



ROLE OF SELF HELP GROUPS IN FINANACIAL INCLUSION IN INDIA- A CASE STUDY OF JHARKHAND STATE

Authors

Alok Raj

Former Master in Economics
Department of Economics
University of Allahabad

&

Anand Raj

Former Master in Commerce
Department of Commerce and Business Administration
University of Allahabad

ABSTRACT

Money and banking are crucial to people's economic growth. Gaining everyone's support for progress may be accomplished via financial inclusion. To further reduce discontent among the poor and the disadvantaged, it provides opportunities and aids in the distribution of the advantages of progress. To this end, SHGs have been instrumental in integrating formerly economically marginalized communities into the mainstream economy. To this end, it is important to maintain SHGs and for the government to put in more effort to ensure that similar initiatives are implemented in every part of the country.

Microfinance refers to the practice of providing low-dollar loans, savings accounts, insurance, and other financial services to low-income people so that they may improve their quality of life and pull themselves out of poverty. It's been gaining attention as a potential game-changer in the fight against poverty. Microfinance has a beneficial impact on the economic and social conditions of rural communities. Microfinance institutions provide a variety of modest loans to persons who run businesses in the agricultural, microenterprise, animal-rearing, handicraft, floricultural, food-processing, and fishing sectors. Microfinance's Self-Help Groups (SHGs) have emerged as a reliable mechanism for distributing funds in economically depressed rural regions.

INTRODUCTION

Comparatively, Financial Literacy promotes demand by making individuals aware of what they can truly want, whereas Financial Inclusion operates from the supply side by offering financial services that people desire. Thus, it is imperative that all segments of society have constant, unrelenting, and unrestricted access to Financial Education and Financial Services.

Financial inclusion is especially important in countries where the impoverished make up a significant percentage of the population. Self-Help groups (SHGs) are an effective strategy for expanding access to credit since they facilitate the accumulation of savings, the distribution of loans within the group, and the acquisition of bank loans. They have been connected with banks through micro-finance, resulting in lower costs for the banks and improved access to credit for the members. There are now separate, major microfinance institutions. In many cases, SHGs have reduced delinquencies, a significant worry of rural bank lending, via the power of the group. Additionally, it has a multiplier effect since the bank connects not just one business to the formal financial sector but all of its participants. Thus, a single savings account requires a connection to a bank account for the whole group. The number of customers using credit cards, bank deposits, and storefront branches has all grown as a consequence. Group loans are made available to low-income and disadvantaged persons via this microfinance scheme. By protecting the livelihood of the poor, it helps revitalize rural economies. Although women are often excluded from financial decision-making in conventional systems, they make up over half of SHG members. As a result, the goal of empowering women is met in addition to an increase in women's engagement since they get training, confidence-building, and leadership abilities. Banks in rural regions may be established with less government funding, which frees up resources that can be used toward other social welfare programs that help the poor. People in rural areas and low-income urban areas typically have to travel far to get banking services, and those who do so are often treated rudely by bank employees because of their lack of education and literacy. By forming SHGs, individuals no longer have to go beyond their own social circle to get a loan. It also encourages EQUALITY by making all members equally responsible for repaying debts. For this reason, SHG looks to be a viable organization for meeting the economic requirements of the underprivileged. The impoverished in rural areas need more SHGs to be established so that they may meet their basic necessities without incurring excessive debt.

Efforts to promote financial inclusion via SHGs should be maintained, and the SHG Bank Linkage Programme has the potential to have a multiplier impact of SHGs by allowing all group members to access savings, credit, and other financial services from the bank. NABARD pioneered the SHG-Bank linkage scheme to help members of small, cohesive, participatory groups have access to financial services they would not have otherwise had. Even if the number of rural bank branches did not grow from 2000 to 2012, the effectiveness of the program was not diminished because of this since the SHG-bank connection helped increase the number of people with access to both deposits and loans in rural regions. As a result of the savings in administrative expenses, banks have found that offering group loans to their customers is a worthwhile venture. It was critical in ensuring people's livelihoods and revitalizing local economies, both of which boosted economic

development. The majority of SHGs are made up of women, and they have benefited greatly from the provision of financial services and training sessions, which have increased their self-esteem and prepared them to take on leadership roles. It would be ridiculous to try to undo the positive effects that SHGs have on increasing engagement at the grass-roots level.

Nonetheless, there is still a sizable population that is excluded from the financial system. Because of their inability to read and write, many individuals avoid banking institutions out of fear of being taken advantage of or because the process is too time-consuming. The physical locations of conventional banks also provide a significant challenge. Notwithstanding the Reserve Bank of India's requirement that 25% of all branches be situated in rural regions, many outlying communities still lack convenient access to a financial institution. They also have a hard time securing loans, since financial institutions are wary of extending credit to the impoverished for fear of default. Second, small, local groups often have limited access to financial resources. Powerful members may sometimes influence how much of a Loan is granted. Challenges in tribal financial inclusion persist due to a lack of community ties and a general absence of a savings culture among tribes. There has been a correlation between the high interest rates associated with microfinancing and the failure of SHGs. Corruption problems of many kinds have also surfaced. Problems may also arise from insufficient resources, including money, education, and physical facilities. Due to widespread illiteracy among SHG members, education on SHG fundamentals is typically a priority. Financial institutions have pushed for a surge in small and medium-sized enterprises (SHGs) without first investigating customers' genuine needs.

The government should incorporate SHGs like these in its financial inclusion schemes since, despite their flaws, SHGs do allow for financial inclusion of impoverished people.

Despite the Government of India and the Reserve Bank of India taking a number of regulatory actions (such as the Pradhan Mantri Jan Dhan Yojana, or PMJDY) to increase access to financial services for the country's underserved population, these efforts have had little success. Recommendations when only one side gains, consistent monitoring of SHG financing, expanding SHGs' reach into urban poor neighborhoods, teaching essential business skills, and sharing and spreading the most successful models. Financial Inclusion Federations may be ready to take the lead where banks are not available or responsive; using "payment banks" for SHG; keeping a close eye on the notorious SHGs where one party benefits; regularly checking the funding of SHGs; expanding SHGs to urban poor communities; teaching management and entrepreneurship skills; and educating and replicating the best practices.

SCOPE OF THE STUDY

In the East Singhbhum District of Jharkhand State, the investigation has begun. The extent of women's economic empowerment and development in a given area may be discerned via primary data gathering from SHG groups and their members utilizing a standardized questionnaire.

REVIEW OF LITERATURE

Manjula & Vasavanagouda (2012) argued that microfinance initiatives had a major effect on the family's economic and social well-being. She came to the conclusion that the disadvantaged in society have benefited from microfinance operations in terms of improved living conditions, more independence, and reduced poverty.

Chakrabarti & Biswas (2012) concluded that India's education and employment programs for women fell short of what was needed to motivate women to challenge patriarchal values and conventions. Variations at the regional level were also rather noticeable. Their research indicated that the dissemination of education and information systems may play a considerable role in altering societal norms, thus they advocated giving such a campaign top priority. Here, the regulating body may seek input from NGOs.

OBJECTIVES OF THE STUDY

The study aims to accomplish the following:

- To understand the usefulness of self-help group in Jharkhand.
- To investigate that self help group improved the reimbursement of funds in Jharkhand.
- To learn more about the current status and development of Self Help groups in Jharkhand.

RESEARCH METHODOLOGY

Secondary resources are used in the research process. Statistics from secondary sources were compiled with the aid of the Jharkhand State Economic Survey Report and the Government of India. Books, journals, and magazines both in print and online were scoured for secondary data. The reports used as the unpublished sources have not yet been made public.

ANALYSIS AND INTERPRETATION**Table 1: Coverage of JSLPS activities**

Activities	Cumulative Status (March 31, 2020)	Achievement in (2020-2021) (31st October 2020)	Cumulative Achievement till October 31, 2020
Blocks in Numbers	263	-	263
Panchayats in Numbers	4360	8	4368
Villages in Numbers	26412	364	26776
SHGs in Numbers	2,45,393	7822	2,53,215
Households Mobilised in SHGs in Numbers	30,65,956	113454	31,79,410
Village Organisations	17,738	478	18,216
Cluster Level Federations in Numbers	728	125	853

Source: Jharkhand State Livelihood Promotional Society

With the goal of facilitating the rollout of poverty alleviation programs (such as DAY-NRLM and others) throughout the state of Jharkhand, the Rural Development Department has established the Jharkhand State Livelihood Promoting Society as a special purpose company. The organization is carrying out a variety of programs that have a permanent and significant effect on the state's efforts to alleviate poverty, empower women, increase equality, and broaden property ownership. The JSLPS has been able to see firsthand how women are releasing themselves and their families from the bonds of poverty.

Table 4.7: Status of community funds (RF and CIF)

Activities	Cumulative Status (March 31,2020)	Achievement (2020-2021) (up to October 2020)	Cumulative Achievement till October 31, 2020
Number of SHGs received RF	1,16,453	1,06,288	2,22,741
Amount of RF (₹ in Crores)	174.66	159.42	334.09
Number of SHGs received CIF	43,316	35808	79,124
Amount of CIF (₹ in Crores)	233.68	90.94	324.62

Sources: 2020-21 Economic survey report of Jharkhand

One of the fundamental tenets of NRLM is the promotion of financial inclusion. It is hoped that the poor would be able to pull their families out of poverty if they are given access to sufficient amounts of cheap loans and other financial services. The NRLM's provision of community funds like RF and CIF is crucial in overcoming the early inertia of the SHG members by meeting their immediate requirements for consumption and production. One million and sixty-five thousand self-help groups (SHGs) have gotten revolving funds totaling Rs. 159.42 crore as of the 31st of October, 2020, and thirty-five thousand and ninety-four hundred

SHGs have received community investment-funds totaling Rs. 90.94 crore.

CONCLUSION

The work of self-help groups is crucial to the development of any given area. It helps people in rural areas get access to financial services by connecting them with local banks. With SHGs, the Government of Jharkhand is able to adopt a variety of policies aimed at expanding access to affordable banking services for the state's underserved population. Rising membership in SHGs is a clear indication of the sector's growing relevance in Jharkhand and throughout India. According to the statistics, SHGs aid those in Jharkhand's informal economy by facilitating the repayment of amounts owed.

To better their reimbursement status, SHGs require the Government of Jharkhand's cooperation.

Individuals join SHGs to receive loans since the regulations at banks are so onerous and time consuming, but getting a loan via a SHG is quick and simple. When they join the organization, only then do they get training in proper banking procedures. People's individual growth was also aided by being in the group. In addition, they assist people learn about the world by arranging visits to other locations. They have a better grasp of the group dynamic and are more likely to engage in extracurricular activities as a result of joining. Women learnt to leave the house and participate in the block's social events. As part of broader efforts to reduce poverty, Self Help Groups help find solutions to issues such a lack of affordable housing and insufficient urban services.

REFERENCES

1. Neelamagam V (2011), "Impact of Rural Employment Guarantee Programme and Poverty in India", in Arunachalam P (eds.), Mahatma Gandhi National Rural Employment Guarantee Programme and Poverty in India, Serial Publications, New Delhi, pp. 291-300.
2. Singh, D. K. 2001. "Impact of Self Help Groups on the Economy of Marginalized Farmers of Kanpur Dehat District of Uttar Pradesh, A Case Study", Indian Journal of Agricultural Economics, 56(3): pp. 463-64.
3. Chakrabarti, S. & Biswas, C.S. (2012). "An Exploratory Analysis of Women's Empowerment in India: A Structural Equation Modelling Approach", Journal of Development Studies, 48(1): pp. 164-80.
4. Manjula B.G & Vasavanagouda, C. (2012) "Impact of Microfinance on Poor People: A Study of Living Standards, Empowerment and Poverty Alleviation in the Davanagere District of Karnataka State" International Journal of Research in Commerce, Economics and Management, 2(5): 56-59.
5. Sen, A. (1999), Development as Freedom, Alfred A.Knopf, New York, pp.3-12.
6. Economic Survey Report of Jharkhand 2020-2022.