

# AN OVERVIEW ON ROLE OF SHGs IN FINANCIAL LITERACY EFFORTS IN JHARKHAND- A CASE STUDY OF WEST SINGHBHUM DISTRICT

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## ABSTRACT

This article makes an effort to examine the role of SHGs in financial literacy in West Singhbhum, Jharkhand. For many nations, increasing access to financial services is a pressing social and economic need. Commercial banks in India are primarily responsible for achieving financial inclusion within the parameters set by the Reserve Bank of India (RBI). However, commercial banks have been enlisting the help of other social and financial entities like co-operative banks, RRBs, SHGs, joint liability groups, and other NBFCs due to the enormous size and diversity of the population. Due to the country's low literacy rate and the large amount of its population that continues to live outside the official financial system, financial education in India is becoming more important. This study aims to provide a glimpse of the current state of financial literacy in India by using many polls and the many financial education programs launched in India.

**Keywords:-**Financial Literacy, Financial Education, Financial Inclusion.

## INTRODUCTION

Investing, a kind of savings, is vital to the economic growth of any nation. Financial resources fuel economic growth by expanding the range of options accessible to citizens. Investors may choose from a number of different opportunities in India's financial industry. There are reasonable prospects for the average person to invest his money, despite the market not being the greatest or deepest in the world. Achieving a personal goal and saving up for emergencies both require spending resources that aren't being used and earning a return on those investments. One of the most important reasons to invest wisely is to protect one's purchasing power against inflation. Inflation refers to the general upward trend in prices for goods and services. The ability to manage one's own finances, handle money, and invest is only a few examples of the many financial ideas that make up financial literacy. How to make sound financial choices in a wide range of areas, including investments, insurance, real estate, education funding, savings, spending, retirement, and taxes. Knowledge of financial ideas and principles such as the time worth of money, budgeting, saving, investing, compound interest, and managing debt is also essential for financial success. Poor financial choices may have a negative impact on a person's financial well-being if they are made due to a lack of financial literacy. The government

then formed the Financial Literacy and Education Commission to help people find information on improving their financial literacy.

Because they hold so much of the country's wealth, commercial banks in India (and Jharkhand specifically) have a responsibility to their customers to make a healthy profit. The banking sector plays a significant role in India's capital and money markets. At the same time, India's central bank, the Reserve Bank of India (RBI), has been giving recommendations to commercial banks to encourage financial inclusion throughout the country, with a focus on economically backward regions like Jharkhand. The commercial banks thus serve a dual purpose. There is pressure to boost profits while simultaneously meeting social goals like include more people who are financially excluded from mainstream society. While many strategies have been implemented, the fact remains that it must be a win-win situation; commercial banks must increase their outreach, offering various products to the poor and marginalized, while still maintaining a profit margin. In light of this, the Reserve Bank of India (RBI) has authorized and encouraged commercial banks to use non-traditional methods of promoting financial inclusion, including the employment of SHGs, MFIs, RRBs, NABARD, NGOs, JLGs, co-ops, and co-operative banks. Insurance and mutual fund businesses are two more examples of financial sector organizations that are likely to contribute positively to financial inclusion efforts throughout India. These days, commercial banks offer everything from insurance and mutual funds to stocks and derivatives. For obvious reasons, banks have adopted the marketing stance of NBFCs and other financial services providers including insurance firms. Now, in collaboration with other organizations, providing banking services would include providing any and all forms of financial services to the poor and marginalized.

## REVIEW OF LITERATURE

**Das (2008)**, In response to concerns raised by RBI's upper echelons about the state of financial inclusion in Jharkhand's rural regions, the central bank opened a branch in Ranchi (the state capital) in November 2007. This highlights the apex bank's considerable worry about the problem of financial inclusion in Jharkhand, where the barter system is still dominant, and the financial institutions operating inside the state's borders.

**Census (2011)**, large percentage of the population of Jharkhand is impoverished. Jharkhand has an alarmingly high rate of poverty, at 40.2%, compared to the national average of 17.13% in rural India.

**Kumar and Anees (2013)**, finance education in India, including its significance, motivations, and regulators, and why it's important for the global economy. According to the research, encouraging young Indians to invest is key to improving the country's economic outlook.

## OBJECTIVES OF THE STUDY

- To analyse the concept of financial literacy and its significance.
- To analyse the level of financial literacy in West Singhbhum District.
- To analyse the progress of SHGs in financial Literacy.

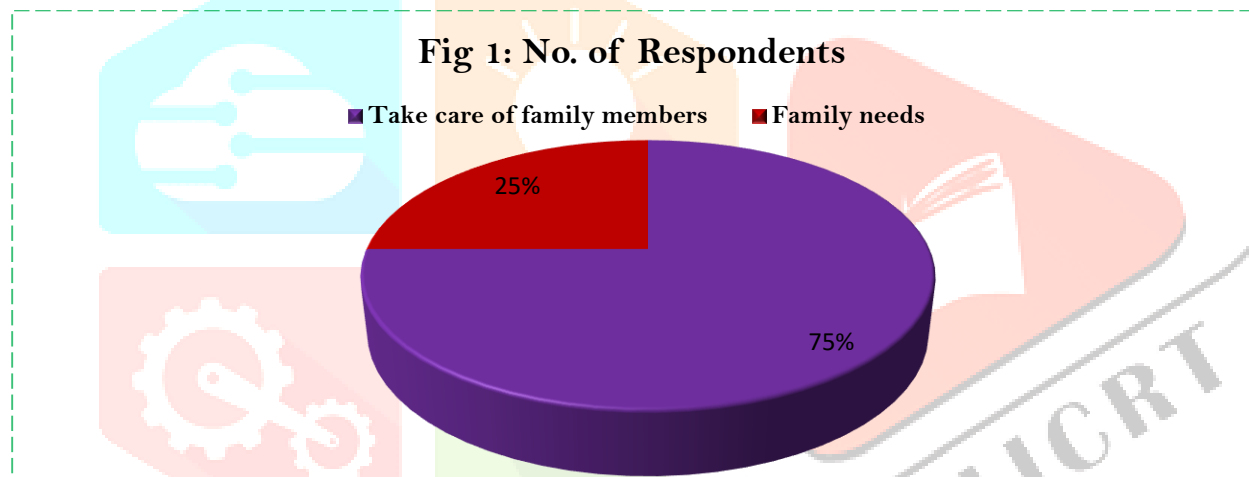
## RESEARCH METHODOLOGY

The nature of the study carried out here is qualitative. It is based on primary data as well as secondary data. A well framed questionnaire is asked to 70 rural people to understand the role of SHGs in Financial Literacy in West Singhbhum District. The secondary data used in the study has been sourced from previous research papers, official websites of regulatory bodies, and reports.

## DATA ANALYSIS AND INTERPRETATION

**Table 1:** Reasons for joining Self Help Groups

Statements	Frequency	Percentage
Take care of family members	45	75
Family needs	15	25
<b>Total</b>	<b>120</b>	<b>100%</b>



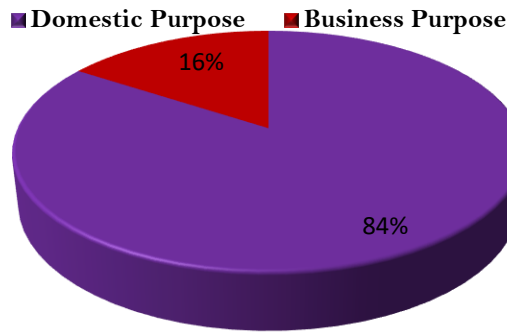
*Sources:* Primary Data

While analysing the above table and graph it is found that 75% respondent agreed that they joined SHGs group to take care of the family member's and 25% respondent agreed that they joined SHGs group of the medical need.

**Table 2:** The loan money is used for

Statements	No. of Respondents	Percentage
Domestic Purpose	51	85
Business Purpose	09	15
<b>Total</b>	<b>60</b>	<b>100%</b>

**Fig 2: No. of Respondents**

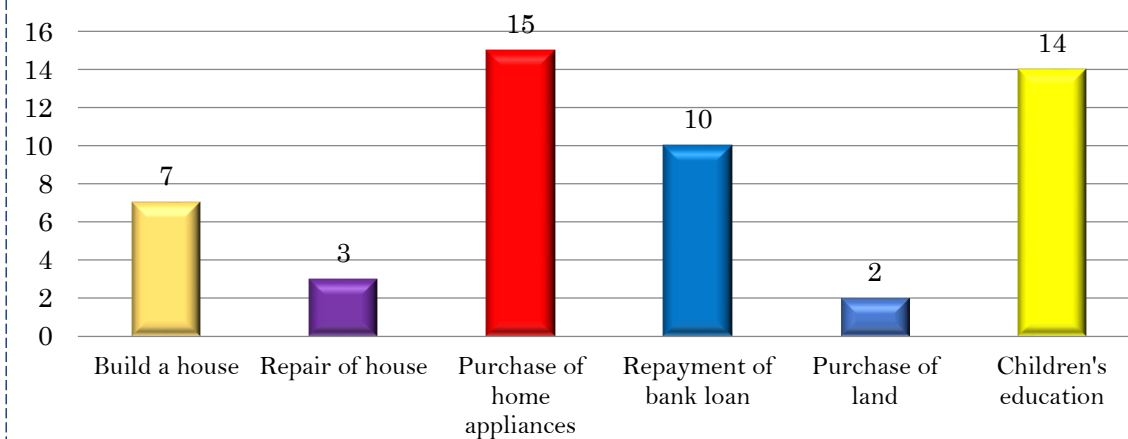


Sources: Primary Data

**Table 3:** various uses of loan amount in domestic purpose

Statements	No. of Respondents	Percentage
Build a house	07	14.0
Repair of house	03	3.6
Purchase of home appliances	15	29.0
Repayment of bank loan	10	20.0
Purchase of land	02	2.4
Children's education	14	27.0
<b>Total</b>	<b>51</b>	<b>100%</b>

**Fig 3: House hold Purpose Includes**

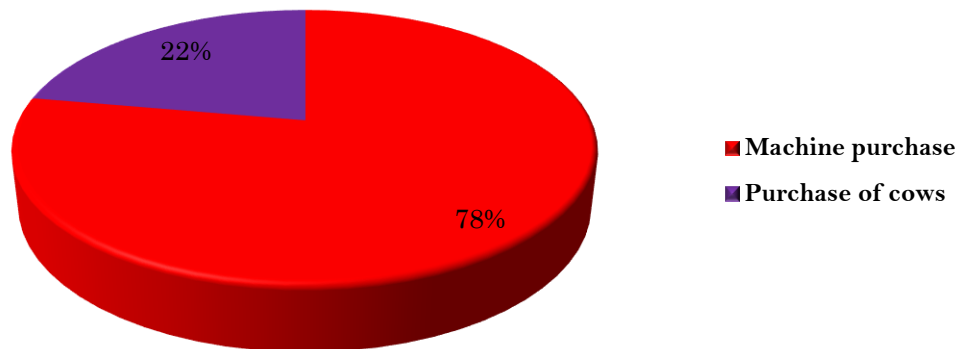


Sources: Primary Data

While analysing the statement 27% respondents used loan amount for their children’s education. 29% respondents uses loan money to Purchase of home appliances. 20% respondents borrow money from SHG to pay bank loan. 14% respondents borrow money from SHG to build a home for his/her family. 3.6% respondents borrow money for repairing of houses. 2.4% respondents borrow money for purchase of land.

**Table 4:**Business purpose include

Statements	No. of Respondents	Percentage
Purchase of Machine	07	22
Purchase of live stocks	02	78
Total	<b>09</b>	<b>100%</b>

**Fig 4: Production purpose include**

**Sources:** Primary Data

Total 09 respondents are using their loan amount for different production purposes. It includes buying machines or purchasing live stocks. Out of 9 respondents, 7 respondents (78%) respondents borrow money from SHG to purchase different types of machines related to their work and 2 (22%) respondents use their loan money to purchase live stocks.

## CONCLUSION

Economic development is impossible without widespread financial literacy. Individuals' improved financial management skills will have a multiplier effect on the economy as a whole. The Indian government and its regulatory bodies have attempted several innovative measures to improve the country's literacy rate. Those attempting to improve people's financial literacy should consider their target audience. The government's capacity to provide economic stability in the India relies on its willingness to implement novel policies promoting financial literacy and inclusiveness, which in turn are determined by the needs of the economy.

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