

FINANCIAL LITERACY FOR SHG MEMBERS IN VUCA WORLD

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ABSTRACT:

Financial access is an imperious endeavor to develop self-sustainability with rural people. Financial literacy develops confidence, knowledge and skills to manage financial products and services enabling them to have more control of their present and future circumstances. Financial literacy rate of India is 24 %, $\frac{3}{4}$ th of Indians lack of financial literacy (S& P Survey.2015). The Self-help groups (SHG) are the main players in the rural development at grass root level through promotion of savings and entrepreneurship. The level of financial literacy among self-help groups has been flourished their life through enterprise promotion and self-reliant by their own earnings. Non-Performing asset with SHG is raising alarm in current days, due to their financial illiteracy. The amount of gross NPA of Self-help group bank loan had gone up from `2,933 crore in 31 March 2014 to `3,815 crore as on 31 March 2015 recording a rise of `882 crore (30 % increase in a year) (SMFI '2014-2015.Report of NABARD). In this VUCA (Volatile, Uncertain, Complex and Ambiguous) world, corporates are facing enormous challenges and overcoming their challenges thru enhanced vivacious strategic business practices. Corporates are moving in rapid strategic decisions, SHG enterprises are not exempted in this VUCA

world. Financial resources are the foundation for any enterprise, financial literacy is the key to attain the financial objectives. This Paper is entitles to present a Glimpse on Financial Literacy for Self-help group members in this VUCA world.

Keywords: Financial literacy, Finance, Self Help group, SHG, SHG Entrepreneur

INTRODUCTION

India lives in its villages and regional imbalances are extraordinarily evident. Regional imbalances are the prime hurdle to inclusive development. Rural people should get ample access to financial resources is a vibrant key to inclusive development. Financial access is an imperious effort to self-sustainability with rural people. Financial literacy develops confidence, knowledge and skills to manage financial products and services enabling them to have more control of their current and future circumstances. The Self-help groups (SHG) are the dominant players in the rural development at grass root level, they are uprooting savings and entrepreneurship. In the days of Globalization and technological spreading, basic financial literacy of SHG is a vital to ensure efficient and effective utilization of credit.

The concept of SHGs had its origin in the co-operative philosophy and the co-operators by and large, including the National Federations in the credit sector, could not think of any better SHG than a primary co-operative credit society itself (*TNCDW, 2007*). The Self-Help Group (SHG) is the dominant form of Micro finance in India. Self Help Group (SHG) is an informal association of 10-20 women to come forward for a common objective. These women are same minded and preferably hails from the same socio-economic background. They are willingly grouped together to save a small amount regularly, mutually agreeing to contribute a common fund and to meet their emergency needs on mutual help basis. The loan amounts are small, frequent for short duration and mainly for conventional purposes.

The different variants of micro finance efforts like micro credit, micro savings, micro enterprises, micro insurance, micro housing, etc. are acknowledged as effective tools in developing nations to combat poverty (*Khandelwal, 2007; Morduch, 1999*). The programme's main aim was to improve access of the rural poor to the formal credit system in a cost effective and sustainable manner by making use of SHGs (*Shylendra 2008*). The Rural micro enterprises play a vital role in areas like promoting and generating avenues for rural employment, utilization of local resources, skills development, and promotion of rural entrepreneurship, mitigating regional imbalance, reducing rural urban disparity, arresting migration of rural labour to urban centers and creating capital assets in the rural areas itself (*Villi, 2003*).

In this VUCA world, Transformation is inevitable, healthier change may give progressive results. Our country is moving

towards to digital cashless economy, basic financial literacy should be needed one to inculcate on various new concepts in Banking like e-banking/Internet banking, ATM, Mobile banking and online transactions. To enhance their financial literacy level will fetch a positive result towards development. Financial literacy will surely blossom a fragrance in SHG members life. Poverty to prosperity in SHG women's life through financial literacy will be easily reachable.

REVIEW OF LITERATURE

OECD defines Financial Literacy as a combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being. People achieve financial literacy through a process of financial education.

Monika Tushir et al. (2007) state that finance is one of the most crucial inputs for economic activity and growth and development of any economy. Provision of financial assistance to the poor and underprivileged section of the society has always been in the focus of various programmes which have been run by the government since independence. Despite having a wide network of rural bank branches in India which have implemented specific poverty alleviation programme's that have sought creation of self-employment opportunities through bank credit, a large number of the poor especially women continue to remain outside the purview of formal banking system. A need is felt for alternative policies, systems and procedures, saving and loan products, other complementary services and new delivery mechanisms, which would fulfill the financial requirements of the poor with the main emphasis on socio-economic upliftment.

Santhosh (2010) has indicated in his paper that financial literacy among the SHG members is influenced by bank literacy. He has taken bank literacy as one of the factor among the three factors to measure the financial literacy of the members of Kudambashree model in Kerala. Further the author has added the indicator variables like awareness on no frills account, awareness on types of deposits, awareness on education loan, agriculture loan, awareness on service charge levied by banks, knowledge on interest rate calculations and knowledge on usage of debit/ATM cards, and these variables were used to measure the underlying factors of bank literacy.

Shantha B. Kurup, Jerinabi U. and Deepa S. (2010) conducted a study entitled "Financial Literacy-Key Element for Financial Inclusion." analyzed impact between before joining SHG and after joining SHG. It was found that after joining SHG, respondents income improved, monthly and weekly saving were positive. The respondents were not even aware of financial measures and about many financial products. SHG helped them to know about the financial services provided by the bank even non-financial literacy is not enough. There is a need to focus on it to attain the goal of financial inclusion for all. SHG members well aware of financial services provided by the banks than before joining SHG. The study concluded that attainment of financial inclusion for all could be achieved through SHGs.

Jain and Nai, (2013) in their study SHG Helping Empower Rural Women highlighted that women today have been suffering a lot due to the feeling of helplessness and lack of decision-making capabilities in financial matters. Self-Help Groups (SHGs) are the most recent development for them which could enable

them to come forward and make them self-dependent and self-employed. The main objective of this study is to study the effectiveness of SHGs in empowering women as well as the interest of rural women towards SHGs. Chi-square test has been used to test the significance of the result and it was found that the women associated with SHGs have disclosed that they have economically benefited them across the time of association with them but there is significant difference in the perception on the effect that SHGs had on various factors and socially and politically benefited by SHG across the time of association with SHG.

RESEARCH METHODOLOGY

This study is descriptive in nature. The data used for the study is secondary in nature and has been collected from RBI bulletin, annual reports of Government of India (GOI) and Ministry of Finance, NABARD SMFI Report, Report on trend and progress of banking in India, various reputed journals, newspapers and websites of RBI, Ministry of Finance,

ROLE OF FINANCIAL LITERACY IN SELF HELP GROUP

Financial literacy has been acknowledged as a one of the key competencies required for the establishing and management of SHG entrepreneurship. The level of financial literacy among self-help groups has been flourished their life through enterprise promotion and self reliant by their own earnings. In the era of Globalization and technological advancement, basic financial literacy of SHG is a crucial to ensure efficient and effective utilization of credit. Lack of knowledge and assistance regarding saving and credit practices result erroneous financial decisions which stands as a

barrier in their way of SHG's empowerment.

Financial empowerment

SHGs are giving financial empowerment to women. The level of financial literacy among self-help groups has been flourished their life through enterprise promotion and self-reliant by their own earnings. They are making their financial decision according to their needs without depend on others. The savings and credit needs fulfilled by the SHGs, women are relieved from private money lenders and they can stand on their own. Promotions of Self-Help Groups have the potential to bring women into the mainstream of economic development paving the way for sustainable development (*Lalitha Shivakumar .1995*)

Decision Making

Every activity on this universe mostly based on monetary basis. The Financial independence of Women lead to decision making on their needs. Financial independence leads them to in dependent world to Independent empowered world. SHG model of micro finance has tested to be very effective in meeting credit need of rural poor. (*Sudhansu Kumar Das .2006*)

Enterprise development

Enterprise development is also one of the positive outcome from SHGs. Efficient utilization of credit makes SHG's in to a progressive enterprise development. SHGs should be provided with institutional support, like training, marketing and information on available latest technology. They should also be strictly made to utilize the Self-Help Groups credits for productive purposes alone. Further, training relating to the activity chosen should be imparted (*Nirmala, et. al. 2004*)

Lack of Knowledge

Maximum number of SHGs members lack knowledge about credit institutions which can provide them with finances, government policies, schemes and initiatives started for their help etc. that hampers them to be a successful entrepreneur and lack of knowledge about potential markets for their products also a barrier to get a better price for their product. Most of the SHGs members are not educated, illiterates. They are not having basic simple calculations for book keeping and accounting. This leads to various types of problems and also exploitation by middlemen and even MFIs. SHGs are lack on technology updating. The banks should advance adequate credit to the SHGs making proper assessment of the credit needs of the members as a result of which the members can solve their problems and make professional improvement. Marketing facilities for the sale of the products of SHGs may be created (*Rajan Kumar Sahoo 2006*). Basic literacy needed to get newly enhanced banking concepts and transactions in the digital economy.

SUGGESTIONS

- Training on Regular basis
The Financial Literacy Programme has been structured to training the SHG participants' progress towards meeting their savings and asset goals. The training based on regular basis will make them newly adopted technologies. Digital economy requires regular and continuous training needed.
- Banks can make frequent interaction with SHGs leading to quality banker client relationship. Banks should impart training on SHG members regarding new products available like online transfer, Net banking, etc

- In the days of Digital Cashless economy, SHG members get adequate training on new concepts. SHG members have to provide training on financial planning too. Successful SHG can give guidance on financial matters like credit usage, repayment etc., to other SHGs with the support of NGOs or Government who have promoted/monitoring those groups.

CONCLUSION

Financial literacy will help to avoid over-indebtedness, improve quality of services and make wise financial decisions with SHGs. A little enhancement training of capacity building programmes with financial literacy will make optimum results with them. In these days of borderless trading thru websites, financial literacy play vital role for online transactions. Financial literacy in this VUCA world is an indispensable for the SHG members.

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