


Chapter 4

Bridging Horizons: Exploring Digital Banking Dynamics in Rural India's Self-Help Group Landscape

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ABSTRACT

The objective of the research study was to explore the factors that affect the adoption of digital banking by self-help groups (SHGs). This study is based on a mixed-methods approach to identify the emerging trends and opportunities in the field of banking assistance for SHGs with the use of Google Trends Analysis (GTA). This study significantly contributes to the existing body of literature by critically examining well-established theoretical frameworks and foundations in this field. The knowledge gained from this study can encourage collaborative initiatives with various stakeholders within self-help groups (SHGs), potentially promoting financial stability and providing assistance to both the group's members and the larger community. The practical significance of this study lies in its potential application to digital banking systems designed specifically to offer SHG members a supportive environment.

1. INTRODUCTION

Basically, SHGs are comprised of individuals who come together in small groups to address common issues (Katz & Bender, 1976). As per a world bank report “The SHGs has emerged as a crucial factor during India's initial days of lockdown aimed at curbing the spread of the coronavirus, which affected a staggering 1.3 billion individuals” (Bhanot & Bapat, 2020). If we look at the history, during the last twenty years of its involvement, the Bank has witnessed the development of India's SHG movement. This movement has progressed from modest savings and credit groups aimed at empowering impoverished people, into one of the most substantial institutional frameworks for the economically disadvantaged individuals (Tankha, 2012). SHGs have played a comprehensive role in tackling the economic and social demands arising from the Covid-19 pandemic at the community level. SHGs have collaborated to

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address concerns such as maintaining social distancing, wearing masks, quarantining, addressing the psycho-social requirements of migrants, caring for elderly members of society, and supporting mental health and wellness, among other issues (Parida & Sinha, 2010). Furthermore, it is commonly understood that the term “self-help group” encompasses a variety of organizational structures, such as networks, non-profit organizations, computer bulletin boards, and even informally organized groups. Self-help agencies in which individuals with personal experience provide services to their peers in exchange for payment are considered distinct from SHGs. However, self-care or “do-it-alone” efforts are not included in the definition of self-help groups.

Over the past five years in India, there has been a growing recognition of the crucial role that strong community networks in rural villages play in establishing credit links in those areas. There is evidence, both in India and other areas, that the creation of Self-Help Groups has a multiplying effect on elevating people's social standing within both society and the family (Sinha et al., 2012). This results in a betterment of their socio-economic situation and an increase in their self-esteem. This has also become crucial because a majority of the individuals who benefit from government programs belong to marginalized and disadvantaged communities. Therefore, their involvement in Self-Help Groups ensures social justice. Presently, banks are motivated to lend to Self-Help Groups due to Priority Sector Lending regulations and guarantees of returns. The SHG-Bank linkage program, pioneered by NABARD India, has facilitated access to credit and decreased reliance on conventional moneylenders and other non-institutional sources (Sinha et al., 2012). However, it is notable that a significant proportion of Self-Help Groups are unable to capitalize on recent technology breakthroughs and obtain new skills. The aforementioned issue might be attributed to a lack of knowledge of new technologies and a dearth of requisite competencies for their effective use. Furthermore, there is a scarcity of efficient procedures to assist the implementation of novel technology. There is some empirical evidence that shows the revenues generated by certain units are not sufficiently reinvested inside these units. Instead, these funds are diverted for personal and household purposes, such as weddings or building homes. Earlier research suggests that in most Self-Help Groups, the digital financial assistance provided by the relevant agencies is inadequate to meet their actual requirements. Furthermore, financial authorities are not offering adequate support to encourage the use of digital banking among SHGs.

To address these concerns, we reviewed literature and discovered that the motivation for technology adoption among SHGs has increased significantly due to digitalization. Earlier studies have predominantly centered on technology adoption factors concerning the adoption of technology for financial transactions, particularly among urban populations. Therefore, conducting research on the adoption of digital banking technology among SHGs is advantageous for enhancing financial self-efficacy and promoting financial independence. As SHGs involve monetary transactions between parties, the trust between financial institutions and other relevant stakeholders is crucial. Therefore, trust has been considered as a significant factor in the previously established technology adoption model. This study focuses on the factors that impact the willingness of SHGs to engage in digital banking services by considering the mediating role of trust in digital banking usage. To the best of the author's knowledge, only very few research could be found in the literature that explore the inclination of SHGs towards using digital banking services to improve their financial self-efficacy and promote financial independence. This research study fills the gap in the previous literature on the potential motivations of SHGs to use digital banking services. It considered technology adoption factors as per TAM model developed by (George & Kumar, 2013), along with the trust and security-related concerns associated with digital banking services.

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