

# ANALYZING THE IMPACT OF FINANCIAL INCLUSION THROUGH SELF HELP GROUPS ON URBAN POOR IN SELECTED CITIES OF SAURASHTRA

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**Abstract** - Financial Inclusion was the core mission of the Prime Minister when he declared Pradhan Mantri Jan Dhan Yojana on 68<sup>th</sup> Independence Day, extending banking activities, insurance and credit to the excluded. Financial Inclusion aimed to ensure at least two bank accounts for the poor, offering micro insurance and formal credit. RBI also defines Financial Inclusion as the process of ensuring access of financial products and services to the poor at an affordable cost so as to include them to the formal financial system. Out of several approaches adopted by the RBI and NABARD, one of the most effective tool was creation of Self Help Groups, formally known as Sakhimandals, which aimed to included poor women in the formal financial system by creation of a group of members with similar social and educational background, with an objective to carry out an economic activity or saving a small amount on regular basis and using the amount towards their economical upliftment. In this study, the impact of Financial Inclusion is measured on social as well as economical status of the women, who are included financially with the membership of Self Help Groups.

**Keywords** - Bank Account, Financial Inclusion, Self Help Groups, Socio-Economic Background

## I. INTRODUCTION

With the motive of alleviating urban poverty, Ministry of Housing and Urban Poverty Alleviation has launched National Urban Livelihood Mission, NULM. One of the core objectives of NULM, is to promote financial inclusion by facilitating urban poor towards access to financial services like, savings, insurance, credit, etc. NULM also includes various components, wherein SM&ID, Social Mobilisation and Institution Development includes creation of Self Help Groups, providing them Revolving Fund and credit for social as well as economic upliftment. Focusing on inclusion especially of poor women residing in urban slums, into a group containing five to fifteen members, which would provide support to the group members in terms of social status as well as generating financial literacy, NULM is considered as a mission approach.

The self help groups are assessed on the basis of amount of savings, meetings organised and attended, economic activity, if any, carried out by the group etc. After assessment, if found appropriate at the end of six months, the group will be entitled to receive a Revolving fund which can be utilised by the group members in the form of providing micro credit to the members of the group. Such amount become a helping hand for the members to fight against medical emergencies, meeting family needs like, education, marriage, asset building, etc. These groups are also entitled with interest subsidy and more fund if the performance is found to be satisfactory in terms of micro loan repayment and appropriate utilisation of

allocated fund. With the view to identify the impact of the above initiatives by the government, this study is conducted with the following objectives:

## II. OBJECTIVES OF THE STUDY

1. To study the concept of urban Financial Inclusion
2. To analyze the Self Help Group Dynamics of the respondents
3. To identify major factors creating an impact on Social and economical status of the respondents.

## III. REVIEW OF LITERATURE

Financial Inclusion: Technology, Institutions and Policies, Keynote address delivered by Dr. Raghuram Rajan, at the NASSCOM India Leadership Forum, 2014: Many successful organizations working with the poorest of the poor try to get them to put aside some money as savings, no matter how little, before giving them loans. Some of our self-help groups (SHGs) work on this principle. Not only does the savings habit, once inculcated, allow the customer to handle the burden of repayment better, it may also lead to better credit allocation Bringing financial services to the masses - An NCR White Paper on financial inclusion, 2009: This paper highlights that the size of the unbanked and underserved population is too large and spread across too vast of geographies. The scalability and sustainability challenges facing financial inclusion is done by providing greater confidence, security, and ease of use for those people

using financial services, including overcoming issues such as literacy

K J Udeshi, Financial inclusion for urban poor, (March 2014) states that basically, there is a difference between the rural poor and the urban poor as far as proof of identity and address are concerned. In a village, almost everyone knows about everyone, whereas in the urban areas, one may not know who one's neighbor is, let alone be convinced of the identity and address of the urban poor. This, therefore, implies that if the instructions to banks are easy to apply in rural areas, they are not necessarily so in urban areas.

#### IV. RESEARCH METHODOLOGY

This study is descriptive in nature, covering women who are the members of self help groups formed in the Junagadh as well as Rajkot cities of Saurashtra Region of Gujarat. The data collection was done using convenience sampling method with sample size of 200 members.

#### V. DATA ANALYSIS

Data collected was analysed using SPSS, Statistical Package for Social Science 22 software. Various tools like Frequency analysis, paired T test, Factor Analysis etc. are used to analyse the data and derive the outcomes.

Demographic Details of the respondents:

70% of the respondents were of age between 26 to 45 years

53% of respondents had primary education

82% respondents belonged to socially and educationally backward class

94% of women were married, with 52% of them having family size of 4 to 6 members

82% of the respondents did not have any bank account before joining a self help group.

##### Paired T Test:

H0: There is no significant difference between the mean values of the two variables, before and after joining self help groups for the following parameters:

Frequency of bank visits,

Savings habits and

Access to formal credit, like bank loan

H1: There is significant difference between the mean values of the two variables, before and after joining self help groups for the following parameters:

Frequency of bank visits, Savings habits and Access to formal credit, like bank loan

Paired Sample test						
		Mean	Std. Deviation	Std. Error Mean	df	Sig. 2 tailed
Pair 1	BANK VISIT - BANK VISIT	2.225	1.000	.071	199	.000
Pair 2	PRE_SAVINGS - POST SAVINGS	4.660	.925	.066	199	.000
Pair 3	PRE_LOAN - POST_LOAN	.555	.546	.039	199	.000

Source: Primary data collection. Above table suggests that null hypothesis was rejected at 95% significance level.

##### Factor Analysis:

Factor Analysis helps to summarize the data so that the data can be interpreted in terms of identifying relationships and patterns among the data collected.

It also helps to reduce the factors that share common variance and which can be clubbed into a common factor which broadly explains the factors into it.

Communalities		
	Initial	Extraction
Reasons for joining SHG To repay old debts	1.000	.794
Reasons for joining SHG To promote savings	1.000	.560
Reasons for joining SHG To maintain house expenses	1.000	.656
Reasons for joining SHG To raise status in society	1.000	.789
Reasons for joining SHG To maintain income generating activities	1.000	.630
Reasons for joining SHG To get loan	1.000	.584
Extraction Method: Principal Component Analysis.		

Component Matrix <sup>a</sup>		
	Component	
	1	2
Reasons for joining SHG To repay old debts	.668	.590
Reasons for joining SHG To promote savings	.538	-.520
Reasons for joining SHG To maintain house expenses	-.594	.551
Reasons for joining SHG To raise status in society	.791	.404
Reasons for joining SHG To maintain income generating activities	.793	.019
Reasons for joining SHG To get loan	-.162	.747
Extraction Method: Principal Component Analysis. a. 2 components extracted.		

From the above tables, we can interpret that out of various reasons for the respondents joining the self help group, we can derive two main reasons summing up them with commonality. They are:

**Reason 1:** Social and economical upliftment, which includes Social Upliftment in terms of, objective of raising social status, repayment of debts (to be credible) and Economical Upliftment in terms of inculcating savings behaviour and maintain income generating activities.

**Reason 2:** Financial Support, which includes Meeting household expenses and get access to credit, that is formal bank loan.

## CONCLUSION

From the above analysis we can conclude that, Membership of self help groups has significantly created impact on social and economical conditions of the urban women in following aspects:

They were able to get easy access to financial services like, savings, visiting bank branches to carry out transactions and get access to formal credit that is bank loan instead of informal credit.

Factor analysis concludes that the objective of the women to join self help groups were to uplift themselves and their families socially as well as economically.

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