

## SELF HELP GROUPS [SHGs for poor]

- SHGs have 15-20 members who meet regularly and pool their savings, saving varies from 25 or 100 or more depending on the ability of person.
- After a year or two of regular savings, it becomes eligible for loan from bank. SHGs help borrowers to overcome the problem of lack of collateral.
- Decision regarding loan use is taken by members of the group. Like interest, duration, purpose, amount etc.
- If a member fails to repay other members can pay for his share, because of this feature, banks are willing to lend to SHGs.
- Members can take small loan from group itself. Regular meetings of the group provide platform to discuss and act on a variety of social issues.

## IMPORTANT PYQs

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20. Rita has taken a loan of Rs. 7 lakhs from the bank to purchase a car. The annual interest rate on the loan is 14.5 per cent and the loan is to be repaid in 3 years in monthly instalments. The bank retained the papers of the new car as collateral, which will be returned to Rita only when she repays the entire loan with interest. [1]

Analyse the loan information given above, considering one of the following correct option.

- a. Mode of re-payment
- b. Terms of credit
- c. Interest on loan
- d. Deposit criteria

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Q Why do we need to expand formal sources of credit in India?

OR

Why Banks and cooperative societies need to lend more? [3]

Ans - We need to expand formal sources of credit in India because:-

- i) There is no organisation which supervises the credit activities of lenders in the informal sector.
- ii) There is no one to stop them from using unfair means to get their money back.
- iii) Formal sources of credit are less risky and they charge less rate of interest.
- iv) The RBI supervises the functioning of formal sources of loans.

OR

Banks and cooperative societies need to lend more:-

- i) This would lead to higher incomes.
- ii) People could borrow cheaply for a variety of needs.
- iii) They could grow crops & set up small-scale industries etc.
- iv) Cheap & affordable credit is crucial for the country's development.
- v) It is also important to save & reduce the dependence on informal sources of credit.