

FINANCIAL INCLUSION CHALLENGES FACED BY SELF HELP GROUPS IN JHARKHAND: A CASE STUDY OF EAST SINGHBHUM DISTRICT

G.V.R.R.S Shastry*

ABSTRACT

Self-Help Economic Growth, Group Mobilization (SHGs) is important for growing financial savings, inclusion, and poverty eradication with the long-term goal of improving livelihoods. There has been a lot of research done on the elements that influence SHG performance. SHGs, on the other hand, have had a number of flaws in their operation across India's states. By examining the functioning of banks and their relationship with SHGs in the Jamshedpur region of East Singhbhum district, Jharkhand, this project aims to identify the problems that SHGs face as a major instrument for poverty alleviation; identifying various stratifications of society based on income, social class, gender, religion, and other factors that influence SHG formation; and identifying other social, economic, infrastructure, and environmental challenges that SHGs face. To analyse the problems in SHGS-bank linkages, a questionnaire-based study was done utilising a historical-analytical research technique. The research area is currently limited to a specific Jamshedpur region, but it may be expanded in the future to include the entire state.

Keywords: Self-Help Groups, Financial Inclusion, Challenges.

Introduction

Beneficiaries of microfinance, it is said, are able to achieve successful economic and social empowerment. In order to develop sustainable livelihoods, microfinance programmes in rural regions are built on the ideas of self-help and social mobilization. The microfinance policy is built on consistent savings and lending for community development, with a focus on quality and group growth.

SHGs, or self-help groups, are a unique type of financial intermediation in India. SHG members receive low-cost financial services and can participate in self-management and development activities. A self-help group (SHG) is a financial intermediary committee made up of 10–20 local women or men who meet in a hamlet. Over the course of a few months, members make tiny, monthly savings contributions until the organisation has enough funds to begin lending. The money can then be re-loaned to community members or others for any purpose. In order to provide micro-credit, many SHGs in India are "linked" to banks. Rural women can achieve economic empowerment through the concept of Self-Help Groups (SHGs), which are based on a group approach to rural development. For rural women who wish to build their own profitable companies, SHGs are a lifesaver. Self-organized groups of people who have joined forces to accomplish a common goal. A self-help group can choose whether to be registered or not. It often consists of a group of micro-businesses from similar social and economic backgrounds that get together voluntarily to save small amounts of money on a monthly basis, agreeing to contribute to a common fund and satisfy their emergency needs through mutual assistance. They pool their resources to become financially stable, taking out loans from the organization's money and converting everyone into freelancers. The group members use collective wisdom and peer pressure to assure proper credit end-use and prompt return. This method, which does not require collateral, is comparable to solidarity lending, which is commonly used by microfinance companies.

* Research Scholar, Department of Commerce & Business Management, Kolhan University, Chaibasa, Jharkhand, India.

Literature Review

Sharma (2009) The cost factor has been proposed as the root cause of the cost factor for advancement in the rural banking industry. Technology can assist in lowering the cost factor. The use of technology lowers the cost of financial transactions, improves resource allocation, and boosts competitiveness and efficiency. Most significantly, it enables us to reach out to the broader public with any product or service. IT has also made it possible to manage the increasing transaction volume that comes with a larger client base in a more effective, accurate, and timely manner.

Chourasiya (2021) concluded that banks or non-profit organisations should employ additional staff to monitor the use and channelization of money in order to avoid nonperforming assets (NPAs) and ensure that funds are effectively used for the growth of commercial operations that contribute to the overall development of the region.

Objectives of this Research

- To ascertain the level of satisfaction among SHG members in the East Singhbhum District.
- To assess the role of banks in advancing financial inclusion through SHG groups.
- To create a framework for bettering financial inclusion.
- To acknowledge SHGs as an important tool for improving financial inclusion.

Research Methodology

The study will take place in the Jamshedpur region of Jharkhand's East Singhbhum District. With 210 participants, an empirical investigation was undertaken. The approach of random sampling was used. The sample survey approach was employed to obtain primary data, and a structured questionnaire and interview method were used. Financial inclusion is measured by the number of bank accounts opened, the amount of credit provided, and the percentage of debt repaid.

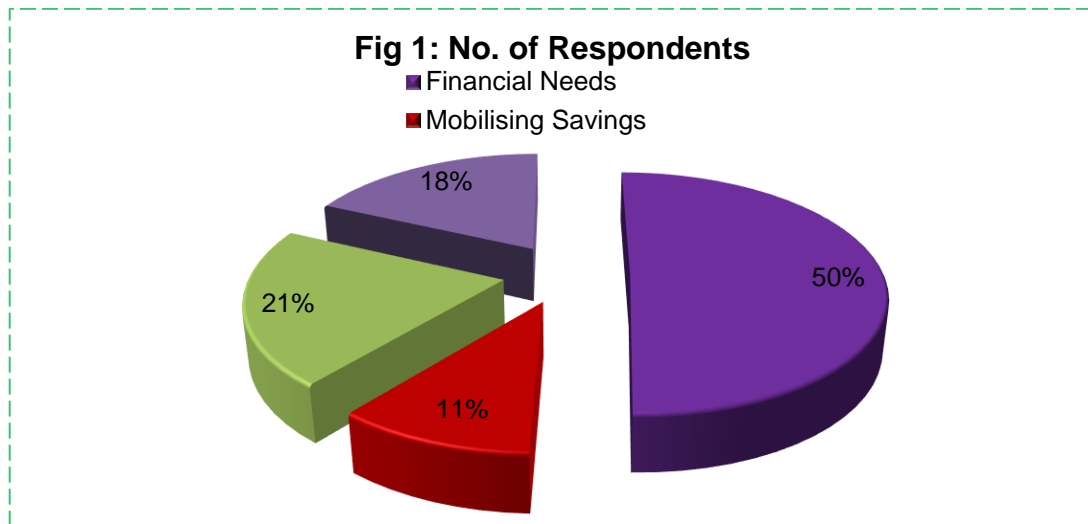
Data Analysis and Interpretation

Table 1: Demographic Characteristics

Profile of Respondents	No. of Respondents	Percentage (%)	
Age group	Below 28 years	62	29.52
	28-38 years	103	49.05
	Above 38 years	45	21.43
Qualification	Illiterate	27	12.86
	Elementary	34	16.19
	Secondary	72	34.29
	Intermediate	77	36.66
Marital Status	Single	78	37.14
	Widow	36	17.14
	Married	96	45.72
Caste	GEN	60	28.57
	OBC	74	35.24
	SC/ST	76	36.19
Occupation	Tailoring & Laundry	86	40.95
	Street hawkers	68	32.38
	Fruit or Vegetable sellers	56	26.64
Total	210	100%	

Table 2: Reasons for joining SHGs

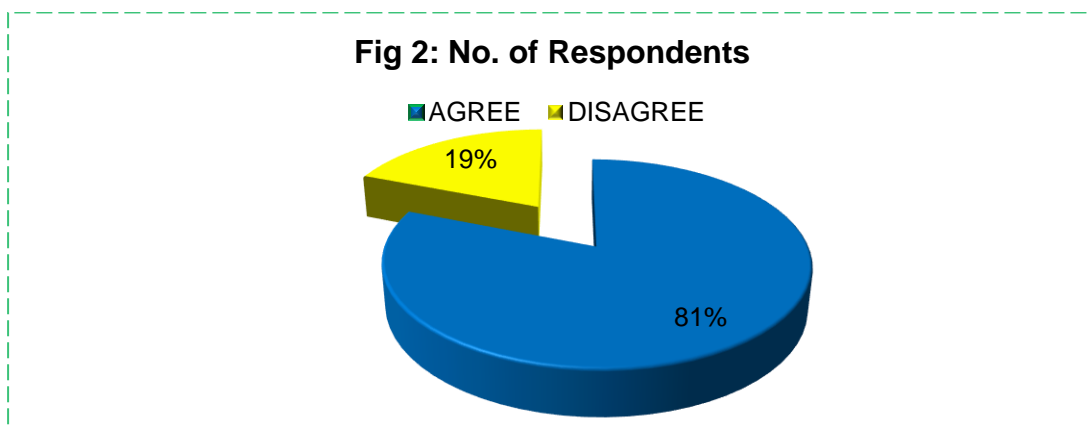
Statements	No. of Respondents	Percentage
Financial Needs	106	50.48
Mobilising Savings	22	10.47
Maintenance of the house	44	20.95
Education of their Children	38	18.10
Total	210	100%



Financial needs are the most important element that attracts people to join SHGs; 106 respondents (50.48 percent) use SHGs to meet their financial demands. SHGs are used by 44 (20.95%) of respondents to help with housekeeping. 38 (18.10 percent) respondents join SHGs to learn more about issues that affect their children's schooling. Only 22 (10.47 percent) responders join the group to use their money, according to the number of responses received.

Table 3: People taken Financial Assistance from their Self Help Group

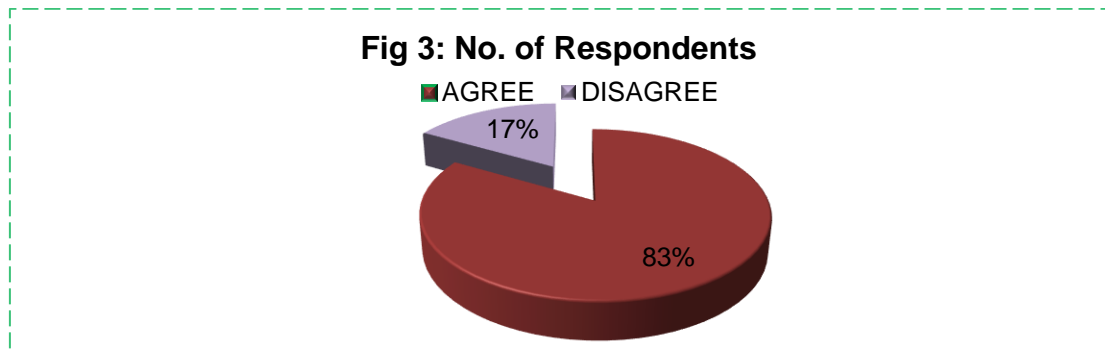
Statements	No. of Respondents	Percentage
Agree(A)	170	80.95
Disagree(DA)	40	19.05
Total	210	100%



"Financial independence is a reason for joining SHGs," according to the statement asked of respondents. 170 (80.95%) respondents agreed that they are financially independent to join any SHG, while 40 (19.05%) disagreed since they are financially independent yet live in a different region.

Table 4: SHGs helps to get Improve your Financial Condition

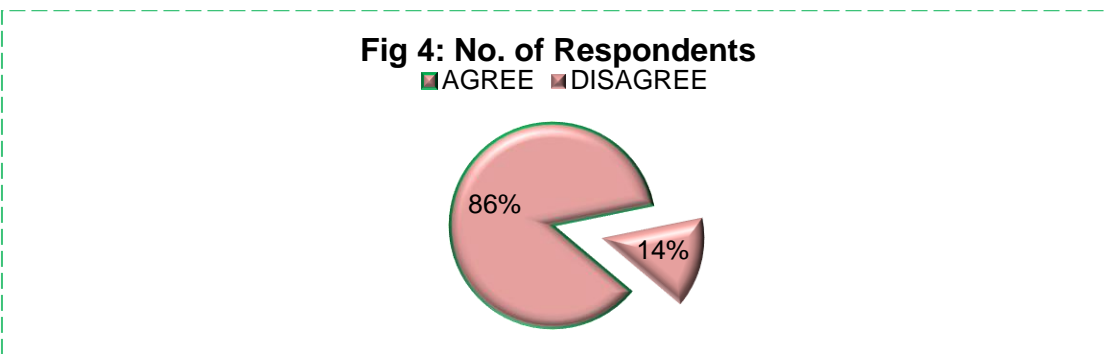
Statements	No. of Respondents	Percentage
Agree(A)	175	83.33
Disagree(DA)	35	16.67
Total	210	100%



According to the data in the table above, 83.33 percent of respondents agreed that they joined SHGs to earn extra money, whereas 16.67 percent disagreed that they joined SHGs to aid poor people and do social work.

Table 5: SHGs Helps to Get Loans from Different Sources

Statements	No. of Respondents	Percentage
Agree(A)	180	85.71
Disagree(DA)	30	14.29
Total	210	100%



85.71 percent of all respondents agreed that they joined SHGs to obtain loans from a variety of sources, while 14.29 percent disagreed.

Table 6: The Loan Money is Used for

Statements	No. of Respondents	Percentage
House Hold Purpose	130	61.90
Production Purpose	80	38.10
Total	210	100%

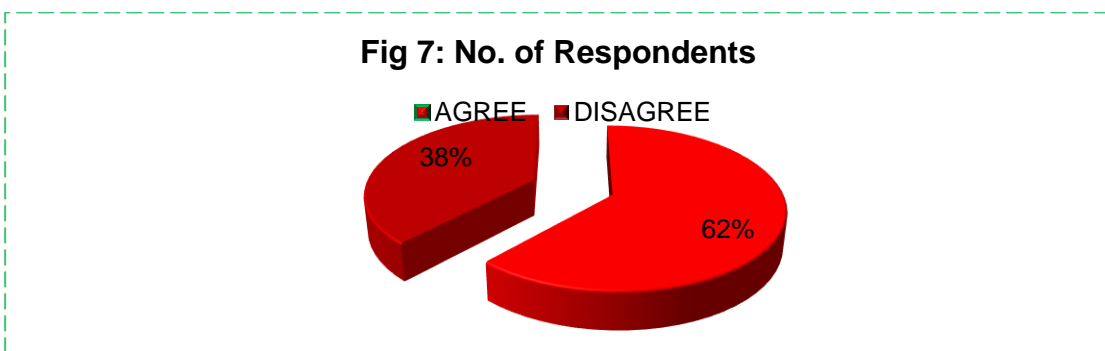
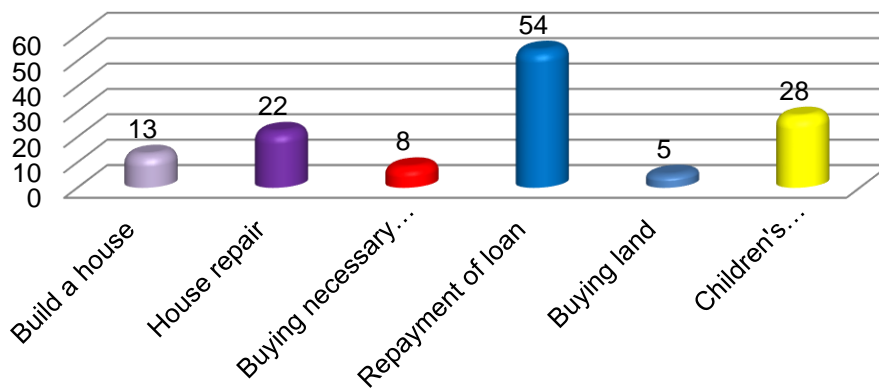


Table 7: House Hold Purpose Includes

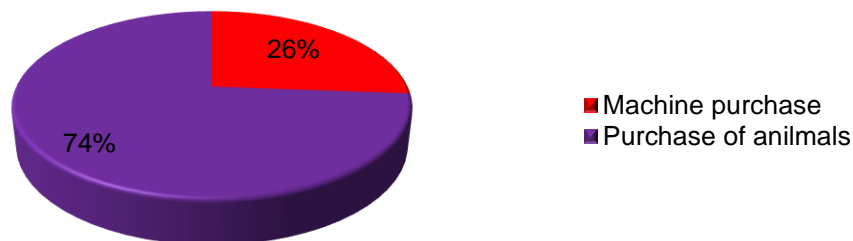
Statements	No. of Respondents	Percentage
Build a house	13	6.19
House repair	22	10.48
Buying necessary appliances	08	3.81
Repayment of loan	54	25.71
Buying land	05	2.38
Children's education	28	1.33
Total	130	100%

Fig 8: House hold Purpose Includes

When examining the statement, 1.33 percent of those polled said they used the loan money to pay for their children's education. Loan money is used by 3.81 percent of respondents to purchase necessary appliances. To pay off a bank loan, 25.71 percent of respondents borrow money from a SHG. 6.19 percent of respondents use SHG to finance the construction of a home for their family. 10.48% of respondents took out a loan to fix their homes. 2.38 percent of those polled borrowed money to acquire land.

Table 8: Production Purpose Include

Statements	No. of Respondents	Percentage
Machine purchase	25	26.19
Purchase of animals	55	73.81
Total	80	100%

Fig 9: Production purpose include

A total of 80 respondents are putting their loan money towards various production projects. Buying machines and animals are examples of this. Out of 80 respondents, 25 (26.19 percent) borrow money from SHG to buy various sorts of machines for their jobs, whereas 55 (73.81 percent) utilise their loan money to buy animals.

Conclusion

According to a study, SHGs in Jamshedpur, East Singhbhum, present a number of challenges that can be addressed in order to boost the region's overall growth. If villages were educated about SHGs and banks and NGOs were actively involved in their development and promotion, the exclusion of the excluded would be lessened. Furthermore, banks and non-profit organisations should hire more people to supervise the use and channelization of money in order to avoid nonperforming assets (NPAs) and guarantee that funds are properly used to expand commercial operations that contribute to the region's overall development.

Suggestions

There is a need for adequate SHG concept training for SHG employees and members.

Keep a look out for corruption/commission while sanctioning and improving the loan: The commission and corruption at the grassroots level result in the incorrect persons being chosen for loans, greater default rates, and loan misuse (like revolving loans for money lending and luxurious consumption).

NABARD has already identified 16 states that have a substantial population of the impoverished yet are performing poorly in implementing the programme. NABARD's ongoing attempts to scale up the programme in the targeted states need to be re-energized.

Transparency in Record-Keeping: Banks should develop a similar checklist for all SHGs with very simple record-keeping with the support of NABARD.

SHGs to Evolve Surplus Distribution Norms: Surplus distribution norms must evolve, particularly when a member leaves the group.

The SGSY subsidy needs to be restructured in terms of design and direction. The SGSY's entire subsidy component should be used for income-generating activities. 8. Identifying activities that generate income or employment: The current challenge is to persuade SHGs and their members to advance to more mature levels of enterprise while also considering livelihood diversification.

References

1. Chavan P. , Birajdar B. , (2009), *Micro Finance and Financial Inclusion of Women: An Evaluation*, Reserve Bank of India Occasional Papers, Vol. 30, No. 2, Pp. 109—129
2. Agarwal, A.(2008), *The need for financial Inclusion with an Indian Perspective*, IDBI GILTS.
3. Bock, T.A., Demirguc, Kt and R. Levine (2007) "Reaching out: Access to and use banking services across countries" *Journal of Financial Economics* 85, pp 234-66.
4. Chourasiya, R. (2021) *roll of self-help group in financial incluision in Jharkhand.. A cash study of west Singhbhum District*,
5. *Futuristic journal of commerce & management val. III (1) pp 23-34.*
6. Laxminarayanan Ramanathan (March 2011), "Socio-Economic impact of SHG-Bank Linkage on Members: An Assessment", *Southern Economist*, Pp. 13—26
7. Reserve Bank of India (2006a), "Financial Inclusion and Millennium Development Goals", Address by Usha Thorat Deputy Governor of the Reserve Bank of India, January 16. Ref: <http://www.rbi.org.in>
8. Sunder, K., Gopi, J. and Ali, S. 2001. *Women Entrepreneurship in India. Rural India. 1, 86-90.*
9. The term "financial inclusion" was first introduced in the Indian context by Dr. K.C. Chakrabarty (the then Chairman of Indian Bank) with Mangalam village to be the first village in India where all households were provided banking facilities followed by the Reserve Bank of India in 2006 permitting commercial banks to make use of NGOs/SHGs, microfinance Institutions as intermediaries for providing financial and banking services. *Financial inclusion is defined as "The process Of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost."*(Rangarajan C. 2008)
10. Sharma, P. (2009), "Financial Inclusion by Channelizing Existing Resources in India". *The India Economy Review*, pp. 76-82.

