



A STUDY ON LACK OF BANKING KNOWLEDGE IN SHG MEMBERS

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❖ ABSTRACT:

Banks play a very important role in the effective running of the Self Help Groups. Deposits are the foundation for the growth of SHGs and getting loans through those deposits. The bank helps in mobilize the savings from members, pools the money and provide loans from that money with very low interest. This study aims at the lacking of banking knowledge due to lack of education in the rural areas as most of the SHGs are from the rural areas. This paper makes a modest attempt to examine the association of bank with SHGs to increase the knowledge of the SHG members about banking.

❖ INTRODUCTION:

India has been a developing country since its independence and it has been known as the land of villages and most of the people here reside in the rural areas, as the most of the SHG members are women they are uneducated and they have no idea about saving money etc, due to which there is more of poverty in these areas so to eradicate poverty in the nation the government has come up with plan to start SHG, so that it would help SHG members to overcome their financial problems and also encourages them to get self employed by providing them micro credit through banks.

NABARD's SHG bank linkage project has made the SHG members compulsorily know the banking activities that are concerned to them to get benefits out of it. As most of the SHG members are women, uneducated and are from the rural area, it is difficult for the members to get educated themselves about the banking activities and also to know the latest developments that are happening in their field.

❖ OBJECTIVES:

- To know the concept of banking knowledge in SHG members.
- To know the current scenario of SHG with the help of banks.

- To know the mode through which SHG members can get banking knowledge.
- To know the level of development of SHG after knowing banking benefits.

❖ SCOPE OF THE STUDY:

The scope of the study is related to the concept of banking knowledge in SHG members and the problems faced by the SHG members during the banking activity due to lack of knowledge about it.

❖ RESEARCH DESIGN:

Data is collected through Secondary data. It was collected from various published sources such as journals, websites etc.

❖ LIMITATIONS OF THE STUDY:

- Time constraint.
- Data collected through Secondary data only.
- It is not preferable to generalize the data from this study.

❖ SELF HELP GROUPS:

Self-Help Group (SHG) is an organized group of people who face similar problems and join together to find solutions to better living conditions. Self Help Groups are popularly made for the purpose of doing collective economic activities and earn collective profit out of these activities with the help of Microfinance. SHGs are typically made up of individuals who lack access to official financial institutions. Self-Help Groups can exist with or without registration.

Members also make small regular savings contributions over a few months until there is enough money in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of micro-credit.

1.1. Financial inclusion in SHGs

Making poor preferred clients of financial institution:

NRLM (National Rural Livelihood Mission) facilitates universal access to the affordable cost-effective reliable financial services to the poor. These include financial literacy, bank account, savings, credit, insurance, remittance, pension and counseling on financial services. The core of the NRLM financial inclusion and investment strategy is “making poor the preferred clients of the banking system and mobilizing bank credit”.

NRLM provides Revolving Fund and Community Investment Fund (CIF) as Resources in Perpetuity to the institutions of the poor, to strengthen their institutional and financial management capacity and build their track record to attract mainstream bank finance.

- NRLM provides **Revolving Fund (RF) to SHGs of Rs.10, 000-15,000** as corpus to meet the members' credit needs directly and as catalytic capital for leveraging repeat bank finance. RF is given to SHGs that have been practicing 'Panchasutra' (Regular meetings; Regular savings; regular inter-lending; Timely repayment; and Up-to-date books of accounts).
- NRLM provides **Community Investment Fund as Seed Capital to SHG Federations at Cluster level** to meet the credit needs of the members through the SHGs/Village Organizations and to meet the working capital needs of the collective activities at various levels.
- NRLM provides **Vulnerability Reduction Fund (VRF) to SHG Federations at Village level** to address vulnerabilities like food security, health security etc., and to meet the needs of the vulnerable persons in the village.

1.2 Access to Credit:

NRLM expects that **the investment in the institutions of the poor would leverage the bank credit of at least Rs.1, 00,000 /- accessible to every household in repeat doses over the next five years**. For this, SHGs go through Micro-investment Plan (MIP) process periodically. MIP is a participatory process of planning and appraisal at household and SHG levels. The flow of the funds to members/SHGs is against the MIPs. NRLM has provided **interest subvention for all eligible SHGs to get loans at 7% per annum** from mainstream financial institutions. Further, additional 3% interest subvention is available only on prompt repayment by SHGs in most backward 250 districts.

1.3 SHG Credit Linkage:

The Mission provides only catalytic capital support to the community institutions, it is expected that the banks provide the major chunk of funds required for meeting the entire gamut of credit needs for the rural poor households. The Mission therefore expects that the SHGs leverage significant amount of bank credit.

- The Mission assumes that over a period five years, each SHG would be able to leverage cumulative bank credit of Rs. 10,00,000/- in repeat doses, such that on the average each member household accesses a cumulative amount of Rs. 100000/-.
- In order to facilitate bank linkages, State Level Bankers' Committees (SLBC) would constitute exclusive sub-committees for SHG bank linkages and financial inclusion in NRLM activities. Similarly, District Level Coordination Committees and Block Level Coordination Committees would review SHG-Bank linkages and NRLM.
- The Mission units are also expected to use the services of the field level customer relationship managers such as, Bank Mitra/Sakhi.
- Further, institutions of the poor are expected will be guided to constituting community-based recovery mechanisms (sub-committees on bank linkage and recovery of loans).

2. TYPES OF SHGs:

▪ Non-government organizations (NGOs):

A non-governmental organization (NGO) is a group that functions independently of any government. It is usually non-profit. NGOs, sometimes called civil society organizations, are established on community, national, and

international levels to serve a social or political goal such as a humanitarian cause or the protection of the environment.

▪ **Poverty reduction programs implemented by government:**

Poverty Alleviation Programmes aims to reduce the rate of poverty in the country by providing proper access to food, monetary help, and basic essentials to the households and families belonging to the below the poverty line.

▪ **Banks that provides microfinance, both state and private institutions:**

Microfinance services are provided to unemployed or low-income individuals because most of those trapped in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions.

▪ **SHG federation:**

Self help group federation have been formed and strengthened so that they would take the responsibility of facilitation and monitoring the SHGs.

❖ **LACK OF BANKING KNOWLEDGE IN SHG MEMBERS:**

As most of the SHGs are from the rural area. There is lack of banking habits in the rural people because of lack of banking knowledge and lack of financial literacy, most of the people in the rural areas does not have an access to banking due to network problems.

❖ **CHALLENGES OF LACK OF BANKING KNOWLEDGE IN SHG MEMBERS:**

- Network problems in rural areas: internet networks are challenging where there are less digital payments that need to be tackled in rural areas.
- Lack of educated women in the rural areas.
- Lack of exposure of these women to the latest development of the nation.
- The complexity of the procedure of the bank while issuing loan to the SHGs.
- Less knowledge about the digital world in the SHG members.
- Less access to the digital network.

❖ **SUGGESTIONS:**

- ✓ The government should concentrate in rural digitalization.
- ✓ The government should start awareness programmes to these SHG rural women about banking.
- ✓ Encourage SHG members to take credit and to get self employed.
- ✓ Government should conduct training facility about banking and digital banking.
- ✓ Government should encourage youths to join SHGs so that their parents can also be educated about banking.

❖ **CONCLUSION:**

Currently in India, the literacy rate in the rural areas as well as the SHG members is really low and in some rural areas there are still no banks and here there will be problems in proper mobility of the money.

Thus, the government should come up with certain plans to overcome these problems and help the rural people to get access to the digital world. And it would help in proper utilization of funds and also to eradicate poverty.

❖ REFERENCE:

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