject H_0**
Result	**Significant association**

Source: Primary data.

4.5 Community and SHG Involvement

Community classification also exhibited substantial variation in the level of involvement. The highest proportion of high involvement (57.43%) was in the Forward Community while the lowest high involvement proportion was in the Scheduled Tribe (31.82%) and the highest low involvement proportion was in the Scheduled Tribe (40.91%). The χ^2 = 50.22 is significantly higher than the χ^2 critical value = 15.52, indicating that there is a statistically significant correlation between community classification and participation in SHG in Figure 6.

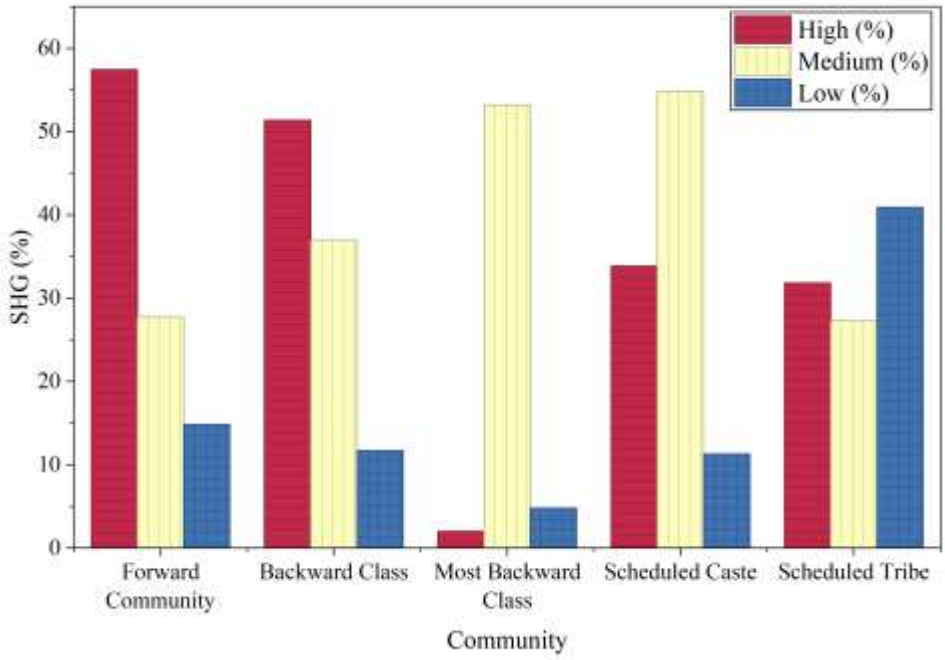


Figure 6: Community-wise Classification and SHG Involvement

The discovery of this finding will serve to emphasize the role of the social and institutional conditions in influencing participation (Table 4). The findings are in line with the overarching conceptualisation of SHGs as organisations where financial involvement is intertwined with social organisation and collective participation.

Table 4. Chi-Square Test: Community and SHG Involvement

Statistic	**Value**
Pearson χ^2 calculated	**50.22**
χ^2 critical value	**15.52**
Degrees of freedom	**8**
Significance level	**5%**
Decision	**Reject H_0**
Result	**Significant association**

Source: Primary data.

4.6 Educational Qualification and SHG Involvement

Learning is an important aspect of financial capacity and institutional engagement. There is significant differences in involvement between educational groups. The largest group were respondents with the level of school education and their involvement level was high at 51.99%. By contrast, the majority of the respondents with college level education were in the medium involvement group (73.92%). The χ^2 value obtained was 49.74 which was higher than the critical value of 12.52, thus, there exists a statistically significant association between the educational qualification and SHG involvement in Figure 7.

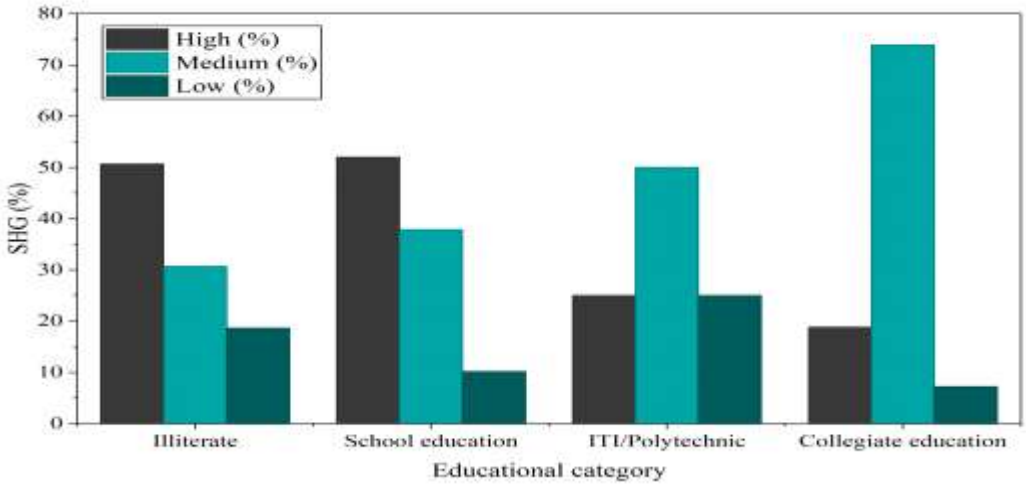


Figure 7. Educational Qualification and SHG Involvement

The outcome in Table 5 highlights that when it comes to education, it is not a one-to-one relationship, but rather participation is unevenly distributed over educational categories. This further emphasises the importance of providing differentiated financial-literacy and SHG training programmes.

Table 5. Chi-Square Test: Education and SHG Involvement

Statistic	**Value**
Pearson χ^2 calculated	**49.74**
χ^2 critical value	**12.52**
Degrees of freedom	**6**
Significance level	**5%**
Decision	**Reject H_0**
Result	**Significant association**

Source: Primary data.

4.7 Household Characteristics and SHG Involvement

Family size and housing status, and household structure were also taken into consideration as contextual factors influencing participation in Figure 8 . The results indicate that members living in joint families reported a considerably higher proportion of high involvement (66.47%) compared with those in nuclear families (42.60%). Similarly, respondents living in leased houses recorded 74.07% high involvement, although the relatively small number of leased-house respondents should be considered when interpreting this difference.

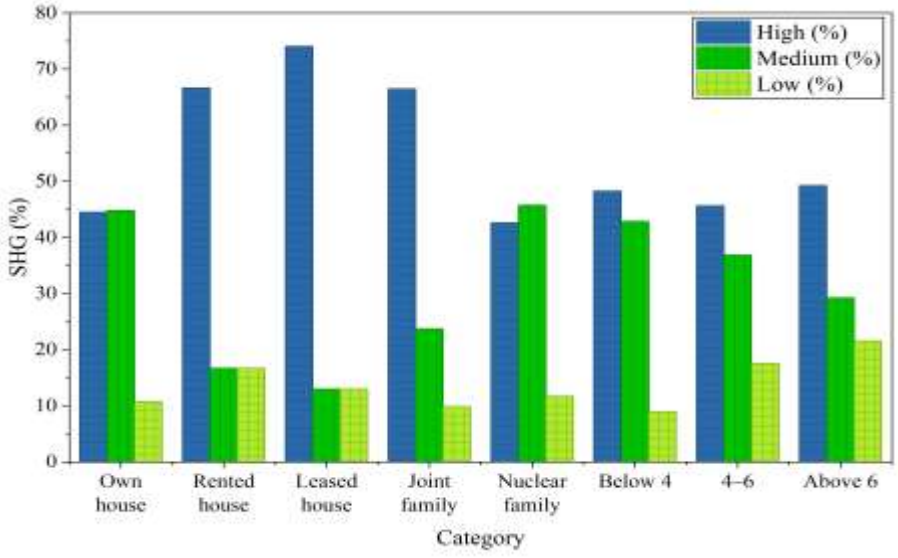


Figure 8: Household Characteristics and SHG Involvement

Family size also displayed variation. Respondents with more than six family members recorded the highest low-involvement proportion (21.54%), compared with 8.90% among households with fewer than four members(Table 6).

Table 6. Chi-Square Tests for Household Characteristics

Household variable	χ^2 calculated	χ^2 critical	df	Decision at 5%
Housing facility	**11.47**	**9.49**	4	**Reject H_0**
Housing status	**34.16**	**9.49**	4	**Reject H_0**
Family type	**32.38**	**5.99**	2	**Reject H_0**
Family size	**16.39**	**9.49**	4	**Reject H_0**

Source: Primary data.

The four computed χ^2 values are larger than their respective critical values. Thus, the study found statistically significant relationships between the involvement in SHGs and housing facility, housing status, family type and family size. The findings reiterate the need to take into account the household situation to assess the participation in SHG.

4.8 Monthly Income and SHG Involvement

One of the key features of microfinance is to be able to access financial resources, and monthly income is particularly important as this is the primary goal of microfinance. The obtained χ^2 value is 43.85 which is significantly more than the lower critical value of 12.52, thus there is a significant association between monthly income and SHG involvement (Figure 9 and Table 7).

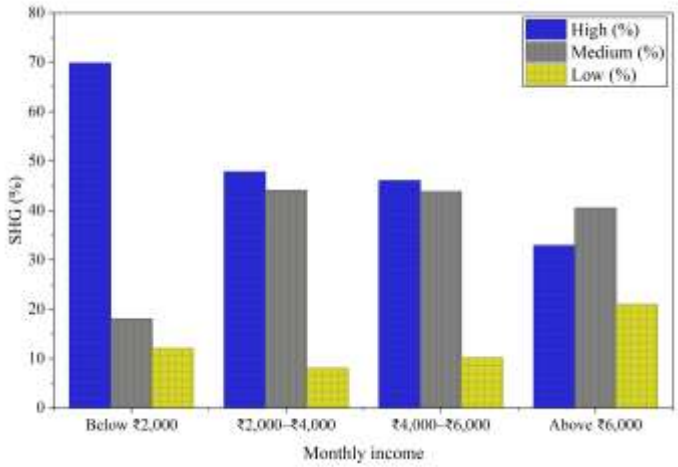


Figure 9. Monthly Income and SHG Involvement

The cross-tabulation is interesting in that the lowest income group had the highest percentage of high involvement (69.88%). This indicates that the SHGs might be significant to those respondents who have relatively small income sources. This is not to suggest a causal relationship, but rather that the findings of this study show that there is a statistical association between income position and participation intensity.

Table 7. Chi-Square Test: Monthly Income and SHG Involvement

Statistic	Value
Pearson χ^2 calculated	**43.85**
χ^2 critical value	**12.52**
Degrees of freedom	**6**
Significance level	**5%**
Decision	**Reject H_0**
Result	**Significant association**

Source: Primary data.

4.9 Reasons for Joining SHGs: Garrett Ranking

The key empirical finding about the potential of the SHG based microfinance services is taken from the ranking of ten reasons for joining SHGs. The respondents' ordinal rankings were converted to mean scores using Garrett's technique.

Table 8. Reasons for Joining SHGs – Garrett Ranking

Rank	Reason for joining SHGs	Total Garrett score	Mean score
1	Financial freedom	4,729.14	6.11
2	Healthier saving spirit	4,713.66	6.09
3	Interaction opportunity with group	4,551.12	5.88
4	Social reorganisation	4,496.94	5.81
5	Easy access to loans	4,489.20	5.80
6	Poor economic status of husband/family members	4,481.46	5.79
7	Credit facility opportunity	4,388.58	5.67
8	Economic empowerment	4,102.20	5.30
9	Support from family	3,405.60	4.40
10	Encouragement by co-members	3,219.84	4.16

Source: Primary data.

The results are unequivocal that the top reason for membership in the SHGs was financial freedom with a mean score of 6.11. Healthier saving spirit (6.09) was the second most important motivation followed by interaction opportunity with group members (5.88). The other motivations, social reorganisation (5.81), easy access to loans (5.80) and poor economic status of husband/family members (5.79), also had relatively high scores.

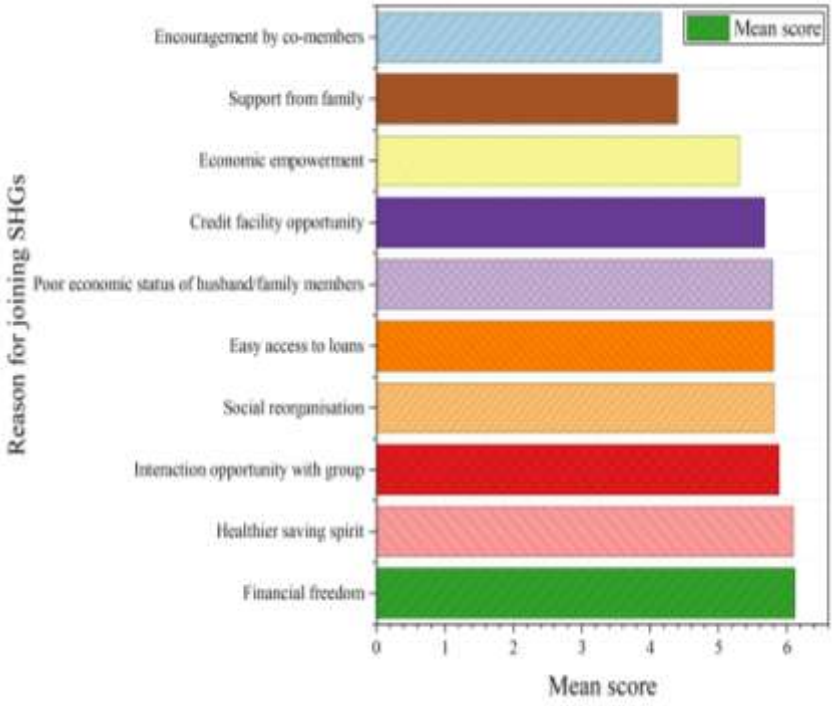


Figure 10: Ranking of Factors Influencing SHG Membership

The gap between financial freedom and saving behaviour was very small, at .02, so that these two factors are nearly equal in importance. The finding in Table 8 and figure 10, indicates that the respondents feel that SHGs serve as a channel for access to finance as well as a channel for financial discipline.
Relatively high status of interaction opportunities also supports the assumption that the membership of the SHG has a social aspect. Through collective interaction, members are able to discuss financial and household issues and participate in group decisions.

4.10 Problems Experienced in Microfinance: Garrett Ranking

Garrett's ranking technique was also used to analyse the principal constraints associated with microfinance. The findings in Table 9 and Figure 11 show that lack of confidence in repayment ranked first with a mean score of 6.26, followed by lack of guidance (5.89) and discouragement from family members (5.75). Thus, the three dominant problems reported in the abstract are empirically confirmed by the complete ranking.

Table 9. Problems Faced by SHG Members in Microfinance – Garrett Ranking

Rank	Microfinance problem	Total Garrett score	Mean score	
1	Lack of confidence in repayment	4,845.24	6.26	
2	Lack of guidance	4,558.86	5.89	
3	Discouragement from family members	4,450.50	5.75	
4	Delay in sanctioning of loan	4,380.84	5.66	
5	Intermediaries' commission	4,287.96	5.54	
6	Poor utilisation of loan	4,187.34	5.41	
7	Moral fear	4,148.64	5.36	
8	Non-ease of access to authorities	3,908.70	5.05	
9	More formalities and documentation	3,637.80	4.70	
10	Lack of awareness	3,606.84	4.66	

Source: Primary data.

The fourth-ranked problem was delay in loan sanctioning (5.66), followed by intermediaries' commission (5.54) and poor utilisation of loans (5.41). Formalities and documentation and lack of awareness occupied the ninth and tenth positions, respectively.

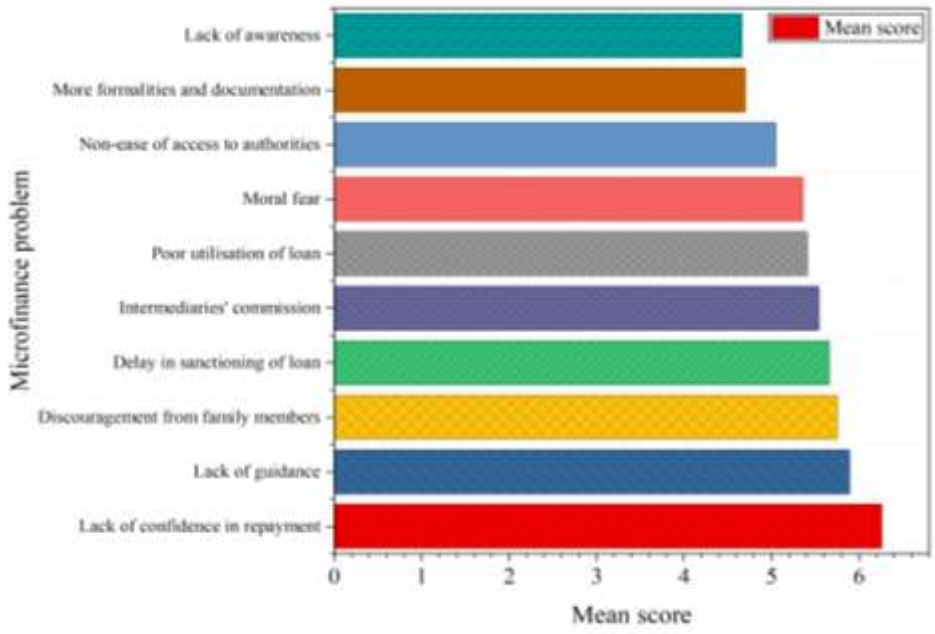


Figure 11: Garrett Ranking of Microfinance-Related Constraints Experienced by SHG Members

The ranking reveals an important distinction between demand-side and supply-side constraints. Lack of repayment confidence, family discouragement and poor utilisation represent member- or household-level constraints, whereas loan-sanction delays, intermediary commissions and difficulties accessing authorities reflect institutional or procedural barriers.

4.11 Asset-Holding Pattern across Areas

Asset ownership was examined to understand the economic position of SHG members across the ten study areas (Table 10).

Table 10. Asset-Holding Distribution across Coimbatore District

Asset indicator	Area with highest share	Highest share (%)	Area with lowest share	Lowest share (%)
Immovable assets	Annur	14.22	Madukkarai	5.39
Immovable assets	Coimbatore South	13.73	—	—
Immovable assets	Valparai	12.04	—	—
Movable assets	Annur	16.61	Perur	3.11
Movable assets	Coimbatore South	14.53	—	—
Movable assets	Sulur	13.84	—	—
Neither movable nor immovable assets	Annur	18.20	Mettupalayam	5.19

Neither movable nor immovable assets	Coimbatore South	15.58	—	—
Neither movable nor immovable assets	Coimbatore North	12.99	—	—

Source: Primary data.

Annur recorded the highest share in immovable asset holding (14.22%) and movable asset holding (16.61%). Coimbatore South followed with 13.73% for immovable assets and 14.53% for movable assets. The distribution demonstrates substantial geographical variation in asset-holding patterns (Table 11).

Table 11. Kruskal–Wallis Test of Asset-Holding Patterns

Statistic	Value
Kruskal–Wallis H statistic	**1.463857**
Degrees of freedom	**2**
Critical value at 5%	**5.99**
Significance level	**5%**
Decision	**Accept H_0**
Reported conclusion	No significant difference

Source: Primary data.

The Kruskal–Wallis statistic reported is 1.463857 which is less than the critical value 5.99. The null hypothesis is accepted since there is no statistically significant difference in the asset holding pattern between the groups studied based on the reported test criterion.

5. Discussion

For the empirical analysis, data was collected from 774 members of the Self-Help Group (SHG) which gave sufficient basis for analysis of the problems and prospects of microfinance participation. The results show that in general, SHG members were involved in the group activities with a positive attitude. Among all respondents 371 (47.93%) showed high involvement, 316 (40.83%) showed medium involvement and 87 (11.24%) reported low involvement. Consequently, almost all respondents (88.76%) fell in the medium- or high-involvement ranges, suggesting that SHGs have a relatively high level of involvement by their members.

Analysis of the prospects of SHG membership indicated that financial issues were the most dominant factor driving the SHG participation. The financial freedom emerged as most important reasons for joining SHGs with a mean Garrett score of 6.11 and Rank I. This was followed closely by the emergence of healthy saving attitude with a mean score of 6.09 and Rank II. The third most important reason was interaction opportunity with group members (mean score = 5.88). Social reorganisation (5.81), easy access to loans (5.80) and the poor economic status of husband/family members (5.79) were also found to be important motivations. The results suggests that the participation in SHG goes beyond credit availability and adds the element of financial independence, savings behaviour and social interaction.

6.Conclusion

The study finds that the role of microfinance in the form of Self-Help Groups (SHGs) in strengthening financial inclusion and the socio-economic involvement of the participants is still important in Tamil Nadu. The members of SHGs get opportunities to learn how to save, avail credit facilities, improve their financial independence and participate in group activities. SHGs can also create social interaction and support, improve social participation in economic activities at the household and community level, in addition to their financial contribution.

The study also suggests that there are some issues regarding the utilization of microfinance. The factors which can restrict the effective use of financial services are repayment issues, lack of guidance, family-related issues, length of time to move through the loan process and challenges related to process and limited awareness. The challenges mentioned above indicate that mere access to credit is not sufficient for sustainable results of microfinance. There is a need for continuing institutional support, financial counselling and financial avenues for enhancing the IG potential of the members.

The study further reveals that the socio-economic status of the members of SHG participating in the activities of the SHGs are not uniform. This highlights the need to take into account educational, economic, household and social background when dealing with differences between members in the approach of microfinance programmes.

Abbreviation

SHG – Self-Help Group; MF – Microfinance; MFI – Microfinance Institution; RBI – Reserve Bank of India; NABARD – National Bank for Agriculture and Rural Development; NGO – Non-Governmental Organisation; SD – Standard Deviation; CV – Coefficient of Variation; χ^2 – Chi-square; H – Kruskal–Wallis H Statistic; p – Probability Value; Likert Scale – Likert Rating Scale; GR – Garrett Ranking; SDG – Sustainable Development Goal; TN – Tamil Nadu.

Statement Declarations

Competing interests

The authors declare that they have no competing interests.

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