DEPARTMENT OF PUBLIC POLICY & GOVERNANCE DPPG
B. K. SCHOOL OF PROFESSIONAL & MANAGEMENT STUDIES | GUJARAT UNIVERSITY
International Journal of Management, Public Policy and Research
International, Peer Reviewed journal
E-ISSN: 2583-3014

A STUDY ON IMPACT OF SHGs ON WOMEN'S FINANCIAL INCLUSION

Narendra Gokhru

narendragokhru@gmail.com
Research Scholar, B K School of Business Management, Gujarat University

Dr. Prateek Kanchan

prateek_kanchan@yahoo.com
Professor, B K School of Business Management, Gujarat University, Ahmedabad

ABSTRACT
The Indian government has made it a priority to guarantee that all residents have access to fundamental financial services ever since the start of the 12th Five-Year Plan (2012-17). Financial inclusion is demonstrated by having access to inexpensive insurance, credit, and basic savings accounts. This is crucial for the disadvantaged and marginalised elements of society. The central and state governments have introduced a number of initiatives to support financial inclusion, including the Pradhan Mantri Jan Dhan Yojana, Business Correspondent and Business Facilitator Model, Branchless Banking, Kisan Credit Card, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Self Help Groups, and many others. The core of Financial Inclusion's aim is to provide financial services to the enormous underserved population because doing so will enable the nation to reach its full growth potential. The implementation of the SHG plan in the Ahmedabad District, how it has changed people' saving practises, and how PMJDY has influenced these patterns will all be examined in this study. The 594 SHG members in this Gujarati village who were willing to take part in this primary data research were chosen at random. The researchers performed a number of statistical tests, including the one-sample test, the chi-square test, and the paired two-tailed test.

Keywords : *Financial Inclusion, Self Help Group, PMJDY, Women*

1. INTRODUCTION

The concept of SHG is well known around the world. Dr. Mohammed Younus started the SHG technique. Most nations are familiar with his name. One must look at both his personal life and his original work to comprehend how the idea for SHG came to him. The following scenario allows us to see how Dr. Younus' personality and outlook changed over time.

Dr. Mohamad Younus was born in a Bangladeshi village close to Chittagong in 1940. His father worked as a jeweller, and his mother stayed at home. The oldest of his nine brothers, Dr. Younus was. The financial situation was sound. East Pakistan was created at a period when India was fighting for independence.

With the help of his parents, he joined the scout guide movement and was able to visit Pakistan, Canada, and India. He graduated with a bachelor's in economics from Dhaka University in 1960. After that, he started working for the government. Prof. Knurl Islam and Rehman Shobhan, two important figures in Bangladesh's post-independence history, were two of the people he met there. In 1965, these economists helped Dr. Younus get a Fulbright scholarship. Dr. Younus spent seven years residing in the US. He went through most of his mental transformations at this period. In the American embassy, Dr. Younus established a Bangladesh Information Center and made an effort to contact American freedom fighters for information. He began keeping a journal.

Throughout his 1976 investigation, he encountered numerous persons. He observed that people were turning to private lenders for cash to meet their financial obligations. Their personal needs could not be met by their employment earnings or a loan from a private lender. 45 employees received financial assistance from Dr. Younus.

Dr. Akhtar Hammed created a strategy to provide loans to small businesses. The idea was abandoned because they were unable to pay back the money. Banks in Bangladesh have turned down loans to the nation's underprivileged. They therefore turned to private money lenders for assistance. Dr. Younus was furious about this situation. To safeguard economically marginalised people against private money lenders, he decided to develop a new rural bank strategy. He discussed the circumstance with authorities from the Agricultural Bank of Dhaka.

SHGs are useful in the fight against poverty since they help people start their own businesses. It can be used to assist economically struggling households in meeting their basic necessities. After India's banking system was nationalised in 1969, a sizable sum of money was set aside to satisfy the credit demands of the underprivileged. One of the goals of the bank nationalisation policy was to increase access to financial services in underserved communities. This tactic led to a boom era for the financial network that was unlike any other anywhere in the world. Credit came to be considered as the panacea to many problems associated with poverty. They offered a range of financial services that benefited the disadvantaged and were supported by the state and federal governments. The help included credit packages and programmes designed to address the needs as perceived by the impoverished.

Credit was given to the poor in general and impoverished women in particular, despite the good intentions and some progress. This led to institution-led initiatives aimed at utilising the current capabilities of the rural banking infrastructure to better serve the poor. The National Bank for Agriculture and Rural Development (NABARD) served as a model in this regard. Its duties included creating policies that were appropriate for rural credit, offering technical assistance, assisting banks with liquidity needs, supervising rural credit institutions, and working on other development projects.

Early in the 1980s, the Indian government established the Integrated Rural Development Programme (IRDP), which provided bank loans to the underprivileged with government subsidies. The low-cost assistance was anticipated to be used by the impoverished to help them escape poverty.

A number of research studies by NABARD during this time, both independently and in cooperation with MYRADA, a significant non-governmental organisation (NGO) in Southern India, revealed that a significant portion of the poorest of the poor remained outside the formal banking system despite the existence of a vast network of rural bank branches serving the rural poor.

In response to the need of the impoverished over the past 25 years, the government and non-governmental organisations (NGOs) have financed a range of microfinance programmes. Despite the fact that some of these programmes were a failure, the lessons learned were applied to the creation of more effective financial services. These initiatives include both microfinance organisations and regional rural banks with a social conscience. The Indian government created a new programme called the Swaranjayanti Gram Swarazagar Yojana and streamlined various credit programmes in 1999. (SGSY). The SGSY's mission is to keep providing low-interest loans to the underprivileged through the banking system in order to encourage self-employment through the use of self-help groups, and the programmes have grown to huge proportions.

MFIs are becoming more well-liked in India as a class of financial intermediary for the underprivileged. Cooperatives, Grameen-style programmes, and private sector MFIs are examples of MFIs. With the assistance of regional and state organisations like the Cooperative Development Foundation of Andhra Pradesh, thrift cooperatives have grown naturally (CDF). Projects that are modelled after the Grameen Bank follow its business strategy. MFIs in the private sector include NGOs that offer the poor financial assistance and other forms of help. They are not regarded as banks because they don't accept deposits.

Recent years have seen a surge in interest in microfinance as a powerful instrument for eradicating poverty. Significant changes affecting MFIs were announced by the Indian government in their annual budget on June 3, 2011. It stated unequivocally that MFIs will be qualified for outside commercial borrowings, enabling them to work with private banks and subsequently increase their capacity. The budget also includes proposals for a microfinance law, which would establish specific rules for the industry.

As was discussed in the discussions that came before it, the goals of the approach to nationalising the banking sector gave rise to a number of offshoots, some of which were successful and others of which were unsuccessful. Self-Help Groups and Microfinance Institutions are now the two most prevalent forms of microfinance in India (MFIs). This essay focuses on the SHG's components as a successful strategy for delivering financial services to the underprivileged.

THE EMERGENCE OF SHGs IN INDIA

Self-Help Groups originated in India as a consequence of a series of experiments conducted by the Savings and Credit Management Groups (SCMG) with the help of the Mysore Resettlement and Development Agency (MYRADA). After experimenting with cooperatives in some projects, MYRADA came to the conclusion that a switch to an alternative credit system for the poor was necessary, as well as efforts to make the existing delivery system not only more appropriate and effective, but also willing to accept and relate to an alternative system with its own rules and management.

Based on this MYRADA programme, the National Bank for Agriculture and Rural Establishment (NABARD) designed a pilot project to advance the Self-Help Group system across India.

The first government interest in informal group lending in India was in 1986–1987, when NABARD financed and funded a research study titled "Savings and Credit Management of Self-Help Groups," In 1987, NABARD was the first financial institution to support the Self-Help Group industry. (in reference to a 1986 proposal from MYRADA). In 1987, the organisation granted MYRADA one million Indian rupees to help the organisation better discover, train, and financially support affinity groups.

NABARD backed and funded an action-research study in 1986–1987 that looked at MYRADA's SCMG to see if it would be effective in helping the intended communities. The primary objective of this pilot project was to combine the adaptability, receptivity, and financial resources of the informal credit system with those of official credit institutions in order to provide additional credit options to meet the credit demands of the poor.

To learn more about how Self-Help Groups function and how partnerships between banks and NGOs might help mobilise rural funds and enhance loan delivery to the poor, NABARD surveyed 43 NGOs in 11 Indian states in 1988-89.

After hearing such praise for the plan, NABARD launched an action research project in 1989, providing similar financing to other non-governmental organisations. Following a thorough analysis of the action research, RBI recognised the Self-Help Group method as a viable alternative credit model in 1990.

According to NABARD's rules and regulations, the Reserve Bank of India suggested a trial programme in which banks would lend money to Self-Help Organizations in July 1991. Since 1992, when NABARD issued its first set of guidelines, banks have been able to lend directly to Self-Help Groups. As a result of these first efforts, the Self-Help Group - Bank Linkage Program was founded in 1992. Since then, NABARD has worked to improve the business climate by advocating for and keeping tabs on initiatives like the Self-Help Group programme, funding efforts to increase organisational effectiveness and creativity, and advising lawmakers on how to alter regulations to foster growth.

Over the course of 1991 and 1992, NABARD ran 92 pilot programmes across the country to connect Self-Help Groups with financial institutions. In February 1992, the instructions detailing the scope and limitations of the pilot project were made available to commercial banks. For the sake of inclusivity, the programme was opened up to Co-operative Banks and Regional Rural Banks in May of 1993. Banks participating in the pilot study were given a great deal of discretion by NABARD in terms of how to deal with the localised variations that were uncovered. The initiative sought to streamline the process by which credit may be extended to informal Self-Help Groups in economically depressed rural areas.

Self-Help Groups were not a part of the Indian economy till after 1996. There is often little more than 20 people in each of these groups, and they are all very close and friendly with one another. The maximum group size has been set at 20 people because of the need to register as a legal entity in India for any larger group. In addition, the repayment rate is reduced in large groups due to the extent of the free rider problem and the propensity to default.

Although the SHG-Bank Linkage Program got off to a slow start, it has gained momentum since 1999. Support has come from the International Fund for Agricultural Development (IFAD), the Reserve Bank of India (RBI), and the governments of many Indian states (including Tamil Nadu, Andhra Pradesh, Maharashtra, and Karnataka).

By March 2005, the scheme had extended loans to 1618456 Self-Help Groups, benefiting over 24 million low-income households and a total of over 120 million individuals living in poverty.

2. LITERATURE REVIEW

An analysis of the impact of branchless banking on expanding access to banking services in India was conducted (L.S.Subramanian, 2013). The benefits of branchless banking in India were examined, along with the role that the Indian government and the Reserve Bank of India play in expanding access to banking services. After Syndicate Bank implemented the Branchless Banking Concept and achieved its financial inclusion targets for 2012-2013, the author decided to investigate the strategy. The research found that in order for Indian banks to provide Branchless banking for Financial Inclusion, there needed to be a reduction in costs through innovation in service delivery techniques and reliable and cost-effective information technology solutions.

Microfinance was used to study the impact of banking on rural improvement (Christabell & Raj, 2012). Using secondary data from a variety of sources, the study examined the level of financial inclusion in rural India and the expansion of microfinance in the country. The survey found that in several developing nations, the number of bank branches was lower in rural areas than in urban areas. Microfinance institutions are one type of non-bank financial institution that works to close the gap between those in need and those who can aid them. If India's microfinance model is to succeed in its goal of giving the poor access to credit and savings, then the industry's flaws must be fixed as soon as possible.

Twenty families' daily cash movements in two urban slums in Ramanagaram were recorded (Kamath, Mukherji, & Ramanathan, 2008). (Ambadkamgar and Tajinagar) According to the research, the amount of money spent on loan repayments is one of the most significant portions of a family's budget. Households are required to keep a monthly financial diary including their income, expenses, savings, and borrowings if they want to take part in the study. Ten of the twenty households owed four or more MFIs/SHGs, while nine of the twenty owed at least two. This population of urban low-income families has such high debt loads that their food budgets are equal to their monthly payments on their loans. There are only around six homes out of every hundred that have had a net inflow of money in the last three months, and only about two out of every twenty have positive net income. The net inflow is calculated by subtracting total revenues and borrowings from total expenditures. Because they weren't able to borrow the full amount from a single lender, they ended up exploring other options, which drove up their loan costs. They became trapped in an endless cycle of debt as a result.

Rethinking India's rural finance strategy is necessary for developing a financially inclusive system that serves the country's poor, as argued by (Basu, 2005). The needs and preferences of people living in rural areas and low-income communities must be taken into account when designing products and financial services. The results show that efforts to expand financial services for the poor have been ineffective. The RFAS 2003 states that all government loan approvals need bribes, that the processes for creating an account or requesting a loan are time-consuming and expensive, and that many loan applications are denied. Therefore, it is essential to streamline the steps involved in opening a bank account and establishing credit.

Researchers in the Mysore area studied the lives of people who have saral savings accounts to see how financial inclusion affects their economic and social well-being (Uma.H.R, Rupa, & Madhu.G.R., 2013). Variables such as respondents' land and livestock holdings, as well as their possession of electronic devices, automobiles, tools, and equipment were used to gauge how their economic circumstances had changed as a result of financial inclusion. Before and after financial inclusion, information was gathered to compare the state of things in terms of access to clean water, electricity, flush toilets, landlines, and mobile phones. People's economic and social standing rise when they gain access to the financial system.

Analysis of Gujarat's financial inclusion landscape (Bambuwala & Shukla, 2017). The survey found that the overall number of bank branches in Gujarat was highest in rural areas, followed by metro, then urban, then semi-urban. According to statistics, the establishment of rural bank branches has aided the government's attempts to guarantee access to essential financial services. Yet, research on the BC variety revealed that out of the total 5,860 BCs deployed by banks in the state, only 4,860 were operational and equipped with Micro ATMs.

KCC, No frills account, GPCC, Overdraft in No-frill Accounts, SHG Credit Linkage, and FLCCC were utilised by (Koorse & S.Kavitha, 2015) to determine the incline or decline of banking penetration in Tamilnadu. According to the results, the distribution of KCCs has been declining. The number of BSBDA accounts and the number of no-frills accounts with overdraft privileges have both grown over time. The Financial Literacy and Credit Counseling Centers (FLCCCs) and the Retirement Savings Education and Training (RSET) programmes were two of the most Over the years, every district in Tamilnadu has seen the establishment of multiple FLCCCs and RSETs. From what we can see, banks have made substantial inroads across the state of Tamil Nadu.

3. RESEARCH METHODOLOGY

RESEARCH OBJECTIVES

- To study the implementation of SHG schme in the Ahmedabad district.
- To analyse the impact of the SHG plan on respondents' saving habits.

RESEARCH METHODOLOGY

From a small town in Gujarat, 594 SHG members were selected at random. A one-sample test, a chi-square test, and a paired two-tailed test were used to analyse the data.

4. DATA ANALYSIS

CHI-SQUARE TESTING			
STATEMENT	**PEARSON CHI-SQUARE**	**P VALUE**	**DECISION**
There is no significant relation between block of the respondents and awareness of PMJDY amongst of the respondents	15.387	0.023	The null hypothesis is rejected
There is no significant relation between block of the respondents and perception of respondents towards PMJDY is helpful in enhancing saving habits	89.277	0.048	The null hypothesis is rejected

ONE SAMPLE TEST		
STATEMENT	**P VALUE**	**DECISION**
Respondents do not believe that opening account and availing banking facilities under PMJDY is hassle free	0.041	The null hypothesis is rejected

TWO TAIL TEST		
STATEMENT	**P VALUE**	**DECISION**
There is no significant difference between frequency of saving before and after FI scheme	0.8347	The null hypothesis is accepted

CONCLUSION

According to the study, if properly implemented, the self-help group programme can aid in integrating women into mainstream financial services. Rural women are vulnerable to financial fraud due to a lack of knowledge and regulation from any regulatory body. As a result, municipal administrations can act as an intermediary and implement structural reforms. Working together, rural women and the financial services industry can achieve financial security and make wise financial decisions.

REFERENCES

[1] Bambuwala, S., & Shukla, S. (2017). Financial Inclusion in Rural Gujarat: A Review. OSR Journal Of Humanities And Social Science, XXII(7), 6-9.
[2] Basu, P. (2005, 9 5). A Financial System for India's Poor. Economic and Political weekly. Retrieved November 7, 2017, from www.jstor.org
[3] Christabell, & Raj, V. (2012). Financial Inclusion in Rural India: The role of Microfinance as a Tool. IOSR Journal of Humanities and Social Science (JHSS), II(5), 21-25.
[4] Datta, D. (2023). THE FUTURE OF FINANCIAL INCLUSION THROUGH FINTECH: A CONCEPTUAL STUDY IN POST PANDEMIC INDIA. Sachetas, 2(1), 11–17. https://doi.org/10.55955/210002
[5] Kamath, R., Mukherji, A., & Ramanathan, S. (2008). Ramanagaram Financial Diaries: Loan repayments and Cash Patterns of the Urban Slums. Banglore: lIMB Working Paper No. 268.
[6] Koorse, C. P., & S.Kavitha. (2015). A Study on Banking Penetration in Financial Inclusion "With Special Reference to Tamilnadu. International Journal of Engineering and Management Research, V(1), 37-44.
[7] L.S.Subramanian. (2013). A Study of Branchless Banking in Achieving Financial Inclusion in India. BVIMSR's Journal of Management Research, VI(2), 170-179.
[8] Panwar, V., Jha, A., Bhura, P., & Negi, K. (2022). FINANCIAL INCLUSION IN INDIA – AN ASSESSMENT. Sachetas, 1(1), 22–31. https://doi.org/10.55955/110005
[9] Uma.H.R, Rupa, & Madhu.G.R. (2013). Impact of Bank Led Financial Inclusion Model on the Socio Economic Status of Saral Saving Account Holders. PARIPEX - Indian Journal of Research, II(9), 50-52.