

Financial Inclusion: The Role of Scheduled Commercial Banks in assisting and influencing the Self Help Groups of India

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ABSTRACT

Financial inclusion is one of the aspects of our economy through which the nation can evolve and develop. There are many institutions which provide financial access to the consumers but scheduled commercial banks are the sole provider of financial services in our economy. Over the years, the Self Help Groups (SHGs) has also been an important source of financial assistance among themselves and especially for the downgraded women's of our economy, and such groups are assisted by the banks of our country to improve financial inclusion and make our economy a financially included one. To make all under the shield of access to financial services in a vast country like India is a tough job, but the scheduled commercial banks along with the self help groups are playing their role concretely to improve the access to financial services in our country. Financial inclusion is very much important and necessary in a country like India and thus how such inclusion can be improved for the better benefit of the society is an important area of study at the current scenario. The researcher conducted correlation and regression in the study to find out the association and impact between the dependent and the independent variable to fulfill the research objective, and the results shows there is an association and significant impact of the independent variable in the dependent variable.

Keywords: *Financial Inclusion, Scheduled Commercial Banks, Self Help Groups, Financial Services, Correlation, Regression*

1. INTRODUCTION

Banks are the sole provider of financial services in any economy. They are the backbone of financial stability in the country since the main remittances of financial activities are provided through them. The Scheduled Commercial Banks are those banks which have been included in the Second Schedule of the Reserve

Bank of India Act, 1934. The scheduled commercial banks help in ensuring social and economic stability in our economy and thereby help in providing equitable and sustainable growth and development. The problem of scheduled commercial banks is that they are having high nonperforming assets and many of the bank branches are not performing up to the mark.

Mainly the rural scheduled commercial banks and most of their branches are running at a loss because of high overhead cost and its improper maintenance. The scheduled commercial banks are the sole provider of finance in our economy but over the years there have been stiff competition from non banking financial companies and the foreign banks, that are doing well and good in satisfying their customers. The scheduled commercial banks have also failed to fill up the credit gaps in different sections of the society and the bank staff has remained virtually static and the procedures of the bank and its practices have continued to remain old and outdated.

The Self Help Groups are those groups which are formed by individuals where one member allocates money from all the members of the group and then gives the money to a member of the group who is in need and thereby they solve the problem of need of finance among themselves. The commercial banks are the ones who are providing support to the Self Help Groups and also to the priority sectors. Financial Inclusion is the delivery of appropriate financial products and services like savings products, bank accounts, insurance, remittances and payment services, financial advisory services, micro credit and micro finance and entrepreneurial credit to the weaker section in rural and urban areas, and also not to ignore women, unemployed, old people and physically challenged people at an affordable cost.

Providing financial inclusion in our economy is one of the major concerns for a country and the commercial banks are the front liners in giving access to financial services in an economy. Therefore the scheduled commercial banks have to act and perform accordingly to provide sustainable and equitable development in the country but they are having their non performing loan problem which is affecting the financial system of the country. The expansion of formal banking system has been the main source of improving financial inclusion along with expanding the Self help Groups in the country. There have been several efforts and initiatives on the part of commercial banks to improve the financial condition and thus to

improve the financial inclusion in our economy but financial inclusion remains formidable till date in our country.

2. REVIEW OF LITERATURE

The researcher has gone through several existing literatures in the concerned area for the purpose of identification of the research gap and to derive its objectives:

Chattoraj, A. K., Mohan, A., & Ranjan, V. (2013) identified that the priority sector lending's by the scheduled commercial banks were not much in amount during that period and thereby the extension of credit by the commercial banks to the priority sectors is one of the key tasks assigned to the banks. Then it was studied that to export finance is the target since the foreign banks do not have their rural branches and thereby it should be expanded. Then various schemes were extended by the banks to channelize credit to different sectors of the economy for their economic development and thus the researchers concluded that the commercial banks are quite successful in implementing various policies laid down by the Reserve Bank of India and the lending to different sectors by them.

Kumarr, P., & Golait, R. (2008) studied that the Scheduled Commercial Banks have played a crucial role for the development of our economy. The study reveals that the banking system is still not doing well on various grounds to give access to credit to the poor and low income groups especially in the rural areas. The decline in the network especially in rural areas of commercial banking runs contrary to the objective of inclusive growth in our economy. The researchers studied that one fifth of the total loans to Self Help Groups went into the central and eastern zone taken together which accounts for more than three fifth of the total poor in India. For the economic development of the country, the banks need to come up with innovative ideas to extend the Self Help Group movement especially in the poorer regions.

Tankha, A. (2012) studied that the Self Help Group and its bank linkage programme provides the most direct source of funds which is also the cheapest compared to other sources of funds. It was also studied that different government initiatives and programmes taken for the groups, which act as a delivery channel for the financial services in our economy. The researcher opined that the members of the Self Help Group should be aware of its facilities since they also act in the field of savings and credit also.

Varman, M. (2005) in the research article studied that the Self Help Groups influences the bank account holding to a great extent. The leadership experience

in the group also influences the banking habits of an individual as it was studied. It was also studied that the Self Help Groups also helps the formal banks by increasing the number of bank accounts either directly or indirectly. It was concluded that the Self Help Groups will enhance the advantage of banks by acquiring a large number of bank deposit accounts thereby improving the financial inclusion of our economy.

3. RESEARCH GAP

Based on the above extensive review of literature, the researcher has found that there is no such definite research work undertaken yet for gaining an in depth knowledge about how the scheduled commercial banks are helping the society in general and its view regarding the implementation of new schemes by the banks and how they are helping the self help groups in our economy and how it will affect the financial sector and therefore how far it will have a concrete and positive impact on the economy. Considering this as a research gap and having a socio-economic significance in the economy, the researchers choose to fill up the gap through below defined research objectives, by conducting an analytical, explorative and empirical research work.

4. RESEARCH OBJECTIVES

Based on the above mentioned research gap, the researcher have identified the following research objectives which are to be achieved by fulfilling the research gap by conducting the study:

- To identify how the scheduled commercial banks are assisting the self help groups to improve financial inclusion in our economy.
- To identify how the major factors of the scheduled commercial banks are providing access to financial services in our economy.
- To know how financial inclusion can develop and improve the overall growth and development of the country.

5. RESEARCH QUESTIONS

The following research questions have been extracted by the researcher based on the above mentioned research questions:

- Does the scheduled commercial banks are assisting the self help groups to improve financial inclusion in our economy.
- Does the major factors of the scheduled commercial banks are providing access to financial services in our economy.

- Can financial inclusion develop and improve the overall growth and development of the country?

6. RESEARCH HYPOTHESIS

The following research hypothesis has been formulated to fulfill the above mentioned research objectives and to answer the above research questions:

H01: There exists no significant impact of deposits of the scheduled commercial banks on the amount of Self Help Groups financed.

H02: There exists no significant impact of savings of the scheduled commercial banks on the amount of Self Help Groups financed.

H03: There exists no significant impact of loans and advances provided by scheduled commercial banks on the amount of Self Help Groups financed.

H04: There exists no significant impact of branches of scheduled commercial banks on the amount of Self Help Groups financed.

7. RESEARCH METHODOLOGY

The study is empirical in nature which is based on collection and analysis of secondary sources of data and information. The researcher first studied how the scheduled commercial banks are influencing the self help groups in our country, which in turn is a big source of financial inclusion and based on that data has been collected and presented in the study. The data related to scheduled commercial banks and the self help groups have been collected from the website of reserve bank of India and its report on trend and progress of banking in India, handbook of statistics on Indian economy, and its annual reports. Also various news reports, published information, articles and journals has also been referred to fulfill the objectives of the study and to conduct the research work. The data was collected for seventeen financial years ranging from the year 2003 to 2019 based on the availability and suitability of the data and the data was computed and analyzed through SPSS software.

For the purpose of the study, data relating to five variables are considered based on the rationale of the researcher which are the number of self help groups financed by the scheduled commercial banks, total deposits of scheduled commercial banks, savings deposits with the scheduled commercial banks, loans and advances provided by scheduled commercial banks and total number of branches of scheduled commercial banks. Here, the number of self help groups financed is the dependent variable and rest being the explanatory variables,

correlation and regression analysis has been used to test the following null hypothesis. The dependent variable here represents the results of financial inclusion and the explanatory variables are those which are the contributing factor to the dependent variable and they are also providing financial inclusion in our economy. Nature of the data here being time series, correlation and regression analysis was conducted to find the association between the variables as well as to find the impact of the independent variables on the dependent variable. Finally, the data has been clearly and conceptually analyzed to ascertain how such commercial banks are influencing the self help groups to provide financial inclusion in our country, and based on the results, conclusion was drawn by the researcher and several recommendations were also put forwarded for improving financial inclusion in our nation.

8. DATA PRESENTATION AND ANALYSIS

Based on the above narrated research methodology and to fulfill the above defined research objectives and its research hypothesis, the researcher have undergone the following systematic procedure and the data regarding financial inclusion has been presented and analyzed below:

Table 1: Correlation Matrix

		SHGs Financed by SCBs	Deposits of SCBs	Savings of SCBs	Loans and Advances by SCBs	Branches of SCBs
Pearson Correlation	SHGs Financed by SCBs	1.000	.899	.892	.882	.854
	Deposits of SCBs	.899	1.000	.990	.993	.991
	Savings of SCBs	.892	.990	1.000	.967	.974
	Loans and Advances by SCBs	.882	.993	.967	1.000	.991
	Branches of SCBs	.854	.991	.974	.991	1.000
Sig. (1-tailed)	SHGs Financed by SCBs	.	.000	.000	.000	.000
	Deposits of SCBs	.000	.	.000	.000	.000
	Savings of SCBs	.000	.000	.	.000	.000
	Loans and Advances by SCBs	.000	.000	.000	.	.000

N	Branches of SCBs	.000	.000	.000	.000	.
	SHGs Financed by SCBs	17	17	17	17	17
	Deposits of SCBs	17	17	17	17	17
	Savings of SCBs	17	17	17	17	17
	Loans and Advances by SCBs	17	17	17	17	17
	Branches of SCBs	17	17	17	17	17

Source: Researcher's own computation

From the above correlation matrix table, it can be clearly observed that there is significant association between the dependent variable Self Help Groups (SHGs) financed by the scheduled commercial banks with its independent variables. The correlation between SHGs financed and its explanatory variable, deposits with the scheduled commercial banks is 0.899 which shows a positive and high correlation between them indicating a strong association between the dependent and the independent variable, which is significant at both 5 % and 1% level of significance. The correlation between SHGs financed and savings with the banks is also significant both at 5 % and 1% level of significance with 0.892 showing a positive and strong relationship among them.

The Positive correlation between the dependent variable and its explanatory variable loans and advances provided by the scheduled commercial banks, significant both at 5 % and 1% level of significance is 0.882 suggesting a strong association between them. The correlation between SHGs financed and the number of branches of the scheduled commercial banks is 0.854 which is also significant both at 5 % and 1% level of significance. Overall there was a strong and positive association among the dependent variable with its independent variable which depicts that services provided by the commercial banks have a relation with the funding of the SHGs which is affecting the nation's financial inclusion directly or indirectly.

After finding the correlation matrix, which has a significant association between the dependent variable and its independent variables, the researcher used multiple regression analysis to establish empirical relationship between the dependent variable and its explanatory variables and thus the study was examined through a multiple regression model:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

where, Y = self help groups financed by the scheduled commercial banks,

X1 = deposits of scheduled commercial banks,

X2 = savings deposits with the scheduled commercial banks,

X3 = loans and advances provided by scheduled commercial banks, and

X4 = number of branches of scheduled commercial banks.

Table 2: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.970(a)	.941	.921	184307.79570	1.657

a Predictors: (Constant), Branches of SCBs, Savings of SCBs, Loans and Advances by SCBs, Deposits of SCBs

b Dependent Variable: SHGs Financed by SCBs

Source: Researcher's own computation

Based on the above table of regression model summary, it can be seen that the value of R is 0.97 which is the correlation coefficient between the variables, which is significant both at 5 % and 1% level of significance and indicates a strong and significant and significant linear association between the dependent and the independent variables. The value of R square is 0.941, indicating that more than 94 % of the variation in the dependent variable is explained by the explanatory variables. The adjusted R square value of 0.921 is also found to be very high in the model. The durbinwatson value is 1.657, which shows that there is no autocorrelation present in the model as a rule of thumb and it is free from errors.

Table 3: ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6484293830874.620	4	1621073457718.656	47.722	.000(a)
	Residual	407632362689.261	12	33969363557.438		
	Total	6891926193563.880	16			

a Predictors: (Constant), Branches of SCBs, Savings of SCBs, Loans and Advances by SCBs, Deposits of SCBs

b Dependent Variable: SHGs Financed by SCBs

Source: Researcher's own computation

From the above ANOVA Table, we can find that the value of F is 47.722 which measure the ratio between the mean square of regression and residual i.e. the error term, is significant both at 5% and 1% level of significance. The ANOVA table depicts the overall fit of the model and here the value of p is 0.000 which is significant and shows that the overall fit of the model is good and reliable.

Table 4: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2316200.667	728638.844		3.179	.008
	Deposits of SCBs	2.327	.571	13.111	4.075	.002
	Savings of SCBs	-2.637	.814	-4.772	-3.240	.007
	Loans and Advances by SCBs	-1.161	.397	-5.348	-2.922	.013
	Branches of SCBs	-4.693	12.944	-2.197	-3.762	.003

a Dependent Variable: SHGs Financed by SCBs

Source: Researcher's own computation

Table 4 above is all about the regression coefficients and it reports the estimated values of the coefficients including the intercept term along with its p values. Accordingly we can find that the constant and the coefficient of the independent variables are significant at 5 % level of significance. The table shows that the unstandardized beta of the deposits of the scheduled commercial banks is 2.327 which shows that for every 1 unit change in the deposit, there will be 2.327 unit change in the financing of the Self Help Groups and it has a positive influence on the SHG financed and thereby financial inclusion. The other explanatory variables namely savings, loans and advances, and the branches of the scheduled commercial banks have a negative impact on the financing of the SHGs but the bank, in other words with the increase in the financing of the SHGs, the savings, loans and advances providing capacity and the branches of the SHGs are significantly falling. Moreover, the SHGs being the result of financial inclusion is significantly influenced by the commercial banks either directly or indirectly. The regression equation obtained from the above table is as follows:

$$Y = 2316200.667 + 2.327X_1 - 2.637X_2 - 1.161X_3 - 4.693X_4 + e$$

9. FINDINGS AND CONCLUSION

From the above analysis, it was clearly found that the scheduled commercial banks of our country are providing financial assistance to the Self Help Groups in every aspect and thereby ensuring financial inclusion in our economy. The nature of work the Self Help Groups possess ensures that the result of financial inclusion are such groups and the commercial banks having influence on such groups signify that the banks are playing a concrete role for providing and accessing financial inclusion in our country.

The current study found that the Null Hypothesis H01 is rejected at 1 % level of significance and have a positive significant impact on financing of SHGs by the commercial banks which also signifies that the amount of deposits of the commercial banks helps to provide financial assistance to the SHGs of our country. It was found that H02 is also rejected at 1 % level of significance and was observed that the savings of the commercial banks have a negative influence on the financial assistance of the SHGs and the possible reason being that the savings of the commercial banks are decreasing overtime whereas the financing capacity of the SHGs by the banks is increasing significantly.

H03 is rejected at 5 % level of significance and the negative impact of the loans and advances capacity of the commercial banks on the financing of the SHGs is possibly due to the poor capacity on part of the banks to provide loans and advances to different sectors. Financing of the SHGs by the banks is increasing and on account of that the loans and advances capacity of the commercial banks are decreasing creating a negative impact between the dependent and the explanatory variable.

The Null Hypothesis H04 is also rejected in the study at 1 % level of significance indicating a negative impact on the number of branches of the commercial banks on the SHGs financed by the commercial banks, and the possible reason being that the branches of the banks are not increasing but the financial assistance from such banks are increasing significantly and moreover, too few banks are playing the concrete role of providing financial assistance to the SHGs based on the performance of such banks and thereby ensuring financial inclusion.

Over the years, the SHGs have been an important source of finance in need and such groups are rising day by day to provide financial assistance among them. The commercial banks have also been the sole provider of financial products and services in our country and the SHG bank linkage programme is taking the

problem of financial inclusion into a process of solution but still much work is needed to be done in part of both the banks and the SHGs for the overall growth and development of our country since financial inclusion has the capability to create development by taking all in the process. Effective financial access to all individuals in need can really boost the financial condition and standards of life especially for the economically weaker sections of the society which will help the nation in process. Also, financial products and services to the unbanked masses in a vast country like India can be rooted thorough effective SHGs where the members can get access to financial services in need without having a formal bank account and thereby the importance of SHGs cannot be overlooked. Financial inclusion to all ensures development of our country by effectively mitigating the need of finance in the hands of the individuals and making them economically stable, and the economy which is economically stable is bound to have development and growth sooner or later in the process. The banks are indeed doing their part in assisting the SHGs financially but the policy makers and the regulators need to focus on how the financial structure of our nation can be improved so that the financial products and services can be delivered affordably to the needy consumers. Though SHGs are informal association of individuals, but it improves the livelihood of the deprived sections of the population and thereby the banks along with the regulators should take such groups into the next level so that financial services reaches every individual in need and thus we can ensure growth and development of our nation through the way of financial inclusion.

10. RECOMMENDATIONS

In a developing country like India, the commercial banks are the ones who not only act as mobilizer of savings and investment but they are also the sole provider of finance ensuring financial inclusion for all. The SHGs has also provided a great opportunity especially for the poor and the disadvantaged population of the country to participate in the ecosystem of finance which let them to derive benefits out of their daily savings which acts as a result of financial inclusion in anyway. The government along with the Reserve Bank of India are playing their concrete role to make India a financially accessed one for the overall growth and development of the society but there has always been the problem of lack of affordable, accessible and appropriate financial products and services in need. There are several problems of accessing effective financial

inclusion in our economy and considering the limitations that are associated with the commercial banks and the SHGs, the researcher put forwarded several recommendations so that the financial inclusion can be enhanced and improved in our country effectively and efficiently.

- Innovation in financial inclusion is needed since the role of technology among the SHGs is very low but has a potential opportunity for improvement via development in technological advancement.
- The services that are offered by the SHGs recently does not get full benefit according to the needs of the market ensuring lack of awareness among the potential opportunities in the market in need of finance which needs to be improved.
- Credit mobilization is one of the major problems among the SHGs of our country which the banks needs to work upon so that smooth and efficient running of the group continues for the access of financial needs the at adequate time.
- There is a need of an effective inclusive financial system for the improvement in financial inclusion, and economic growth and development of the country in process.
- Availability of timely credit at an affordable cost and financial counselling to those who are in need are necessary for improving the financial structure of our nation and ensuring financial inclusion in the process.
- There is a need for improvement of the working SHGs by making them educated about financial needs and also by making them aware about financial products and services for the better benefit of the marginalized sections of the society.
- The regulators should focus on the credit deficiency areas of our country where the SHGs can be channelized to act as a savior on the barriers of accessing financial services to such marginalized areas.
- Financial literacy programmes along with awareness of financial needs is very much needed in a vast country like India, where a proper financial inclusion regulator in the country is needed to monitor the financial stability of the economy.

11. LIMITATIONS AND FUTURE RESEARCH SCOPE

The study has been conducted by the researcher based on secondary sources of information and data and thereby the future researcher can conduct research based on collecting primary data. Also suitable and appropriate sophisticated statistical tools can be utilized in gathering more in depth knowledge about the definite picture of financial inclusion in our economy and how the scheduled commercial banks are playing their role in providing financial inclusion. Cross country analysis related to financial inclusion can also be conducted to look at the better picture of such inclusion and also to compare among different countries. Particular state specific or geographical area specific research considering more number of years and its data can be conducted by future researchers to find out how the particular states or area are getting access to financial needs in demand of our country.

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