



ISSN NO. 2320-5407

Journal homepage: <http://www.journalijar.com>

INTERNATIONAL JOURNAL  
OF ADVANCED RESEARCH

## RESEARCH ARTICLE

## MEASURING THE IMPACT OF FINANCIAL INCLUSION ON URBAN POOR IN JUNAGADH

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### Manuscript Info

#### Manuscript History:

Received: 14 January 2016  
Final Accepted: 25 February 2016  
Published Online: March 2016

#### Key words:

Self Help Group (SHG), Financial Inclusion, Urban Poor

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### Abstract

RBI "describes financial inclusion as the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income groups in particular at an affordable cost in a fair and transparent manner by mainstream institutional players." One of the modes of delivering financial access to the financially excluded, especially those who belong to BPL category, is the formation of SHGs.

Here an attempt is made to examine the contribution of Self Help Groups on the Incidence of Financial Inclusion in case of Urban Women of Junagadh city of Gujarat.

**Summary:-** Majority of the women did not had a bank account or formal access to credit, before joining SHGs. Significant impact is seen in the financial inclusion of the respondent women before and after joining SHGs.

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### Introduction:-

National Urban Livelihoods Mission (NULM) was launched by the Ministry of Housing and Urban Poverty Alleviation (MHUPA), Government of India in 23rd September, 2013 by replacing the existing Swarna Jayanti Shahari Rozgar Yojana (SJSRY). Under the current Five Year Plan, NULM is implemented in all District Headquarter Towns and cities with a population of 100,000 or more as per 2011 Census.

It aims to impart social inclusion to urban poor by formation of Self-Help Groups (SHGs). It can be achieved by bringing at least one member of urban poor household into SHG, which is preferably a woman. The aim of the SHG is to provide the support to the poor households and meeting their financial & social needs.

Through SHGs financial inclusion can be achieved through at first step opening of basic savings bank accounts, facilitating access to financial awareness and credit, and later including affordable insurance and remittance facilities to the urban poor. The aim of SHGs is to promote small savings among its members and such accumulated savings is deposited in a bank account under the name of SHG. This accumulated fund is gathered by the contribution of a pre decided amount by the group on regular periodic basis, which is usually monthly.

A Revolving Fund amounting to Rs.10,000/- per SHG will be provided to SHGs consisting of more than 70 percent urban poor members and to those who did not availed such facility earlier. This Revolving fund is to be given only to those SHGs who have been doing savings activities for at least six months

Also, Interest Subsidy over and above 7 percent rate of interest will be applicable to all SHGs accessing bank loan. An additional 3 percent interest subvention will be provided to all women SHGs who repay their loan in time in all the cities.

### Research problem:-

To examine the contribution of Self Help Groups on the Incidence of Financial Inclusion in case of Urban Women of Junagadh & To study the Impact of Self Help Group Membership on Degree of Financial Inclusion

**Table 1:** Required Survey Variables.

| Core topics   | Points considered   |
|---|---|
| Nature of financial inclusion and Access to formal financial services | Analysis of potential barriers to opening and using a bank account before and after joining SHG such as <ul style="list-style-type: none"> <li>• lack of awareness,</li> <li>• low incomes and assets,</li> <li>• social exclusion, illiteracy etc</li> </ul> |
| Extent of financial inclusion by usage of financial services          | The depth and extent of financial service or product.<br>Regularity,<br>Frequency of use  |

Source:

Designing a methodology to investigate accessibility and impact of financial inclusion.

1. Manohar V. Serrao
2. Dr. A.H. Sequeira
3. Dr. V. Basil Hans

### Review of Literature:-

Rahul Sarania (February 2015) attempted to examine the effectiveness of SHGs in economic empowerment of women in Assam. It revealed that majority of the respondent's income, employment days and amount of savings increased in the post-SHG situation as compared to pre-SHG situation. Thus the study concluded that SHGs have been playing a vital role in the empowerment of rural women in the study area.

Dr. K. B. Rangappa, Miss. Renuka Bai, Mr. Sandesh. A.L, SHG-Bank Linkage Programme And Financial Inclusion: Rural Household Study In Davangere District Of Karnataka has developed Financial inclusion index, which measures the degree of financial inclusion, has been developed by giving appropriate weights to the selected financial services

Asli Demi Kunt Leora Klapper World Bank, Measuring Financial Inclusion: Explaining Variation in Use of Financial Services across and within Countries summarizes the first publicly available, user-side data set of indicators that measure how adults in 148 countries save, borrow, make payments, and manage risk

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 to be properly served by conventional channels alone. Self-Service technology solutions are essential to address the scalability and sustainability challenges facing financial inclusion by providing greater confidence, security, and ease of use for those people using financial services, including overcoming issues such as literacy.

B.S. Suran, D. Narayana, The deluge of debt: Understanding the financial needs of poor households, July 2009: The existing array of financial services of the banks or the delivery initiatives including SHG has not made complete penetration into rural hinterlands. Many households continue to access the services of the informal institutions and sources.

**Objectives:-**

- To study the socio-economic background of respondents.
- To examine the contribution of Self Help Groups on the Incidence of Financial Inclusion in case of Urban Women of Junagadh by calculating Financial Inclusion Score
- To study the Impact of Self Help Group Membership on Degree of Financial Inclusion

**Research Methodology:-**

The present study is descriptive in nature covering selected SHGs of Junagadh city. The selection of SHGs has been done by using convenience sampling technique. Sample SHGs consisting of 100 members has been taken for the present study. To judge the impact of SHG, the respondents have been asked questions on various aspects before and after joining SHG.

**Data Analysis:-**

For the analysis & interpretation of data, statistical methods like CHI Square and other tools like Frequency distribution and cross tabulation has been made through Statistical Package for Social Science 22 Software. Frequency Distribution is used to obtain counts of number of responses. Chi-Square is used to test the association of the variables which are presented in a cross tabulation. Paired T- Test is used to examine the impact on savings and frequency of bank visits of the respondents before SHGs and after joining SHGs.

**Demographic Details of the Respondents:-**

59% of the respondents were of the age of More than 35 years

61% of the respondents were Literate & had primary education.

93% of the respondents were married

68% of the respondents did not had a bank account before joining a Self Help Group

Majority of the respondents agreed to the following reasons of not having a bank account:

1. Due to illiteracy/ less education
2. Due to less income
3. Due to unawareness with banking activities
4. Due to insufficient documents

57% of the respondents did not have savings behavior.

From the data, we came to know that the reasons for not saving are:

1. Low income/ shortage of funds
2. Already in debts

77% of the respondents rarely visited a bank branch before joining a Self Help Group

**Paired t test:-****Test 1: pre & post frequency of bank visits:-**

H0: There is no significant difference between the mean values of the two variables, Frequency of Bank Visit before joining SHG & Frequency of Bank Visit after joining SHG.

H1: There is a significant difference between the mean values of the two variables, Frequency of Bank Visit before joining SHG & Frequency of Bank Visit after joining SHG

| Table 2 Paired Samples Test |                            |                    |                   |                       |   |       |        |    |                 |
|-----------------------------|----------------------------|--------------------|-------------------|-----------------------|---|-------|--------|----|-----------------|
|                             |                            | Paired Differences |                   |                       |   |       | t      | df | Sig. (2-tailed) |
|                             |                            | Mean               | Std.<br>Deviation | Std.<br>Error<br>Mean | 95% Confidence<br>Interval of the<br>Difference |       |        |    |                 |
|                             |                            |                    |                   |                       | Lower   | Upper |        |    |                 |
| Pair<br>1                   | BANK VISIT -<br>BANK VISIT | 1.100              | .823              | .082                  | .937  | 1.263 | 13.371 | 99 | .000            |

The null hypothesis is rejected at 95% level of significance

**Test 2: pre & post savings behaviour of the respondents.**

**H0:-** There is no significant difference between the mean values of the two variables, savings before joining SHG & savings after joining SHG.

**H1:-** There is a significant difference between the mean values of the two variables, saving before joining SHG & savings after joining SHG

| Table 3 Paired Samples Test. |                            |                    |                |                 |   |       |        |    |                 |
|------------------------------|----------------------------|--------------------|----------------|-----------------|---|-------|--------|----|-----------------|
|                              |                            | Paired Differences |                |                 |   |       | t      | df | Sig. (2-tailed) |
|                              |                            | Mean               | Std. Deviation | Std. Error Mean | 95% Confidence Interval of the Difference |       |        |    |                 |
|                              |                            |                    |                |                 | Lower                                     | Upper |        |    |                 |
| Pair 1                       | PRE_SAVINGS - POST SAVINGS | .570               | .498           | .050            | .471                                      | .669  | 11.456 | 99 | .000            |

The null hypothesis is rejected at 95% level of significance

**Table 4:** calculation of financial inclusion score, to measure the degree of financial inclusion.

| Parameter                                    | Source   | Yes | No |
|--|--|-----|----|
| Nature & Access of Formal Financial Services | Did you had a Bank Account Before joining a Self Help Group                    | 20  | 0  |
| Extent of Financial Services                 | What is the frequency of your visit to a Bank Branch?                          | 20  | 0  |
| Savings                                      | Do you save? (Before Joining a Self Help Group)                                | 20  | 0  |
| Formal credit                                | Have you availed a Bank Loan / Formal Credit before joining a Self Help Group? | 20  | 0  |
| Usage of Financial Services                  | Did you had an Insurance before joining a Self Help Group?                     | 10  | 0  |
| Usage of Financial Services                  | Did you had an ATM/Debit card before joining a Self Help Group?                | 10  | 0  |
| Total  |  | 100 |    |

Reference: Self Help Groups & Financial Inclusion – A Case Study in Baksa District of Assam – Rahul Sarania & Dr. Shrabanti Maity.

**CHI – square tests:**

**H0:-** There is no association between Degree of Financial Inclusion & Membership in a Self Help Group.

**H1:-** There is an association between Degree of Financial Inclusion & Membership in a Self Help Group.

| <b>Table 5: fi score.</b> |              |                        |                               |                                 |                           |     |
|---------------------------|--------------|------------------------|-------------------------------|---------------------------------|---------------------------|-----|
| CATEGORY OF RESPONDENTS   | 0 (EXCLUDED) | 0-30 (LOW LEVEL OF FI) | 31 TO 60 (MEDIUM LEVEL OF FI) | MORE THAN 60 (HIGH LEVEL OF FI) | 100 (COMPLETELY INCLUDED) |     |
| PRE                       | 48           | 21                     | 26                            | 2                               | 3                         | 100 |
| POST                      | 0            | 0                      | 33                            | 61                              | 6                         | 100 |
| TOTAL                     | 48           | 21                     | 59                            | 63                              | 9                         | 200 |

| OBS FREQ | EXP FREQ | FO-FE | (FO-FE) <sup>2</sup> | (FO-FE) <sup>2</sup> /FE |
|----------|----------|-------|----------------------|--------------------------|
| 48       | 24       | 24    | 576                  | 24                       |
| 21       | 10.5     | 10.5  | 110.25               | 10.5                     |
| 26       | 29.5     | -3.5  | 12.25                | 0.415254                 |
| 2        | 31.5     | -29.5 | 870.25               | 27.62698                 |
| 3        | 4.5      | -1.5  | 2.25                 | 0.5                      |
| 0        | 24       | -24   | 576                  | 24                       |
| 0        | 11       | -11   | 121                  | 11                       |
| 33       | 16.5     | 16.5  | 272.25               | 16.5                     |
| 61       | 30.5     | 30.5  | 930.25               | 30.5                     |
| 6        | 3        | 3     | 9                    | 3                        |
| Total    |          |       |                      | 148.0422                 |

From the above calculations, we can say that the theoretical/computed Chi-Square value lies outside the acceptance level of Critical/Tabulated value of 9.488. So we reject the null hypothesis & accept the alternate hypothesis

### Conclusion:-

#### According to Paired T Tests:-

After joining SHGs, a significant difference between the mean values of the following parameters is seen this implies that.

- Women developed savings behavior.
- Frequency of their bank visits increased

#### According to Chi-Square Tests:-

It can be concluded that there is a significant association between Degree of Financial Inclusion & Membership in a Self Help Group.

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