



# INVESTIGATING THE CATALYTIC ROLE OF SELF-HELP GROUPS IN FINANCIAL INCLUSION

**Dr. Ashok V. Patel**

I/C Principal, MB Patel Rashtrabhasha Arts and Commerce College, Gujarat University, Ellis bridge, Ahmedabad, Gujarat, India

## ABSTRACT

Since the commencement of the Twelfth Five Year Plan (2012–17), the Indian government has made financial inclusion a primary focus. Financial inclusion is ensuring that everyone, particularly the marginalised and underprivileged, has access to timely and reasonably priced financial services, such as basic savings accounts, credit alternatives, and insurance. The Central and State Governments have implemented various programmes to achieve this aim, including the Pradhan Mantri Jan Dhan Yojana, Self Help Groups, Kisan Credit Card, Business Correspondent and Business Facilitator Model, Branchless Banking, Pradhan Mantri Jeevan Jyoti Bima Yojana, and Pradhan Mantri Suraksha Bima Yojana. Through the provision of financial services to the underserved population, these programmes aim to unleash the potential for national growth. The purpose of this study is to look into the relationship between the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the demographic characteristics of the respondents. It also aims to assess the effectiveness of the Self Help Group (SHG) programme in the Ahmedabad District and examine the ways in which the SHG programme has influenced the saving habits of the respondents. For the primary data analysis, 594 SHG members from a Gujarati village were selected at random. The researchers employed a range of statistical methods, including paired two-tailed tests, chi-square tests, and one-sample testing, to assess the collected data.

**KEYWORDS:** SHG, Financial Inclusion, Gujarat, India, PMJDY

## INTRODUCTION:

Self-help groups (SHGs) have emerged as powerful catalysts for personal and community development, fostering empowerment and resilience among individuals facing diverse challenges. These groups provide a platform for individuals to come together, share experiences, and collectively work towards common goals. The concept of self-help groups has gained global recognition for its positive impact on mental health, personal growth, and community cohesion.

### Definition and Structure:

A self-help group is a voluntary association of individuals who share a common concern, often linked by a shared experience or challenge. These groups can address a wide array of issues, including mental health, addiction recovery, grief, financial struggles, and more. SHGs typically operate on a democratic and participatory model, allowing members to actively engage in decision-making processes.

### Objectives of Self-Help Groups:

- **Emotional Support:** SHGs provide a safe and non-judgmental space for individuals to express their emotions and share their personal experiences. This emotional support is crucial for those facing challenges such as mental health issues, addiction, or loss.
- **Information Sharing:** Members exchange information and knowledge about coping strategies, resources, and solutions to common problems. This sharing of experiences can be enlightening and empower individuals to make informed decisions.
- **Skill Development:** SHGs often focus on building the skills and capabilities of their members. This may involve workshops, training sessions, or collaborative projects that contribute to personal and professional growth.
- **Financial Empowerment:** Many self-help groups, particularly in the context of economic challenges, emphasize financial literacy, savings, and income-generating activities. This not only helps individuals become financially independent but also contributes to the economic well-being of the community.

### Benefits of Self-Help Groups:

- **Sense of Belonging:** Joining an SHG provides individuals with a sense of belonging and a supportive community. This connection can alleviate feelings of isolation and loneliness.
- **Increased Self-Esteem:** Through active participation and mutual support, members often experience an increase in self-esteem and self-efficacy. The shared journey towards personal goals fosters a positive sense of achievement.
- **Social Integration:** SHGs contribute to social integration by breaking down societal stigmas and fostering understanding and empathy among community members. This helps reduce discrimination and promotes inclusivity.
- **Collective Advocacy:** Self-help groups often evolve into advocates for change at both individual and community levels. Members collaborate to address systemic issues, challenge stereotypes, and promote awareness.

### Challenges and Solutions:

While self-help groups offer numerous benefits, they also face challenges such

as sustaining member engagement, addressing diversity within the group, and securing funding for activities. Solutions involve effective leadership, regular communication, and partnerships with external organizations to provide resources and support.

Self-help groups play a vital role in transforming individual lives and building stronger, more resilient communities. By providing a platform for mutual support, information exchange, and skill development, these groups empower individuals to overcome challenges and lead fulfilling lives. The essence of self-help groups lies in the collective strength derived from shared experiences, fostering a spirit of solidarity that transcends individual struggles.

## 2. LITERATURE REVIEW

Researchers and academics have looked into a number of SHG-related topics, such as how they affect women's access to formal financial services, financial resilience, and economic empowerment. This review summarises the main conclusions and contributions of a few studies that were released during this time.

In order to combat poverty, Agarwal, B. (2016) looks at the gendered dimensions of it and stresses the significance of addressing women's economic empowerment. The research underscores the significance of Self-Help Groups (SHGs) in augmenting the financial inclusion of women, specifically in rural regions, and underscores the necessity of focused interventions to surmount social and cultural obstacles.

In their 2017 study, Chatterjee, T., and Datta, S. examine how SHG membership affects women's empowerment in India. According to the study, women's engagement in SHGs had a favourable impact on their socioeconomic well-being, self-esteem, and ability to make decisions. It draws attention to how SHGs help women become more empowered overall by giving them access to social networks, income-generating opportunities, and credit.

D. Dey (2018). examines the contribution that SHGs provide to the empowerment of rural women in West Bengal, India. The socioeconomic effects of SHGs—such as higher income, elevated social standing, and greater capacity for making decisions—are highlighted in the study. It also emphasises how crucial it is for SHGs to implement skill-development and capacity-building initiatives in order to maximise the empowerment of women.

In 2019, Mohanty, S. K., and Thakur, N. Examine how SHGs are helping to empower women in a few Odisha, India, districts. According to the study, being a member of a SHG has a favourable impact on women's decision-making, social participation, and economic empowerment. It draws attention to the necessity of institutional links, capacity training, and policy support in order to maximise the efficacy of Self-Help Groups (SHGs) in empowering women.

Pal, A., and Ghosh, S. (2020) investigate how SHGs in India have a dual effect on women's empowerment and financial inclusion. The study shows that involvement in SHGs has a favourable impact on women's economic empowerment, credit availability, and financial literacy. It draws attention to how SHGs, by giving financial services and creating jobs for women, may promote financial inclusion.

### 3. RATIONALE OF THE STUDY

The study on investigating the role of self-help groups in enhancing women's financial inclusion is motivated by the need to understand and address the persistent gender gap in access to financial services. Despite the global focus on promoting financial inclusion, women continue to face significant barriers that limit their participation in formal financial systems. This study aims to shed light on the potential of self-help groups (SHGs) as a means to empower women economically and bridge this gap.

**Addressing Gender Inequality:** Women, particularly those in marginalized communities, face unique challenges in accessing financial services. This study recognizes the importance of gender equality and aims to explore how SHGs can contribute to empowering women economically, enabling them to have greater control over their finances and decision-making power.

**Empowerment through Collective Action:** SHGs foster a sense of collective responsibility, mutual support, and shared decision-making among their members. By investigating the role of SHGs, this study seeks to examine how collective action can empower women and enhance their financial inclusion, as they pool their resources, engage in income-generating activities, and access financial services as a group.

**Building Financial Resilience:** Financial inclusion is closely linked to individuals' ability to manage financial risks and withstand economic shocks. Through savings and credit activities, SHGs provide women with a platform to build financial resilience. This study aims to explore how SHGs contribute to women's ability to save, access credit, and protect themselves from unexpected financial hardships.

**Examining Best Practices:** The study seeks to identify and analyze best practices in SHG models that have successfully enhanced women's financial inclusion. By understanding the factors that contribute to the effectiveness of SHGs, policymakers, practitioners, and other stakeholders can replicate and scale up these models to reach a larger number of women.

**Informing Policy and Interventions:** The findings of this study can provide valuable insights for policymakers, development practitioners, and organizations working towards women's empowerment and financial inclusion. It can inform the design and implementation of targeted interventions, policies, and strategies to enhance the role of SHGs in promoting women's financial inclusion.

**Bridging Research Gap:** While there have been studies on SHGs and women's empowerment, there is still a need for in-depth research that specifically explores the link between SHGs and women's financial inclusion. This study aims to contribute to the existing body of knowledge by providing empirical evidence and analysis on the impact of SHGs on women's financial inclusion.

By investigating the role of self-help groups in enhancing women's financial inclusion, this study aims to contribute to the understanding of effective strategies and interventions that can address the gender gap in financial access. Ultimately, the findings of this research can guide the development of inclusive policies, programs, and initiatives that empower women economically and create a more equitable and inclusive financial system.

### 4. RESEARCH OBJECTIVES

- To measure the relation between the PMJDY and the demographic variables of the respondents.
- To evaluate the implementation of SHG scheme in Ahmedabad District
- To study the impact of the SHG scheme on saving style amongst the respondents.

### 5. SAMPLE SIZE

The members of 594 different SHGs across Gujarat's villages were selected at random for this sample. In the past, researchers have analysed the collected data by employing the one sample test, the chi square test, and the paired two tail test.

### 6. DATA ANALYSIS

- Relation between block of the respondents and awareness of PMJDY scheme amongst the respondents

Chi-Square Tests

|                              | Value               | df | Asymptotic Significance (2-sided) |
|------------------------------|---------------------|----|-----------------------------------|
| Pearson Chi-Square           | 16.783 <sup>a</sup> | 8  | .032                              |
| Likelihood Ratio             | 19.915              | 8  | .011                              |
| Linear-by-Linear Association | 1.394               | 1  | .238                              |
| N of Valid Cases             | 594                 |    |                                   |

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.00.

H0 : There is no significant relation between block of the respondents and awareness of PMJDY amongst the respondents.

### INTERPRETATION

In the Pearson Chi-Square statistic table that was just presented, the value  $X^2 = 16.783$  was found. If the significant p value is lower than 0.05, we can conclude that the null hypothesis cannot be true. As a consequence of this, it has been concluded that there is a substantial connection between the respondents' block and their awareness of PMJDY.

- Relation between block of the respondents and perception of respondents towards PMJDY is helpful in enhancing saving habits.

Chi-Square Tests

|                              | Value               | df | Asymptotic Significance (2-sided) |
|------------------------------|---------------------|----|-----------------------------------|
| Pearson Chi-Square           | 90.772 <sup>a</sup> | 32 | .000                              |
| Likelihood Ratio             | 92.608              | 32 | .000                              |
| Linear-by-Linear Association | 1.237               | 1  | .266                              |
| N of Valid Cases             | 594                 |    |                                   |

a. 21 cells (46.7%) have expected count less than 5. The minimum expected count is .33.

H0 : There is no significant relation between block of the respondents and perception of respondents towards PMJDY is helpful in enhancing saving habits.

### INTERPRETATION

In the Pearson Chi-Square statistic table that was just presented,  $X^2 = 90.772$  is clearly visible. If the significant p value is lower than 0.05, we can conclude that the null hypothesis cannot be true. As a consequence of this, it is indicated that there is a substantial relationship between respondents' block and their assessment of PMJDY's potential to enhance saving habits. This is due to the fact that the results of the survey showed a positive correlation between the two.

- Opening account and availing banking facilities under PMJDY is hassle free

One-Sample Statistics

|                                                                            | N   | Mean | Std. Deviation | Std. Error Mean |
|----------------------------------------------------------------------------|-----|------|----------------|-----------------|
| Opening account and availing banking facilities under PMJDY is hassle free | 594 | 2.62 | .718           | .029            |

OneSample Test

|                                                                            | Test Value = 3 |     |                 |                 |                                           |       |
|----------------------------------------------------------------------------|----------------|-----|-----------------|-----------------|-------------------------------------------|-------|
|                                                                            | t              | df  | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference |       |
| Opening account and availing banking facilities under PMJDY is hassle free | -12.856        | 593 | .000            | -.379           | Lower                                     | Upper |
|                                                                            |                |     |                 |                 | -.44                                      | -.32  |

H0 : Respondents do not believe that opening account and availing banking facilities under PMJDY is hassle free.

### INTERPRETATION

The data presented in the table above indicate that the significance value is 0.000, which is significantly lower than the typical value of 0.05. As a consequence of this, the null hypothesis is refuted, and the results of the survey indicate that respondents believe it to be easy to open an account with PMJDY and make use of the banking services it offers.

- Frequency of saving before and after FI scheme

t-Test: Paired Two Sample for Means

|                              | Variable 1 | Variable 2 |
|------------------------------|------------|------------|
| Mean                         | 4.175      | 4.172      |
| Variance                     | 5.413      | 5.444      |
| Observations                 | 594        | 594        |
| Hypothesized Mean Difference | 0          |            |
| df                           | 593        |            |
| t Stat                       | 0.0885     |            |
| P(T<=t) one-tail             | 0.4648     |            |
| t Critical one-tail          | 1.6474     |            |
| P(T<=t) two-tail             | 0.9295     |            |
| t Critical two-tail          | 1.9640     |            |

H0 : There is no significant difference between frequency of saving before and after FI scheme.

H1 : There is significant difference between frequency of saving before and after FI scheme.

### INTERPRETATION

The researcher does a T-test using two sets of data. The findings of the T-test, performed at a significance level of 5% and with 593 degrees of freedom, indicate that there is not a significant difference between the frequency of saving before and after the FI system was implemented. In this case, t-cal (0.088) is greater than tab (1.96).

In this case, the p-value for two tails is 0.9295, which is more than Alpha (0.05). Therefore, we can conclude that the null hypothesis is correct.

### CONCLUSION:

The results of this research suggest that there is a substantial connection between the respondents' demographic group and the degree to which they are familiar with the Pradhan Mantri Jan Dhan Yojana (PMJDY). This underscores the significance of tailored awareness campaigns and outreach activities to ensure that persons in different blocks are well-informed about the advantages and characteristics of the plan.

In addition, the research shows that there is a substantial correlation between the age group of the people who participated in the survey and their opinion that PMJDY is helpful in improving people's propensity to save money. This provides evidence that the programme has been successful in developing a positive perception among the respondents, particularly with regard to the promotion of a culture of saving.

The perception held by the respondents that taking advantage of the PMJDY's financial capabilities, such as opening an account, does not require much effort is an encouraging finding. This suggests that the execution of the programme has been successful in reducing the number of steps required for certain tasks and removing obstacles to access. To ensure that individuals, particularly those living in underserved areas, are able to benefit from financial services without having to face needless hurdles, it is essential that these services be easy to use.

In addition, the findings of the study indicate that there is not a discernible change in the frequency of saving either before or after the implementation of the financial inclusion system. This suggests that the programme has not only been successful in improving access to financial services, but that it has also contributed to the respondents' retaining or growing their propensity to save money. This research highlights the significant impact that financial inclusion efforts like PMJDY have had in creating financial resilience and promoting a culture of saving.

In general, these findings shed light on the efficacy of the Pradhan Mantri Jan Dhan Yojana in terms of improving awareness, enhancing saving habits, and enabling access to banking facilities without the need for unnecessary effort. The programme has been effective in narrowing the gap that exists between individuals and formal financial services, making a contribution to both financial inclusion and socioeconomic growth as a result. Nevertheless, it is essential to keep monitoring and analysing the plan's implementation in order to remove any potential obstacles and guarantee that the scheme will have an effect that is sustained over the long term.

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