



## ROLE OF SELF HELP GROUPS IN FINANCIAL INCLUSION AND DEVELOPMENT: A STUDY OF AGRA RURAL

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### Abstract

*This paper investigates the awareness of financial inclusion among rural, economically & socially underprivileged people. In this paper an attempt has also been made to assess the working of self-help groups working in Agra district. From 6 villages and 3 self-help groups, 150 respondents were contacted personally to gather required data at random basis. The study finds that people are well aware about the financial inclusion and government's efforts meant for it. After joining the self-help groups, the economic & social conditions have improved a lot. Saving habits and financial status have improved drastically. The Self-help groups change the personality of their members significantly. This study is limited to Agra district and based on Uni-flow system of micro finance activities and schemes with reference to one bank. Therefore, a wider study would be useful to replicate the results of this study. In order to reap the full benefits of financial inclusion, it is necessary that more and more economically and socially underprivileged people should be covered.*

**Key words:** Micro Finance, Micro Insurance, Self-help Groups, Poverty, Self-development

### ***Financial Inclusion: An Introduction***

The term Financial Inclusion was coined in year 2000 after finding the positive relationship between Financial Exclusion and Poverty. Thus, financial inclusion has gained importance for poverty alleviation. In simple words financial inclusion means the delivery of banking

services to vast section of socially and economically underprivileged people of society.

Financial inclusion ensures the sufficient loans at right time and least cost to the person who is at the bottom of pyramid. Financial Inclusion is delivery of not only banking, but also other financial services like insurance, pension, remittance, mutual funds, etc. delivered at affordable, though market driven costs. Opening a no-frills account is just a beginning to a continuous process of providing banking and financial services.

Once the chairman of Committee on Financial Inclusion, Mr C. Rangrajan advised to semi-urban/rural bank branch to open nearly 250 bank accounts annually.

Therefore, financial inclusion may be explained as:

$$\text{NFA} + \text{BC} = \text{FI}$$

Where,

NFA = No Frills Saving Bank Account

BC = Business Correspondents includes Banks + Insurance companies + Mutual Funds + Pension Companies + Micro Finance Institutions

### *Review of Literature*

Chakrabarti Rajesh in his paper discusses the state of SHG-based microfinance in India. With traditionally lossmaking rural banks shifting their portfolio away from the rural poor in the post-reform period, SHG-based microfinance, nurtured and aided by NGOs, has become an important alternative to traditional lending in terms of reaching the poor without incurring a fortune in operating and monitoring costs.

Ramji Minakshi in her paper advocates opening the bank accounts of all workers of MNREGA. It would help financial literacy among the people, who are away from banking till now.

Kelkar Vijay talked the public good of financial inclusion. In his work he expressed little doubt about the working of financial inclusion.

Sharma Mandira and PaisJesim confirm that income as measured by per capita GDP is an important factor in explaining the level of financial inclusion in a country. Going beyond per capita GDP, they find that income inequality, adult literacy and urbanization are also

important factors. Further, physical and electronic connectivity and information availability, indicated by road network, telephone and internet usage, also play positive role in enhancing financial inclusion. Countries having low GDP per capita, relatively higher levels of income inequality, low rates of literacy, low urbanization and poor connectivity seem to be less financially inclusive.

According to Sriram M. S. and Upadhyayula Rajesh S., regulatory changes are needed. NGOs must be permitted to invest in the equity of MFOs, as is the case in Bolivia and Africa.

Reddy CS and Manak Sandeep say the formation of common interest groups consisting primarily of women has had a substantial impact on their lives. The impact of SHGs on women's empowerment and social security has been invariably an improvement from the status quo but there is a need for support in several areas, significant improvements in fertility rates, female literacy, participation in development programs and economic independence are evident. Further, SHGs are becoming more than just financial intermediaries, instead they have emerged into a more political and social unit of society. More importantly, the penetration of microfinance to the poorest of the poor is still weak and needs a wider reach.

Mr. Hemant Kumar Watts in his study has concluded that the PM Jan DhanYojana is a handy tool for the inclusive growth in the economic development and inclusive growth of the country. For the effective implementation of the scheme government as well as banks have to make efforts to make understand the importance of access to banking services among financial illiterate peoples of the nation. Currently, most of the rural people do not have any knowledge about the benefit from the bank accounts and do not have any debit card because most of our rural population is trapped under the poverty line.

Purvi Shah and Medha Dubhashi state in their research that to deal with financial inclusion as a means of inclusive growth, there is a need for a universal approach. To educate people about financial products, advice on money management, debt counseling, savings, and affordable credit banks required strategies that directly influence. For this bank needs to create linkage with SHGs, NGOs, Microfinance institutions, CBHGs etc. By connecting with these organizations, banks could get cost-effective models where they can quickly get good business opportunities and able to do corporate social responsibility.

And from this financial inclusion will emerge as a profitable business to them.

Varun Kesavan has revealed that for achieving full rate inclusive growth with the help of financial inclusion RBI, Government, NABARD needs to put their attention in the same direction. But doing this many hindrances have to deal with in the society. And that can only be possible with proper planning and effective implementation of policies. In the present scenario NGOs, Microfinance institutions, SHGs are proving a very cost-effective tool to increase the reach of financial inclusion with the help of banks for the inclusive growth in the different parts of the country. Thus this can be proved as a successful roadmap for the inclusive growth to help BPL's.

Pandey Kumar Arvind said in his research Critical Analysis of Micro finance in India that "Micro-Finance is emerging as a powerful instrument for poverty alleviation in the new economy.

### ***Need of the Study***

According to Mr. Anurag Sinha (Vice President- Operations, S E Investments Ltd), "60% Indian do not have any bank account which makes second-highest number people who are of financially excluded. Poverty and low per capita income are the main reason of it. Present Indian government has launched new schemes and providing high amount of funds".

Therefore, in the current study an attempt has been made to examine awareness of financial inclusion and its various means and also try to find out the impact of Self Help Groups (SHGs) on overall development of weaker section of society.

### ***Objectives of the Study***

- To know the awareness level of financial inclusion among people.
- To find out the impact of self help group on sustainable development of group members.

### ***Research Design and Methodology***

#### **Hypotheses**

Ho<sub>1</sub>: - Awareness of Financial inclusion and sustainable development are independent to each other.

Ho<sub>2</sub>:- Self-Help Groups and development in Agra Rural Area are independent to each other.

## Scope of Study

In this study rural and semi-urban area of Agra district have been included. This study is based on Uni-flow system of micro finance activities and schemes with reference to:

- I. Punjab National Bank (Public sector commercial bank)
- II. SHGs (Agra district )

## Sample Size

A good sample is a true representation of the population. Therefore for the current study, sample sizes have been divided in three main categories as below:

## Self Help Groups

Researchers selected those 3 areas of Arga Rural where maximum numbers of SHGs are working and out of that 50% of SHGs have been taken for study randomly. Table 1 gives the details.

*Table 1: Name of Areas, Population and Sample Size of SHGs*

<i>Locations</i>	<i>Sawai, Etmadpur</i>	<i>Iroda Saiya</i>	<i>Ladukheda Saiya</i>	<i>Total</i>
Population	18	12	10	40
Sample Size (50% of Population)	9	6	5	20

*Source: CDO, Agra*

## Individual Respondents

Out of selected 3 areas of Agra Rural, 6 localities have been selected and from each locality 25 persons who are the members of any SHG, have been selected. All selection has been made randomly (Table 2).

*Table 2: Name of Locality and numbers of respondent*

<i>Name of village</i>	<i>Nari Pura</i>	<i>Nagla Bigha</i>	<i>Dhandhu Pura</i>	<i>Nagla Haveli</i>	<i>Lakhan Pura</i>	<i>Poiya Ghat</i>	<i>Total</i>
Total population of villages	835	2,060	1607	1953	2443	1547	10445
Members of SHG's	114	319	169	122	258	164	1146
No. of Respondents	25	25	25	25	25	25	150

*Source: CDO, Agra*

### ***Collection of Data***

This study is based on both primary and secondary data. Primary data have been collected from the respondents through the questionnaires / Schedule for beneficiaries and interviews of officials of banks and NGOs.

Primary data have been supported by secondary sources which to be collected from journals and Magazines published, papers presented at seminars and conferences, publications etc. Data have also been collected from Annual Reports of Reserve Bank of India, NABARD and other official Web sites.

### **Statistical Tools**

To test the hypotheses and presentation of survey findings, statistical techniques have been used like weighted average, Z-test, Chi-square test etc.

### **Limitation**

This study has been carried out in only in Agra district and based on Uni-flow system of micro finance activities and schemes with reference to one bank. So, limited geographical area and banks has been covered in this study.

### ***Analysis of Data***

In the present study researcher tries to explore facts related to financial inclusion, its applicability and drawbacks through direct approach with people who somewhat related with financial inclusion. For effective and understandable study researcher has divided analysis part in three main categories on the basis of objectives.

Table 3 is showing the profile of respondents.

### ***Awareness of Financial Inclusion Among People***

Table 4 is showing the awareness of financial inclusion among people.

### ***Impact of Self Help Group on Sustainable Development of Group Members***

Table 5 is showing the impact of self-help group on sustainable development of group members.

**Table 3: Profiles of Respondents**

<i>Basis</i>	<i>Category of Respondent</i>	<i>Number</i>	<i>Percentage</i>
Age (In complete years)	20-30	30	20
	30-40	93	62
	40-50	17	11
	50-60	10	7
	Total	150	100
Caste	General	25	17
	Schedule cast	75	50
	OBC	18	12
	Others	32	21
	Total	150	100
Income (INR / day)	50-100	20	13
	100-150	60	40
	150-200	40	27
	200-250	30	20
	Total	150	100
Occupation	Farming	90	60
	Daily earner	20	13
	Milk men	25	17
	Artisan	15	10
	Total	150	100
Education	Primary	98	65
	Metrics	32	21
	High School	10	7
	Inter	10	7
	Total	150	100

Source: Analysis

**Table 4: Awareness of Financial Inclusion among People**

<i>S/No</i>	<i>Parameters</i>	<i>Mean Value</i>
1	No frill account	2.32
2	Micro insurance scheme	2.35
3	Micro credit	2.09
4	Pension plans	2.08
5	Cheque facility	1.96
6	Direct Benefit Transfer	2.05
7	Credit and debit cards	1.84
8	Overdraft facility	1.65
9	Payment and remittance services	1.71
10.	Financial market	1.84

Source: Analysis

*Table 5: The Impact of Self Help Group on Sustainable Development of Group Members*

Category	Parameters	Before Joining		After Joining		Z-Value
		Mean	S.D	Mean	S.D	
Economic Issues	Contributing to family income	2.05	1.24	4.2	0.92	-8.78
	Financial status	2.27	0.99	4.45	0.97	-9.86
	Saving habit	1.42	0.67	3.95	1.07	-12.65
	Contribution to household income after joining the group	1.55	0.80	4.15	0.79	-14.58
	Housing condition	1.55	0.83	4.5	0.86	-15.5
Average		1.77	0.91	4.25	0.92	
	Calculated Z value	-12.09				
	Tabulate Z value	1.96				
Self-Development Confidence level	Confident in moderating group meetings	1.47	0.83	4.6	0.8	-17.08
	Communication skill	1.67	1.03	4.4	0.91	-12.47
	Dressing sense	1.92	0.985	4.45	0.80	-12.55
	Over all personality	2.27	1.07	4.2	1.02	-8.193
	Average	1.89	0.97	4.4	0.91	
	Calculated Z value	-11.86				
	Tabulate Z value	1.96				
Social status	Newspaper reading habit	1.7	1.05	3.85	1.10	-8.9
	Clean cooking and eating habits	1.55	0.86	4.1	1.13	-11.31
	Feel recognized in society	1.375	0.731	3.95	1.12	-12.21
	Handling banking work	1.4	0.768	4.05	1.12	-12.37
Average		1.506	0.854	3.99	1.12	
	Calculated Z value	-11.16				
	Tabulate Z value	1.96				

Source: Analysis

### **Economic Issues**

Fig. 1 is showing the changes in economic conditions and habits of the respondents after joining the self help group.

As far as the economic condition of group member of SHGs is concerned, the fig. 1 clearly reveals that there is a lot of improvement in each parameter after joining the Self help group, as they find lot



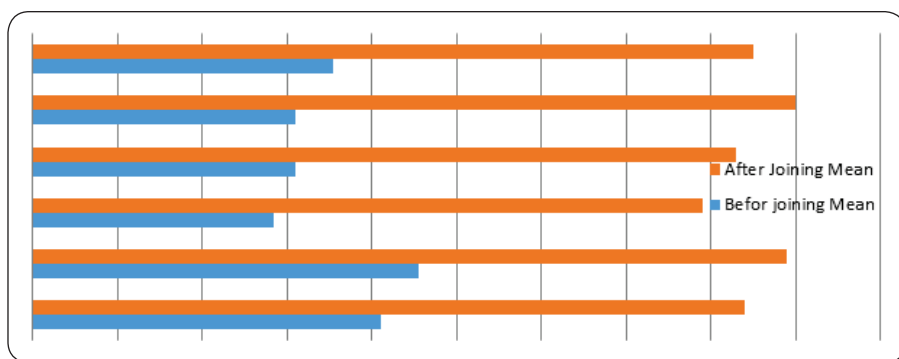


Figure 1: (Source: Analysis)

of improvement in their financial status followed by contribution to family and house hold income, housing condition and at last in their saving habits.

**Self Development**

Fig. 2 is showing the changes in self development of the respondents after joining the self help group.

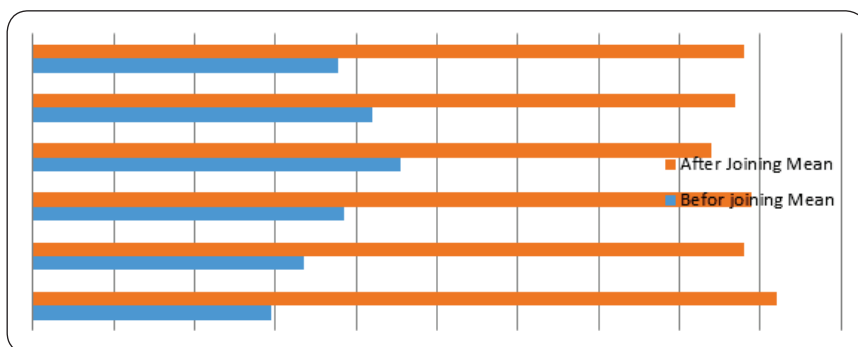
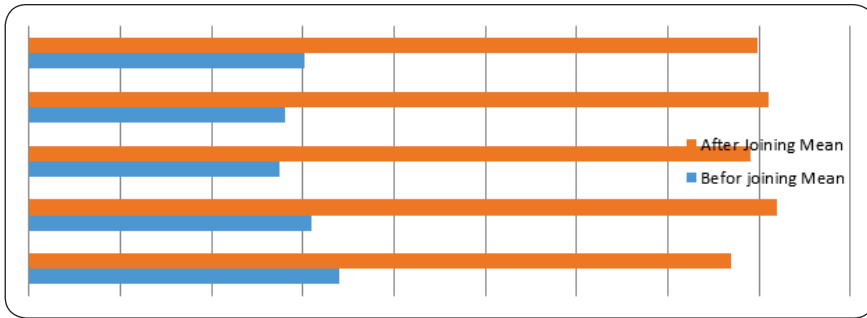


Figure 2: (Source: Analysis)

As far as the self development of group member of SHGs is concerned, the fig. 2 shows clearly that there is a lot of improvement in their own development after joining the Self help group, as they find lot of improvement in their communication skill, confidence level, over all personality and at last in their dressing sense.

**Social Status**

Fig. 3 is showing the changes in social status of the respondents after joining the self-help group.



**Figure 3: (Source: Analysis)**

As far as social status of group member of SHGs is concerned it can clearly visible from the fig.3 that there is a lot of improvement in their social status after joining the Self help group in their clean cooking and eating habit, news paper reading.

**Test of Hypotheses**

$H_{o1}$  – The Economic condition of respondents before joining the SHG = the Economic condition of respondents after joining the SHG *i.e.* 1.77 = 4.25

$H_{a1}$  – The Economic condition of respondents before joining the SHG  $\neq$  the Economic condition of respondents after joining the SHG *i.e.* 1.77  $\neq$  4.25

**Table 6: Testing of Hypothesis**

Category	Parameters	Before Joining		After Joining		Z-Value
		Mean	S.D	Mean	S.D	
Economic Issues	Contributing to family income	2.05	1.24	4.2	0.92	-8.782
	Financial status	2.27	0.99	4.45	0.97	-9.86
	Saving habit	1.42	0.67	3.95	1.07	-12.657
	Contribution to household income after joining the group	1.55	0.80	4.15	0.79	-14.58
	Housing condition	1.55	0.83	4.5	0.86	-15.5
Average		1.77	0.91	4.25	0.92	-12.09

Source: Analysis

From above calculation (Table 6), it can be concluded that as the tabulated value (1.96 at 5% level of significance) of all the parameters are less than the calculated value therefore  $H_o$  is rejected. Hence, it can be

concluded safely that there is significant improvement in the economic condition of the group members after joining the self help group.

Ho<sub>2</sub> – Self development of respondents before joining the SHG = Self development of respondents after joining the SHG *i.e.* 1.89 = 4.4

Ha<sub>2</sub> – Self development of respondents before joining the SHG  $\neq$  Self development of respondents after joining the SHG *i.e.* 1.89  $\neq$  4.4

Table 7: Testing of Hypothesis

Category	Parameters	Before Joining		After Joining		Z-Value
		Mean	S.D	Mean	S.D	
Self-Develop ment	Confident in moderating group meetings	1.475	0.836	4.6	0.8	-17.08
	Confidence level	1.675	1.034	4.4	0.916	-12.47
	Communicatio n skill	1.925	0.985	4.45	0.8046	-12.55
	Dressing sense	2.275	1.072	4.2	1.029	-8.193
	Over all personality	2.1	0.969	4.35	1.013	-10.15
Average		1.89	0.9792	4.4	0.91252	-11.86

Source: Analysis

From above calculation (Table 7), it can be concluded that as the tabulated value (1.96 at 5% level of significance) of all the parameters are less than the calculated value therefore Ho is rejected. Hence, it can be concluded safely that there is significant improvement in their own development of self help group member after joining the self help group.

Ho<sub>3</sub> – Social status of respondents before joining the SHG = Social status of respondents after joining the SHG *i.e.* 1.51 = 3.99

Ha<sub>3</sub> – Social status of respondents before joining the SHG  $\neq$  Social status of respondents after joining the SHG *i.e.* 1.51  $\neq$  3.99

From above calculation, it can be concluded that as the tabulated value (1.96 at 5% level of significance) of all the parameters are less than the calculated value therefore Ho is rejected. Hence, it can be concluded safely that there is significant improvement in their social status of self help group member after joining the self help group.

*Table 8: Testing of Hypothesis*

Category	Parameters	Before Joining		After Joining		Z-Value
		Mean	S.D	Mean	S.D	
Social status	newspaper reading habit	1.70	1.05	3.85	1.11	-8.90
	Clean cooking and eating habits	1.55	0.86	4.10	1.13	-11.31
	feel recognized in family	1.37	0.73	3.95	1.12	-12.207
	Handling bank work	1.40	0.77	4.05	1.12	-12.37
Average		1.51	0.85	3.99	1.12	-11.160

Source: Analysis

### **Findings**

After analyzing above responses, findings shown in Table 8 come out during the study:

- On the basis of analysis it is clear that even our government is making a lot of efforts and investing money for increasing financial inclusion but till date our target population is concerned they have heard about it but unaware about concept.
- As far as awareness level of various means of financial inclusion such as no frill account, micro insurance, micro credit, direct benefit transfer, credit and debit card etc is concerned; there is little bit awareness among people.
- SHGs help a lot to improve educational status of their members. 85% of respondents are able to write their name after joining the group of those who earlier unable to write the same. 80% of respondents are able to read and fill the forms in banks even they are not formally educated.
- 95% of respondents acquired job oriented skills after joining SHG.
- 80% of respondents feel enhanced contribution to household income after joining the groups.
- 65% of respondents feel increase in their confidence level after joining SHG.

- 60% respondents feel improvement in their communication skill.
- On an average the monthly income of each member is Rs. 4453 in comparison to Rs.2563 it means SHGs contributed significantly to increase the house hold income of their members.
- During the study period, monthly profit of SHGs is Rs. 2360, Rs. 2560 and Rs. 2720. It shows that the fund provided to the grass root people, is generating and circulating money and improving financial position its members which ultimately leads to sustainable development.
- As far as analysis of uni flow syatem is concerned it clearly shows that micro credit facility provided to SHGs in the form of micro credit not only improve condition of group member but also increase circulation of money with in the economy as at each level it generate profit.
- There is significant improvement in the economic condition, self development and social status of self help group member after joining the self-help group.
- In the last, it can be conclue that financial Inclusion is a very important tool for sustainable developmentsnot only for weaker section of society but also for nation.

### **Obstacles in Financial Inclusion**

After seventy years of independent, our planners have not yet realized the fact that we are having a diverse culture all over and one thing accepted in any part, among a particular community may not be accepted in the other part or among the other community. There are number of problems have been mentioned by respondent during survey, some of them are as below:

- As a matter of practice, SHGs for women have been initiated mostly all over the country irrespective of caste, tribe, community and religion. And Agra rural same has been observed. It has been never taking into consideration which gender among different community is the working force and who can be entrepreneur and decision makers.
- Banks are making linkages looking to the savings and ICDS is also promoting several other activities. Therefore, to get targeted numbers people are included in SHGs whether they understand anything or not.

- Most of the time, SHGs are the part of the government schemes and managed by different NGOs that have lack of trust among people.
- As far as Micro insurance schemes for crops and health are concerned, in general, there is no public faith in their reimbursement track record of claims.

### **How Things can be Improved**

- The sponsored bankers should be responsible of creating awareness of financial inclusion. With NGOs, bankers should have publicity and literacy programs and educate gram panchayat.
- There should be a manageable size of a SHG and only willing persons are be the members. SHGs should not be managed as pure part of government schemes.
- Poverty has no caste, gender, community and over all religion. So it must not count the females only.
- Reimbursement of claims in public meetings would be an effective measure for creating public confidence in financial inclusion process and in SHGs/NGOs.
- From last four years, a vulgarity of weather caused lot of loss to farmers for which insufficient compensation has been offered. And some time it was just like joke with farmers. So, there is a need to redesign micro insurance policies particularly for crops and health. Compensation determinants should area specific link with minimum support price of crops.
- There must be a separate regulatory authority like TRAI, IRDA, SEBI for financial inclusion which has representatives from RBI and government at national level where as at local level sponsor bank, district administration, block development officer and gram panchayat should keep control and vigil.
- Private Banks and insurance companies should be channelized in rural areas for micro credit and insurance.
- Indian Agriculture was the backbone of economy in past and it will remain in future too. Children education, skill development, health & sanitation, Conservation of water & harvesting and Connectivity of village to urban market is few areas where corporates should come forward and fulfill their corporate social responsibility by adopting rural areas. Well-developed rural areas will lead to stage of mass consumption – an engine of economic growth.

## ***Conclusion***

As it is correctly said that *poor stay poor, because money makes money*. So financial inclusion is a life giving blood for the poor people who have ability to do something and want to increase their standard of living.

In the present study, researchers examine that as far as awareness level of various means of financial inclusion is concerned there is lot of work to do and if people know about it even then they are not interested to be part of it. Researchers find lot of problem to convince people to open bank account, to take insurance policy etc. Now it is a right time to join hand by different institutions to change this situation because only government is not only responsible for development but corporate sector also have responsibility socio – economic development of our nation which can be done through financial inclusion only.

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