



# Self-help Groups and Government Schemes – A Study

**\*Yashoda.B**

## Abstract

This paper studies the period of high growth era has been financially less inclusive. The high rates of overall economic growth have not rally trickled down to the marginalized section. On August 15, 2014, Modi announced his new mission of PradhanMantri Jan DhanYojana (PMJDY) as a unique scheme of financial inclusion. The main objective of the scheme is to make banking facilities available to all households in India. So, when we are talking of financial inclusion, a serious effort should be initiated to correct the policy distortions. However, the term financial inclusion is perceived in different ways under different contexts. There is a view that only access to credit is treated as financial inclusion whereas the other view includes all the services extended by the financial institutions. There is substantial evidence that financial inclusion promotes growth. In country like India, inclusive financial development can play a crucial role in moving households out of poverty – indirectly by stimulating growth and directly by providing savings and credit services to the poor.

The inclusive financial system is an important component for economic and social progress on the development agenda. The Government of India has also been embracing financial inclusion as an important development priority. However, a significant percentage of households in India are still found to be financially excluded. The purpose of this piece is to focus on the persistence of financial exclusion which is a serious obstacle to economic and social development in India. It calls for an inclusive growth with financial inclusion.

*Key words: Financial Inclusion, Financial Exclusion, Inclusive Growth.*

## Introduction

Research carried out and discourses held among experts in European Commission (2008), leads to the following definition: “Financial exclusion refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong”. Thus, Financial Exclusion in short means “No Savings, No Insurance, No access to money advice, No affordable credit, No Bank account and No assets”. It is, however, important to acknowledge that financial exclusion is not an absolute concept (excluded or not) but a relative one, rather like poverty, with degrees of exclusion (European Commission, 2008). People vary in their extent of engagement with specific services (e.g. transaction banking where we have both the unbanked and the marginally banked). And they also vary in the number of types of financial products to which they can gain access. Today, 2 billion adults are excluded from the formal financial system. Strongly argued for a truly inclusive growth and financial inclusion. The financially inclusive policy must be the central concern of the policy maker. No amount of repairing with Financial inclusion, thus, has become an issue of serious concern in India in recent years. By financial inclusion, we mean delivery of banking services and credit at an affordable cost to the vast sections of disadvantaged and low income groups. Financial exclusion is greatest among poor people and in emerging and developing countries, including the rural households that account for more than 70% of global poverty. This hampers people’s ability to earn, protect themselves in times of crisis, and to build for the future. In addition, more than 200 million small- and medium-sized enterprises in emerging markets alone lack access to finance, limiting their ability to grow and thrive.

### Objective:

This paper intends to explore some policies and programs initiated by the Indian government which aimed at fostering financial inclusiveness, particularly Swarnajayanti Gram Swarozgar Yojana

### Skill Upgradation

SGSY aims at establishing a number of microenterprises in the rural areas involving the rural poor on the belief that they have competencies and if rightly supported can be successful producers of valuable goods / services. Based in this concept, the program proposes a number of measures for upgrading the capacity of Swarijgari both in individual as well as group oriented activities. Assessment of technical skill may be made by the line departments while that of the managerial skills may be made by the banker in the area of already identified key activities. Such an exercise along with the swarozgaris will

## Investment per Family

SGSY primarily follow the group approach because of its getting better chance of back up support and marketing linkages for group activities. the group loan are entitled to 50% subsidy to a limit of Rs. 1.25 lakhs. The revolving fund for the viable SHG is Rs. 25,000 which the group will receive from the banks as cash credit facility. Of this a sum of Rs. 10,000 will be given to the bank by the DRDC. Banks may charge interest only on the sum exceeding Rs. 10,000. Individual swarozgari can avail the schemes from the identified key activities depending upon their skill and basic orientation. help in identifying those who have the minimum skill requirement and therefore need only basic orientation and those who need skill training. Basic orientation program may be organised at the Block Head Quarters, not far from the place of residence of swarozgari. It may include familiarizing the swarozgaris with SGSY and its objectives, their responsibility, elements of book keeping, knowledge of market, identification and appraisal, familiarity with product costing and product pricing, acquaintance with project financing by banks as well as some basic skills in the key activity identified. It will be of very short duration covering two days only. BDOs, Bankers and Line Departments can act as resource persons for training. No stipend is admissible here; only cost of training, materials, honorarium to resource persons, travel and food expenses can be met by DRDC.

For the identified activities, swarozgaris who need skill development / up gradation of skills, government institutions like engineering colleges, i.e. Polytechnics, Universities and NGOs, may be approached to impart training. The objective is to ensure that the swarozgaris possess the Minimum Skill Requirement for successful completion of the schemes concerned, for that will decide the disbursement of loans. For this training swarozgaris will be entitled for financial assistance as a soft loan from the bank. Upto 10% of SGSY funds will be set aside as training fund and will be utilised to provide both orientation and training programs to the swarozgaris.

The technology identified for each key activity should be such that it can be managed comfortably by the swarozgari and at the same time leads to quality products either in terms of goods / services. The DRDC's function is to strive to gather the existing knowledge and channelise this not only into identification of key activities but also into immediate transfer of technical knowledge to entrepreneurs, so long as its commercial viability is not in question.

### **Brief Past Performance of SGSY during 2000-2001 :-**

From the report on sector wise disbursement of credit by the banks during the last three years (i.e. 1998-'99 to 2000-'01), it was seen that the disbursement of credits in the Agricultural and Services sectors increased but the credit flow in Industries sector deteriorated considerably during the same period under review. This is mainly due to the fact that

## Self-help Groups

During the year 2000-2001, only 46 women self-help groups (SHG) were formed and 174 numbers of existing DWCRA groups were rejuvenated. Total 3169 women beneficiaries benefitted from this scheme. Rs. 16.71 lakhs were released as Revolving Fund to 127 SHGs after they qualified in Grading-I. Only six groups were seen eligible for Bank Loan, but the same could not be disbursed due to their failure to undergo skill development training.

the infrastructures needed for the development of industries are absent in this district and secondly the markets are also not available.

## Coverage of SC/ST Women, etc. Swarozgaris

Out of 383 families assisted during 2000-'01, 199 families belong to Scheduled Caste (SC) & Scheduled Tribe (ST) communities. In other words, the coverage of SC & ST families during the year constitutes 52% of total number of families assisted against 52.36 of the actual percentage of total population in the district. During this period, 155 women beneficiaries were assisted out of the total number of 383 swarozgar families. In other words, DRDC achieved 40.5% in covering women beneficiaries against the target of 40%. However, it could not be achieved in covering handicapped persons against the norms of covering at least 3% of the total number of swarozgaris.

## Conclusion

There is a growing divide, with an increased range of personal finance options for a segment of high and upper middle income population and a significantly large section of the population who lack access to even the most basic banking services (NABARD, 2016). This is characterized as “financial exclusion” in India. Those people, particularly, persons living on low incomes, cannot access mainstream financial products such as bank accounts, low cost credit, remittances and payment services, financial advisory services, insurance facilities, etc. A recent study which analyzes income related inequality in financial inclusion in India using a representative household level survey data, linked to State-level factors shows that financial exclusion is disproportionately higher among the relatively poor households compared to their richer counterparts. Nonetheless, a significant percentage of rich households in India are also found to be financially excluded.(Pal,R and Rupayan Pal,2012).In countries with a large rural population like India, financial exclusion has also a geographic dimension as well. Inaccessibility, distances and lack of proper infrastructure hinder financial inclusion. Vast majorities of population living in rural areas of the country have serious issues in accessing formal financial services.

## References

1. "Quarterly Report to Congress on International Monetary Fund Lending: 1st Qtr 2012" (PDF). treasury.gov.
2. País, Ediciones El (1 February 2014). "Berlín y París incumplen con Grecia". El País. Archived from the original on 18 April 2014. Retrieved 12 April 2014.
3. IMF's biggest borrowers, Al Jazeera (17 Jan 2012)
4. Ehrenfreund, Max (27 March 2013). "Cypriot banks to reopen amid criticism of bailout". The Washington Post.
5. "Cyprus disaster shines light on global tax haven industry no". MSNBC. 26 March 2013. Retrieved 2 April 2013.
6. Jan Strupczewski; Annika Breidhardt (25 March 2013). "Last-minute Cyprus deal to close bank, force losses". Reuters. Retrieved 25 March 2013.
7. "Eurogroup signs off on bailout agreement reached by Cyprus and troika". Ekathimerini. Greece. 25 March 2013. Retrieved 25 March 2013.
8. "Sovereign Debt Restructuring – Recent Developments and Implications for the Fund's Legal and Policy Framework" (PDF). imf.org. 26 April 2013.
9. "IMF Executive Board Discusses Sovereign Debt Restructuring – Recent Developments and Implications for the Fund's Legal and Policy Framework". IMF Public Information Notice.
10. online, IMF Survey. "IMF Survey : IMF Launches Discussion of Sovereign Debt Restructuring". IMF.
11. Stevis, Matina (24 May 2013). "IMF Searches Soul, Blames Europe".
12. "Fiscal Monitor: "Taxing Times" Oct 2013, p. 49" (PDF).
13. "IMF: "Fiscal Affairs and Income Inequality" 23 Jan 2014" (PDF).
14. "Ukraine to get \$15bn as Russia hit by downgrades".
15. "Windfall for hedge funds and Russian banks as IMF rescues Ukraine".
16. "IMF says it's ready to mobilize its \$1 trillion lending capacity to fight coronavirus". CNBC. 16 March 2016.
17. "IMF provides \$50bn to fight coronavirus outbreak". BBC. 5 March 2016.
18. "Iran asks IMF for \$5bn emergency funding to fight coronavirus". Al Jazeera Media Network. 12 March 2016.
19. Andrews, Nick; Bob Davis (7 May 2009). "Kosovo Wins Acceptance to IMF". The Wall Street Journal. Retrieved 7 May 2009. Taiwan was booted out of the IMF in 1980 when China was admitted, and it hasn't applied to return since.
20. "World Economic Outlook Database for April 2012 – Country information". Imf.org. 17 April 2012. Retrieved 7 November 2012.
21. "II The IMF and the Transition from Central Planning" (PDF). International Monetary Fund. p. 255. Retrieved 1 October 2012.
22. "What is the IMF?". Telegraph. 12 April 2011.